

# GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025



**Darussalam, Danny Septriadi, B. Bawono Kristiaji,  
Made Astrin Dwi K. and N. Daniel Sohilait**

**December 2024**



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Authors:

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Sets the Standards and Beyond

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# FOREWORD

The authors offer God Almighty praise and gratitude for His enduring grace and favour, the *Guidelines for Tax Incentives in Indonesia 2024/2025* book is now published. This book epitomises DDTC's steadfast commitment to constant innovations in serving Indonesia's tax community.

Over the past decade, tax incentives have been one of the instruments to support the business sector, ease of doing business and increase competitiveness. This idea is outlined in various legal products stipulating tax incentives, issued by the Ministry of Finance and the Ministry of Investment or the Indonesian Investment Coordinating Board.

Indonesia's tax system currently encompasses a significant number of multifarious incentive regulations. The broad selection of tax incentives, however, has not been widely understood by a vast array of stakeholders. This ultimately leads to the lack of enthusiasm and utilisation of tax incentives by taxpayers. One possible cause is the insufficiency of comprehensive and structured information on incentives. Tax-incentive-related information includes types, benefits, requirements for utilisation, the flow of the application for tax incentives and post-incentive-utilisation obligations.

This book strives to address the literature void by summarising the entire menu and the ins and outs of Indonesia's diverse tax incentives. This book is expected to bridge the government, entrepreneurs, taxpayers and the general public to allow the optimal utilisation of tax incentives in line with improved governance of tax incentives. The tax system, therefore, furnishes support for national economic developments, ensuring conformity with the plans.

This book is compiled in the form of guidelines to facilitate readers in mapping, comparing and comprehensively understanding the diverse tax incentives in effect as of 30 November 2024. For the convenience of readers, this book is divided into 5 (five) sections based on the type of levies, i.e., income tax, Value Added Tax (VAT) and Sales Tax on Luxury Goods (STLGs), import duty, Land and Building Tax (L&B Tax) and tax facilities in the Nusantara Capital City (*Ibu Kota Nusantara*/IKN in Indonesian). In total, more than 90 chapters concerning tax incentives are presented based on the characteristics of the relief scheme offered. Each chapter is grouped based on a structured discussion, ranging from the brief description, incentive benefits, parties receiving the incentives, requirements, application scheme, business process flow chart, post-utilisation obligations, to other important information.

This book is formulated pursuant to statutory tax provisions. Distinct information concerning tax incentives is elaborated systematically and penned in straightforward and concise language. Moreover, a broad range of legal products, forms and documents related to each tax incentive are explained in detail to render convenience for readers in referring to the legal products.

This book constitutes a valuable curation amidst the current dynamics of the tax sector. The rising significance of the supporting capacity of the tax sector for development, the substantial need for transparent and selective incentive governance and the forthcoming implementation of the global minimum tax, are three inevitable dynamics. This book assembles a mosaic of wide-ranging tax incentives that have not been thoroughly identified to date. The aim is for every stakeholder to evaluate and forecast the future trajectory of tax incentives.

The authors wish to thank everyone in support of the publication of this book. Our wholehearted thanks go to our beloved family members for their prayers and moral support.

In closing, with the publication of *Guidelines for Tax Incentives in Indonesia 2024/2025*, the authors seek to offer a positive contribution to the understanding of domestic tax incentives. We assuredly look forward to constructive suggestions and criticism from readers.

Jakarta, December 2024

Darussalam, Danny Septriadi, B. Bawono Kristiaji, Made Astrin Dwi K. And  
N. Daniel Sohilait

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# SECTION I

## INCOME TAX



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**TAX HOLIDAY**

# Chapter 1

## Tax Holiday for Pioneer Industries

### A. Brief Description

Description	
	<p>The tax holiday is in the form of corporate income tax reduction for new investments in 18 pioneer industry groups by 50% or 100% for a period of <b>5 (five) years to 20 (twenty) years</b>, depending on investment value. The minimum investment value is set at IDR100 billion. The following are industry groups eligible for a tax holiday.</p> <ul style="list-style-type: none"> <li>(i) Upstream base metal industry which includes:               <ul style="list-style-type: none"> <li>a. steel; or</li> <li>b. non-steel, without or with its integrated derivatives;</li> </ul> </li> <li>(ii) Oil and natural gas refinery industry without or with its integrated derivatives;</li> <li>(iii) Basic organic chemical industry based on petroleum, natural gas or coal without or with its integrated derivatives;</li> <li>(iv) Basic organic chemical industry from agricultural, plantation or forestry products without or with its integrated derivatives;</li> <li>(v) Basic inorganic chemical industry without or with its integrated derivatives;</li> <li>(vi) Main pharmaceutical raw material industry without or with its integrated derivatives;</li> <li>(vii) Electromedical irradiation or electrotherapy equipment manufacturing industry;</li> <li>(viii) Electronic or telematics equipment main component manufacturing industry;</li> <li>(ix) Machine and machine main component manufacturing industry;</li> <li>(x) Robotic component machine manufacturing industry supporting the manufacturing industry;</li> <li>(xi) Generator main component manufacturing industry;</li> <li>(xii) Motor vehicle and motor vehicle main component manufacturing industry;</li> <li>(xiii) Ship main component manufacturing industry;</li> <li>(xiv) Train main component manufacturing industry</li> <li>(xv) Ship main component manufacturing industry;</li> </ul>

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	<p>(xvi) Aircraft main component manufacturing industry and supporting activities for the aerospace industry;</p> <p>(xvii) Processing industries based on agricultural, plantation or forestry products producing pulp without or with its derivatives;</p> <p>(xviii) Economic infrastructure; or</p> <p>(xix) Digital economy which includes data processing, hosting and related activities.</p>
<b>Incentive type</b>	Tax reduction/exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 94 of 2010 concerning the Calculation of Taxable Income and Settlement of Income Tax in the Current Year (<a href="#">Gov. Reg. No. 94/2010</a>);</li> <li>2. Government Regulation Number 45 of 2019 concerning the Amendment to Government Regulation Number 94 of 2010 concerning the Calculation of Taxable Income and Settlement of Income Tax in the Current Year (<a href="#">Gov. Reg. No. 45/2019</a>);</li> <li>3. Government Regulation Number 9 of 2021 concerning the Tax Treatment to Support Ease of Doing Business (<a href="#">Gov. Reg. No. 9/2021</a>);</li> <li>4. Government Regulation Number 55 of 2022 concerning Adjustments to the Regulation in the Field of Income Tax (<a href="#">Gov. Reg. No. 55/2022</a>);</li> <li>5. Minister of Finance Regulation Number 169/PMK.010/2015 concerning the Determination of the Debt-to-Equity Ratio of Companies to Calculate Income Tax (<a href="#">MoF Reg. 169/2015</a>);</li> <li>6. Minister of Finance Regulation Number 130/PMK.010/2020 concerning the Granting of the Corporate Income Tax Reduction Facility (<a href="#">MoF Reg. 130/2020</a>);</li> <li>7. Minister of Finance Regulation Number 69 of 2024 concerning the Amendment to the Minister of Finance Regulation Number 130/PMK.010/2020 concerning the Granting of the Corporate Income Tax Reduction Facility (<a href="#">MoF Reg. 69/2024</a>);</li> <li>8. Indonesian Investment Coordinating Board Regulation Number 7 of 2020 concerning Details of Business Sectors and Types of Production of Pioneer Industries and Procedures for the Granting of the Corporate Income Tax Reduction Facility (<a href="#">BKPM Reg. 7/2020</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors



<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2011

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 85-86, with adjustments to the latest developments.

## **B. Incentive Benefits**

Corporate taxpayers performing new investments in pioneer industries are eligible for corporate income tax reduction for income from main business activities. The value of new investment is determined to be a minimum of IDR100 billion. The tax holiday is granted in the amount of:

- (i) 100% of the amount of corporate income tax payable for new investment with a minimum value of IDR500 billion. The utilisation period of this incentive is as follows.

**Table 1.1 Investment Plan Periods and Values**

No.	Period	Investment Plan Value
1.	5 years	A minimum of IDR500 billion and less than IDR1 trillion.
2.	7 years	A minimum of IDR1 trillion and less than IDR5 trillion.
3.	10 years	A minimum of IDR5 trillion and less than IDR15 trillion.
4.	15 years	A minimum of IDR15 trillion and less than IDR30 trillion.
5.	20 years	A minimum of IDR30 trillion.

Source: [MoF Reg. 130/2020](#) as amended by [MoF Reg. 69/2024](#).

If the above periods have expired, taxpayers may utilise the corporate income tax reduction of 50% of corporate income tax payable for 2 (two) years.

- (ii) 50% of the amount of corporate income tax payable for new investment with a minimum value of IDR100 billion and a maximum of less than IDR500 billion. The utilisation period of this incentive is 5 (five) years. When this period expires, taxpayers may utilise a corporate income tax reduction of 25% of corporate income tax payable for 2 (two) years.

## **C. Parties Receiving the Incentives**

The corporate income tax reduction may also be utilised by corporate taxpayers that:

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- (i) invest in the business sectors listed in Table 1.2;
- (ii) invest in business sectors that are not listed as pioneer industries but fulfil the quantitative criteria score for pioneer industries; and
- (iii) are assigned by the government pursuant to statutory provisions concerning the acceleration of the implementation of national strategic projects.

The details of the Indonesian Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha Indonesia/KBLI* in Indonesian) that fulfil the criteria of point (i) are shown in Table 1.2.

**Table 1.2 Details of the Indonesian Standard Industrial Classification Entitled to Tax Holiday for Pioneer Industries**

Business Sector	Production Type	
Upstream base metal industry (steel or non-steel) without or with its integrated derivatives	24101A	Base metal rom raw materials other than scrap industry producing steel, including stainless steel
	24102A	Steel milling industry integrated with the steel industry, including stainless steel (KBLI 24101A)
	24103A	Seamless pipe industry integrated with the steel industry, including stainless steel (KBLI 24101A)
	24103B	Steel welded pipe industry integrated with the steel milling industry, including stainless steel (KBLI 24102A)
	24103C	Heavy-profile manufacturing industry integrated with the steel industry (KBLI 24101A)
	24103D	Rail manufacturing industry integrated with the steel industry (KBLI 24101A)
	24201A	Metal manufacturing industry producing gold ingots
	24201B	Metal manufacturing industry producing silver ingots
	24201C	Metal manufacturing industry producing platinum
	24202A1	Basic metal industry producing alumina (bauxite into alumina)
	24202A2	Basic metal industry producing aluminium ingots (alumina into aluminium ingots)
	24202B1	Basic metal industry producing nickel metal from nickel ore using the pyrometallurgy process
	24202B2	Basic metal industry producing nickel metal from nickel ore using the hydrometallurgy process

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Business Sector	Production Type	
	24202C	Basic metal industry producing copper cathodes
	24203A1	Basic metal industry producing aluminium in the form of plates originating from raw materials other than scrap integrated with aluminium ingot manufacturing industry (KBLI 24202A2)
	24203A2	Basic metal industry producing aluminium in the form of rod from raw materials other than scrap integrated with the aluminium ingot manufacturing industry (KBLI 24202A2)
	24203A3	Basic metal industry producing aluminium in the form of billets originating from raw materials other than scrap integrated with the aluminium ingot manufacturing industry (KBLI 24202A2)
	24203C1	Basic metal industry producing copper in the form of plates integrated with the copper cathode manufacturing industry (KBLI 24202C)
	24203C2	Basic metal industry producing copper in the form of strips integrated with the copper cathode manufacturing industry (KBLI 24202C)
	24203C3	Basic metal industry producing copper in the form of sheets integrated with the copper cathode manufacturing industry (KBLI 24202C)
	24204A	Aluminium extrusion industry integrated with aluminium ingot manufacturing industry (KBLI 24202A2)
	24205A1	Aluminium tube industry integrated with aluminium ingot manufacturing industry (KBLI 24202A2)
	24205A2	Seamless pipe industry integrated with the aluminium ingot manufacturing industry (KBLI 24202A2)
	24205A3	Welded aluminium pipes industry integrated with the aluminium ingot manufacturing industry (KBLI 24202A2)
	24205C	Copper pipe manufacturing industry integrated with basic metal industry producing copper cathodes (KBLI 24202C)
	24202D	Industries producing rare earth elements
	24202E	Basic metal from raw materials other than scrap industry producing lead
	24202F	Basic metal from raw materials other than scrap industry producing zinc

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<b>Business Sector</b>	<b>Production Type</b>	
Oil and gas refinery industry without or with its integrated derivatives	19211	Fuel from oil and gas refinery industry
	19291A	Petrochemical industry producing olefins integrated with oil and gas refinery and processing industry (KBLI 19211)
	19291B	Petrochemical industry producing aromatics integrated with oil and gas refinery and processing industry (KBLI 19211)
	19291C	Petrochemical industry producing normal paraffin integrated with oil and gas refinery and processing industry (KBLI 19211)
	19291D	Petrochemical industry producing synthetic gas integrated with the oil and gas refinery and processing industry (KBLI 19211)
Basic organic chemical industry sourced from petroleum, natural gas and/or coal without or with integrated derivatives	19100A	Products from coal industry producing semi-coke
	20117A	Basic organic chemical industry producing ethylene
	20117B	Basic organic chemical industry producing propylene
	20117C	Basic organic chemical industry producing butadiene
	20117D	Basic organic chemical industry producing benzene
	20117E	Basic organic chemical industry producing toluene
	20117F	Basic organic chemical industry producing xylene
	20117G	Basic organic chemical industry producing methanol
	20117H	Basic organic chemical industry producing formic acid
	20117I	Basic organic chemical industry producing dimethyl ether
	20117J	Basic organic chemical industry producing carbon black
	20117K	Basic organic chemical industry producing caprolactam
	20117L	Basic organic chemical industry producing ethylene glycol
	20117M	Basic organic chemical industry producing marine fuel oil
	20117A1	Chemical industry producing polyethylene integrated with ethylene (KBLI 20117A)
	20117A2	Chemical industry producing ethyl benzene integrated with ethylene (KBLI 20117A)
	20117A3	Chemical industry producing dichloroethylene integrated with ethylene (KBLI 20117A)

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Business Sector	Production Type	
	20117B1	Chemical industry producing acrylonitrile integrated with propylene (KBLI 20117B)
	20117B2	Basic organic chemical industry producing formic acid
	20117D1	Chemical industry producing cyclohexane integrated with benzene (KBLI 20117D)
	20117F1	Chemical industry producing c-PTA integrated with xylene (KBLI 20117F)
	20117H1	Chemical industry producing acetic acid integrated with formic acid (KBLI 20117H)
	20117A4	Chemical industry producing styrene integrated with ethylbenzene (KBLI 20117A2)
	20117A5	Chemical industry producing vinyl chloride monomer integrated with dichloroethylene (KBLI 20117A3)
	20117B3	Chemical industry producing acetone integrated with isopropyl alcohol (KBLI 20117B2)
	20117F2	Chemical producing p-PTA integrated with c-PTA (KBLI 20117F1)
	20117F3	Chemical producing DMT integrated with c-PTA (KBLI 20117F1)
	20117H2	Chemical producing ethyl acetate integrated with acetic acid (KBLI 20117H1)
	20118A	Special chemical industry producing flavour and fragrance
	20118B	Industries producing catalysts
	20131A	Industries producing alkyd resins
	20131B	Industries producing polyester resins
	20131C	Industries producing amino resins
	20131D	Industries producing polyamide resins
	20131E	Industries producing epoxide resins
	20131F	Industries producing silicone resins
	20131G	Industries producing polyurethane resins
	20131H	Industries producing polyethylene resins
	20131I	Industries producing polypropylene resins
	20131J	Industries producing polystyrene resins
	20131K	Industries producing polyvinyl chloride resins
	20131L	Industries producing cellulose acetate resins
	20131M	Industries producing nitrocellulose resins
	20132A	Synthetic rubber industry producing Styrene Butadiene Rubber (SBR) integrated with organic basic chemical industry (KBLI 20117)
	20132B	Synthetic rubber industry producing polychloroprene (neoprene) integrated with organic basic chemical industry (KBLI 20117)

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Business Sector</b>	<b>Production Type</b>	
	20132C	Synthetic rubber industry producing acrylonitrile butadiene rubber (nitrile rubber) integrated with organic basic chemical industry (KBLI 20117)
	20132D	Synthetic rubber industry producing ethylene, propylene, non-conjugated diene rubber (Ethylene-Propylene Diene Rubber/EPDM) integrated with organic basic chemical industry (KBLI 20117)
	20132E	Synthetic rubber industry producing silicone rubber (polysiloxane) integrated with organic basic chemical industry (KBLI 20117)
	20132F	Synthetic rubber industry producing isoprene rubber integrated with the organic basic chemical industry (KBLI 20117)
	20132G	Synthetic rubber industry producing poly butadiene rubber integrated with organic basic chemical industry (KBLI 20117)
	20301A	Fibre (tow), yarn, polyamide synthetic filament strip manufacturing industry
	20301B	Fibre (tow), yarn, synthetic polyacrylic filament strip manufacturing industry
	20301C	Fibre (tow), yarn and polypropylene synthetic filament strip manufacturing industry
	20302A	Polyamide staple fibre industry
	20302B	Polyacrylic staple fibre industry
	22291A	Industries producing polyethylene film
	23990A	Industries producing asphalt
Basic organic chemical industry sourced from agricultural, plantation or forestry products without or with integrated derivatives	20115A	Basic organic chemical industry producing beta carotene
	20115B	Basic organic chemical industry producing tocopherol
	20115C	Basic organic chemical industry producing tocotrienols
	20115D	Basic organic chemical industry producing green diesel
	20115E	Basic organic chemical industry producing green gasoline
	20115F	Basic organic chemical industry producing green aviation turbine fuel (avtur)
	20115G	Basic organic chemical industry producing bio lubricants
	20115H	Basic organic chemical industry producing biosurfactants
	20115I	Basic organic chemical industry producing bioethanol (fuel grade ethanol)
	20115J	Basic organic chemical industry producing bio emulsifiers

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Business Sector	Production Type	
	20115K	Basic organic chemical industry producing recovered oil
	20301D	Fibre (tow), yarn, synthetic cellulose acetate filament strip manufacturing industry
	20301E	Fibre (tow), yarn, synthetic viscose rayon filament strip manufacturing industry
	20302C	Industries producing synthetic viscose rayon staple fibre
	20302D	Industries producing synthetic acetate cellulose staple fibre
Basic inorganic chemical industry without or with its integrated derivatives	20111A	Industries producing caustic soda without or with its integrated derivatives, that uses processes other than mercury processes
	20111B	Industries producing soda ash without or with its integrated derivatives
	20111C	Industries producing sodium chloride without or with its integrated derivatives
	20111D	Industries producing potassium hydroxide without or with its integrated derivatives
	20111E	Industries producing lithium without or with its integrated derivatives
	20111F	Industries producing sodium without or with its integrated derivatives
	20111G	Industries producing potassium without or with its integrated derivatives
	20112A	Industries producing ammonia without or with integrated derivatives
	20113A	Basic inorganic chemical industry producing pigments without or with integrated derivatives
	20114A	Basic inorganic chemical industry producing phosphorus without or with its integrated derivatives
	20114B	Basic inorganic chemical industry producing sulphur without or with its integrated derivatives
	20114C	Basic inorganic chemical industry producing nitrogen without or with its integrated derivatives
	20114D	Basic inorganic chemical industry producing halogen compounds without or with integrated derivatives
	Pharmaceutical main raw material industry without or with its integrated derivatives	21011A
21011B		Biotechnology-based main pharmaceutical raw material industry
21011C		Blood-based medicine raw material manufacturing industry

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Business Sector</b>	<b>Production Type</b>	
	21011D	Industries producing vitamins
	21012A	Pharmaceutical product industry integrated with vaccine main raw material manufacturing industry (KBLI 21011A)
	21012B	Pharmaceutical product industry integrated with biotechnology-based pharmaceutical main raw material industry (KBLI 21011B)
	21012C	Pharmaceutical product industry integrated with blood-based medicine main raw material manufacturing industry (KBLI 21011C)
Irradiation, electromedical and electrotherapy equipment manufacturing industry	26601A	X-ray tube manufacturing industry
	26602A	CT scan manufacturing industry
	26602B	Magnetic Resonance Imaging (MRI) manufacturing industry
Electronic or telematics equipment manufacturing industry, such as semiconductor wafers, backlights for Liquid Crystal Displays (LCD), electrical drivers or displays	26120A	Semiconductor wafer manufacturing industry
	26120B	Display backlight manufacturing industry
	26120C	Electrical driver manufacturing industry
	26120D	Display manufacturing industry
	27201A	Battery manufacturing industry
Machine and machine main component manufacturing industry	27111A	Electric motor manufacturing industry
	28112A	Internal combustion motor manufacturing industry
	28151A	(Non-electric) industrial metal furnace manufacturing industry
	28152A	(Electric) industrial metal furnace manufacturing industry
	28210A	Four-wheeled tractor main component industry integrated with four-wheeled tractors with a capacity of more than 40HP
	28210B	Rural Multifunctional Mechanical Equipment manufacturing industry
	28263	Textile machinery manufacturing industry
Robotic component manufacturing industry supporting manufacturing machine manufacturing industry	28299A	Robotic component manufacturing industry
Generator main component manufacturing industry	27112A	Generator manufacturing industry
	28111A	Turbine generator manufacturing industry
Motor vehicle and motor vehicle main	29101A	Electric vehicle with four or more wheels industry integrated with batteries and electric motors



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<b>Business Sector</b>	<b>Production Type</b>	
component manufacturing industry	29101B	Vehicles with four or more wheels industry integrated with manufacture of a minimum of two main components of motor vehicles with four or more wheels
	29300A	Batteries for motor vehicles with four or more wheels industry
	29300B	Electric motors for motor vehicles with four or more wheels industry
	29300C	Flexy engine compatible with 100% biodiesel for motor vehicles with four or more wheels industry
	29300D	A minimum of two main components of motor vehicles with four or more wheels manufacturing industry integrated with motor vehicles with four or more wheels manufacturing industry
	29300E	Power Control Units (PCU) for electric vehicles with four or more wheels industry
	30911A	Two-wheeled or three-wheeled electric vehicle industry
	30912A	Batteries for two-wheeled or three-wheeled electric vehicle industry
	30912B	Electric motors for two-wheeled or three-wheeled electric vehicle industry
	30912C	Power Control Units (PCU) for two-wheeled or three-wheeled electric vehicle industry
Ship main component manufacturing industry	28112B	Combustion engines for marine use manufacturing industry
Train main component manufacturing company	28112C	Train internal combustion engine manufacturing industry
	30200A	Train traction motor manufacturing industry
	30200B	Railway transmission manufacturing industry
	30200C	Electric, diesel and steam locomotive manufacturing industry
	30200D	Self-propelled train carriage or electric train carriage manufacturing industry
	42205A	Railway signal building construction, maintenance and repair activities
42205B	Railway telecommunications construction, maintenance and repair activities	
Main aircraft component manufacturing industry and supporting	30300A	Aircraft engine industry
	30300B	Aircraft propeller manufacturing industry
	30300C	Rotor manufacturing industry
	30300D	Aircraft structural component manufacturing industry

## GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025

Business Sector	Production Type	
activities for aerospace industry	30300E	Aircraft manufacturing industry integrated with main aircraft component industry (KBLI 30300A, 30300B, 30300C or 30300D)
	22112A	Aircraft tire retread industry
	33153A	Aircraft Maintenance, Repair and Operation (MRO) business activities
Processing industry based on agricultural, plantation or forestry products producing pulp without or with its derivatives	17011A	Industries producing pulp, including dissolving pulp with raw materials from industrial plantation forests
	17013A	Precious paper industry integrated with industries producing pulp (KBLI 17011A)
	17014A	Specialty paper industry integrated with industries producing pulp (KBLI 17011A)
	17012A	Cultural paper industry integrated with industries producing pulp (KBLI 17011A)
	17019A	Other paper industry integrated with industries producing pulp (KBLI 17011A)
	17021A	Paper and corrugated paper board industry integrated with industries producing pulp (KBLI 17011A)
	17022A	Paper and cardboard packaging and boxes industry integrated with industries producing pulp (KBLI 17011A)
	17091A	Tissue paper industry integrated with industries producing pulp (KBLI 17011A)
	17099A	Paper and other cardboard product industry integrated with industries producing pulp (KBLI 17011A)
Economic infrastructure	35111A	New and renewable energy power stations
	42101A	Highway construction
	42912A	Port construction
	52101A	Investment and operation of oil tanking
	49110A	Long-distance rail transportation for passengers
Digital economy that includes data processing, hosting and related activities	63112	Hosting activities and related activities
	61300	Satellite telecommunications activities

Source: [BKPM Reg. 7/2020](#), further processed by the Author.

### D. Requirements

Corporate income tax reduction may be utilised by corporate taxpayers insofar as they fulfil general and special requirements.

## D.1 General requirements

Resident taxpayers with the following criteria:

- (i) constituting a pioneer industry;
- (ii) having status as an Indonesian legal entity;
- (iii) performing new investments for which the following have never been issued:
  - a. the decision concerning the granting or notification concerning the rejection of corporate income tax reduction;
  - b. the decision concerning income tax facilities for investments in certain business sectors and/or in certain areas pursuant to Art. 31A of the ITL;
  - c. the notification concerning the granting of the tax facilities for investments stipulated under the ministerial regulation concerning the granting of the net income reduction facility for new investments or spin-offs in certain business sectors constituting labour-intensive industries pursuant to Art. 29A of [Gov. Reg. No. 45/2019](#);
  - d. the decision concerning the granting of Income Tax facilities in Special Economic Zones (SEZs or *Kawasan Ekonomi Khusus/KEK* in Indonesian);
  - e. the decision on the granting of the corporate income tax reduction facility pursuant to the government regulation concerning the granting of business licensing, ease of doing business and investment facilities for entrepreneurs in the Nusantara Capital;
- (iv) having a new investment plan of a minimum of IDR100 billion;
- (v) fulfilling the provisions on the Debt-to-Equity Ratio (DER) of 4:1 pursuant to the provisions under [MoF Reg. 169/2015](#);
- (vi) committed to start realising the investment plan no later than 1 (one) year after the issuance of the decision on the corporate income tax reduction.
- (vii) in the event that the shareholding of the taxpayer is directly owned by another resident Taxpayer, the other resident taxpayer must hold an automated tax clearance certificate (Surat Keterangan Fiskal/SKF in Indonesian).

All the above requirements must be submitted before the start of commercial production. Thus, the application may be submitted:

- (i) simultaneously with the registration for a business identification number (*Nomor Induk Berusaha/NIB* in Indonesian) for new taxpayers; or
- (ii) no later than 1 (one) year after the issuance of a business permit for new investments.

## D.2 Special Requirements

[MoF Reg. 130/2020](#) as amended by [MoF Reg. 69/2024](#) elucidates that in addition to the general requirements above, there are special requirements. These special requirements include corporate taxpayers investing other than in listed pioneer industries and taxpayers conducting government assignments. The details are as follows.

### D.2.1 Investments Other Than in Listed Pioneer Industries

*First*, special provisions are regulated for taxpayers investing outside industries listed as pioneer industries. The application for the corporate income tax reduction may be submitted for this type of investments insofar as the following are fulfilled:

- (i) the criteria stated in section D.1 concerning general requirements in points (ii) to (vi);
- (ii) the pioneer industry's quantitative criteria score is a minimum of 80; and
- (iii) attaching the automated tax clearance certificates of all resident taxpayer shareholders.

Please note that all of the above requirements must be submitted before the start of commercial production. Thus, the application may be submitted:

- (i) simultaneously with the registration for a business identification number for new taxpayers; or
- (ii) no later than 1 (one) year after the issuance of a business permit for new investments.

### D.2.2 Government Assignments

*Second*, special provisions stipulated for taxpayers that receive government assignments concerning the acceleration of the implementation of national strategic projects. Taxpayers of this type may apply for a corporate income tax reduction and are given certain treatment insofar as they fulfil the criteria in the points of general requirements or special requirements for other than pioneer industries.

The specific treatment for government-assigned taxpayers is in the form of:

- (i) the time the application for the corporate income tax reduction is submitted is excluded from the provisions of before the start of commercial production;
- (ii) the application for the corporate income tax reduction is submitted:

- a. simultaneously with the registration for a business identification number for new taxpayers; and
  - b. no later than 1 (one) year after the issuance of a business permit for new investments.
- (iii) the value of the investment constituting the basis for determining the period for the corporate income tax reduction is the value of investment at the time the taxpayer that declares that such a taxpayer has realised all investment plans; and
- (iv) the corporate income tax reduction is utilised by the taxpayers insofar as they have started commercial production and realised all investment plans.

A noteworthy aspect in the scope of government assignments is the implementation of the spin-off scheme. For the spin-off scheme, obtaining a corporate income tax reduction includes the entire value of investment resulting from the spin-off and the value of new investment. The period for corporate income tax reduction for the spin-off scheme is based on:

- (i) the entire value of investment (value of investment + value of investment resulting from the spin-off if the value of the investment is greater than the value of investment resulting from the spin-off; or
- (ii) the value of new investment if the value of the new investment is lower than the value of the investment resulting from business spin-off.

### **D.3 Application Forms or Reports**

The following are the forms and files required to utilise the corporate income tax reduction incentive for pioneer industries:

- (i) application form for the corporate income tax reduction facility;
- (ii) details of the taxpayer's fixed assets in the investment value plan;
- (iii) a photocopy of the business identification number;
- (iv) a photocopy of the business permit/principle permit/spin-off permit;
- (v) a photocopy of the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
- (vi) a statement letter that commercial production has not yet started;
- (vii) a statement letter that the provision on the amount of DER is fulfilled;
- (viii) a statement/commitment to start realising the investment plan no later than 1 (one) year after the issuance of the decision on the corporate income tax reduction;
- (ix) the soft copy or electronic documents of the automated tax clearance certificates of the resident taxpayer shareholders;

- (x) a power of attorney if the application is not submitted in person by the director of the company.

There are additional documents for taxpayers investing other than in the listed industries. The additional documents are as follows:

- (i) a review of the fulfilment of the pioneer industry criteria; and
- (ii) self-assessment of the pioneer industry quantitative criteria.

### **E. Application Scheme**

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Corporate taxpayers may utilise the corporate income tax reduction in 2 (two) stages. *First*, the approval process for the granting of the facility. This process consists of several steps, as follows:

- (i) taxpayers that fulfil the criteria and government assignments may apply online via the Online Single Submission (OSS) system;
- (ii) if the notification states that the criteria are fulfilled, the taxpayer may continue the application through the OSS system;
- (iii) documents to be uploaded include details of assets in the investment, a statement letter of the DER, a letter of appointment of a national strategy project and a statement/commitment;
- (iv) in addition to the above forms and files, there are additional documents that must be uploaded for corporate taxpayers with business sectors that are not listed in pioneer industries, as follows:
  - a. a review of the fulfilment of pioneer industry criteria, which includes:
    - explanation of the production process flow of business activities and product scope;
    - projected financial statements including exempt income tax and income tax paid after obtaining the corporate income tax reduction facility as well as VAT payments from the start of production;
    - supporting data for each pioneer industry quantitative criteria.
  - b. self-assessment of pioneer industry quantitative criteria with a minimum score of 80.
- (v) corporate taxpayers with business sectors not listed in pioneer industries apply by attaching the documents mentioned in number (iv) through the OSS system;
- (vi) the verification process will be conducted no later than 5 (five) business days;
- (vii) if the verification process is deemed not to comply with the provisions, a rejection letter will be issued. On the other hand, if the verification results

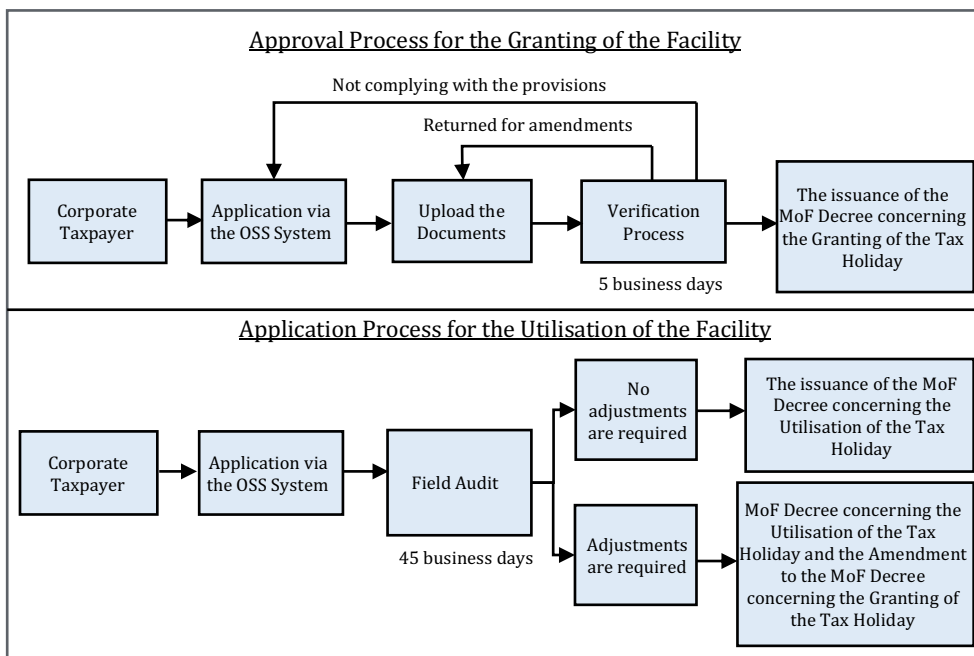
state that the application is incomplete, it will be returned for amendments and if the verification states that the application is complete, it may be further processed;

- (viii) the issuance of a minister of finance decree (MoF decree or *Keputusan Menteri Keuangan/KMK* in Indonesian) concerning the granting of a tax holiday. A copy of the minister of finance decree is sent to the taxpayer, the Ministry of Finance, the Director General of Taxes and ministries or institutions in certain sectors.

Second, the submission process of the application for the utilisation of the facility. This process consists of several steps, as follows:

- (i) the taxpayer applies via the OSS system by uploading documents that include:
  - a. the list of investment realisation in the form of fixed assets as well as layout drawings; and
  - b. documents relating to:
    - the first sales transaction of products or supply of services from the main business activity to the market including, may be in the form of tax invoices or invoices; or
    - the first time the products or services from the main business activity are self-used for further production processes, may be in the form of the personal-use report;
    - the automated tax clearance certificate;
- (ii) based on the application, a field audit will be conducted by the Director General of Taxes. This field audit is conducted within a maximum period of 45 (forty-five) business days after the notice of audit is submitted;
- (iii) if the field audit findings are deemed to require adjustments, a minister of finance decree concerning the utilisation of the tax holiday will be issued and the minister of finance decree concerning the granting of the tax holiday will be amended.

**F. Flow Chart**



Source: Indonesian Investment Coordinating Board. *Tax Holiday*, Internet, can be accessed via <https://regionalinvestment.bkpm.go.id/pir/insentif>, with adjustments to the latest developments.

**G. Post-Incentive-Utilisation Obligations**

An obligation is to be fulfilled by a taxpayer that has received the decision on the utilisation of the tax holiday incentive. In this case, the taxpayer is required to submit reports every 1 (one) year to the Director General of Taxes and the Fiscal Policy Agency. The reports include:

- (i) investment realisation report;
- (ii) production activity realisation report; and
- (iii) letter of submission of the investment realisation/production activity realisation reports.

The reports must be submitted no later than 30 (thirty) days after the end of the tax year concerned via the OSS system.



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## H. Other Important Information

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### H.1 Global Minimum Tax

MoF Reg. 69/2024 elucidates that if taxpayers that have obtained a corporate income tax reduction facility and are included in the scope of certain taxpayers stipulated under statutory laws and regulations concerning the imposition of the global minimum tax on multinational enterprise groups in Indonesia, the taxpayers are subject to the additional domestic minimum tax pursuant to statutory provisions in the field of taxation.

The imposition of the additional domestic minimum tax also applies to taxpayers that have obtained a corporate income tax reduction facility before the entry of force of MoF Reg. 69/2024.

### H.2 Period for the Granting of the Corporate Income Tax Reduction

Pursuant to MoF Reg. 69/2024, the period for the granting of the corporate income tax reductions is extended. Corporate income tax reduction may be reduced if the proposal for the reduction has been submitted to the Minister of Finance no later than 31 December 2025.

### H.3 Special Provisions

There are special provisions stipulating the granting of the corporate income tax reduction. the special provisions pertain to field audits and the revocation of the corporate income tax reduction. *First*, the field audit is conducted within a maximum period of 45 (forty-five) business days after the notice of audit is submitted. The field audit is conducted by the Director General of Taxes referring to the minister of finance regulation stipulating audit procedures.

*Second*, the decision on the granting of the corporate income tax reduction is revoked. The revocation applies if:

- (i) the field audit findings are:
  - a. the total realised value of the new investment is less than IDR100 billion;
  - b. the realisation does not correspond to main business activities;
  - c. the taxpayer has started commercial production when applying for the tax holiday; and/or
  - d. the taxpayer does not fulfil the pioneer industry quantitative criteria.
- (ii) the taxpayer imports, purchases or acquires used capital goods, in the context of realising new investment that obtain a corporate income tax reduction;

- (iii) the taxpayer transfer assets during the utilisation period of the corporate income tax reduction, except for efficiency purposes; and/or
- (iv) the taxpayer relocates investments that obtain a corporate income tax reduction overseas.

## Chapter 2

# Tax Holiday in Special Economic Zones

### A. Brief Description

<b>Description</b>	Every business entity managing a Special Economic Zone (SEZ or <i>Kawasan Ekonomi Khusus/KEK</i> in Indonesian) and entrepreneur in the SEZ is eligible for a corporate income tax reduction facility (tax holiday) for business entities conducting business in the SEZ and entrepreneurs investing in the main activity in the SEZ.
<b>Incentive type</b>	Tax reduction/exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 39 of 2009 concerning Special Economic Zones (Law 39/2009);</li> <li>2. Government Regulation Number 40 of 2021 concerning the Administration of Special Economic Zones (<a href="#">Gov. Reg. No. 40/2021</a>);</li> <li>3. Minister of Finance Regulation Number 237/PMK.010/2020 concerning the Tax, Customs and Excise Treatment in Special Economic Zones (<a href="#">MoF Reg. 237/2020</a>);</li> <li>4. Minister of Finance Regulation Number 33/PMK.010/2021 concerning the Amendment to the Minister of Finance Regulation Number 237/PMK.010/2020 concerning the Tax, Customs and Excise Treatment in Special Economic Zones (<a href="#">MoF Reg. 33/2021</a>);</li> <li>5. Indonesian Investment Coordinating Board Regulation Number 2 of 2021 concerning Procedures for the Determination of the Fulfilment of the Criteria and Offline Submission of the Application for Income Tax Facilities in Special Economic Zones (<a href="#">BKPM Reg. 2/2021</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2016

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 87.

## B. Incentive Benefits

One of the income tax facilities available in SEZs is a corporate income tax reduction. The corporate income tax reduction facility includes, among others:

- (i) corporate income tax reduction of 100% of the amount of corporate income tax payable;
- (ii) given for an investment value of a minimum of IDR100 billion.

The corporate income tax reduction facility may be utilised by business entities for 10 (ten) years. Moreover, for entrepreneurs, the facility may be utilised with the following conditions.

**Table 2.1 SEZ Investment Plan Periods and Values**

No.	Period	Investment Plan Value
1.	10 years	A minimum of IDR100 billion to less than IDR500 billion.
2.	15 years	A minimum of IDR500 billion to less than IDR1 trillion
3.	20 years	A minimum of IDR1 trillion

Source: processed by the Author

Please note that if the above periods have expired, business entities or entrepreneurs remain eligible for the corporate income tax reduction. The corporate income tax reduction amounts to 50% and is granted for the following two tax years.

## C. Parties Receiving the Incentives

The tax holiday facility (hereinafter referred to as corporate income tax reduction) is provided to 2 (two) parties. *First*, the corporate income tax reduction facility is provided to business entities that derive certain income. In this case, the business entities refer to the business entities that conduct SEZ business activities. In this case, business entities that may utilise this incentive are those that receive or accrue income from:

- (i) transfers of land and/or buildings in SEZs;
- (ii) land and/or building rents in SEZs; and
- (iii) the main business activity in SEZs other than the above-mentioned income mentioned.

*Second*, the facility is also provided to entrepreneurs investing in main business activities in an SEZ. In this case, entrepreneurs refer to entrepreneurs conducting business in the SEZ. Please note that the main activity refers to the provisions under [BKPM Reg. 2/2021](#). Details of the Indonesian Standard Industrial Classification are shown in Table 2.2.

**Table 2.2 Details of the KBLIs of SEZ Main Activities**

Main Activity	Scope of Business	
Production and Processing	10130	Meat and poultry product processing and preservation industry
	10211	Fish salting/drying industry
	10212	Fish smoking/grilling industry
	10213	Fish freezing industry
	10215	Fish fermentation industry
	10216	Minced-meat- and surimi-based industry
	10217	Fish cooling/chilling industry
	10219	Other fish processing and preservation industries
	10221	Canned (non-shrimp) fish and aquatic biota processing and preservation industry
	10222	Canned shrimp processing and preservation industry
	10291	Other aquatic biota salting/drying industry
	10292	Other aquatic biota smoking/grilling industries
	10293	Other aquatic biota freezing industries
	10295	Other aquatic biota fermentation industries
	10296	Other minced aquatic biota-based industries
	10297	Other aquatic biota cooling/chilling industries
	10298	Seaweed processing industry
	10299	Other aquatic biota processing and preservation industries
	10312	Fruit and vegetable crushing industry
	10320	Canned fruit and vegetable processing and preservation industry
	10411	Crude oil and vegetable fat industry
	10412	Margarine industry
	10414	Fish oil industry
	10415	Non-coconut and palm oil industry
	10421	Copra industry
	10422	Coconut crude oil industry
	10423	Coconut oil industry
	10424	Coconut pellet industry
	10431	Crude palm oil industry
	10432	Crude palm kernel oil industry
	10433	Crude palm oil and crude palm kernel oil fractionation industry
	10434	Crude palm oil and crude palm kernel oil refinery industry
10435	Crude palm oil fractionation industry	
10436	Crude palm kernel oil fractionation industry	
10437	Palm oil industry	
10510	Fresh milk and cream processing industry	

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Main Activity	Scope of Business	
	10520	Milk powder and condensed milk processing industry
	10531	Ice cream processing industry
	10613	Various tubers and vegetables (including rhizomes) milling industry
	10614	Mixed flour and flour dough industry
	10615	Cereal food industry
	10616	Wheat flour industry
	10621	Cassava starch industry
	10622	Various types of palm starch industry
	10623	Glucose and the like industry
	10629	Starch and other starch product industry
	10634	Rice and corn starch industry
	10635	Sweetener from rice and corn industry
	10636	Oil from corn and rice industry
	10710	Bakery and cake product industry
	10721	Sugar industry
	10729	Other non-syrup sugar processing industries
	10731	Cocoa industry
	10732	Chocolate-based food and chocolate confectionery industry
	10733	Fruit and vegetable compote industry
	10734	Confectionery industry
	10739	Other confectionery industries
	10740	Macaroni, noodles and similar products industry
	10750	Food and processed food industry
	10761	Coffee processing industry
	10762	Herbal infusion processing industry
	10763	Tea processing industry
	10771	Soy sauce industry
	10772	Cooking spices and food flavouring industry
	10773	Cooking products from coconut industry
	10774	Salt processing industry
	10779	Other cooking product industry
	10791	Baby food industry
	10793	Food from soybeans and nuts other than soy sauce, tempeh and tofu industry
	10794	Crackers, chips, peanut crickets ( <i>peyek</i> in Indonesian) and the like industry
	10795	Vegetable creamer industry
	10799	Other food products whose main ingredient is sago industry
	10801	Animal food ration industry
	11010	Distilled alcoholic beverage industry
	11020	Alcoholic beverages from fermented grapes and other agricultural products industry

**CHAPTER 2:  
TAX HOLIDAY IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	11031	Alcoholic beverages from fermented malt industry
	11032	Malt industry
	11040	Soft drink industry
	11051	Bottled water industry
	13111	Textile fibre preparation industry
	13112	Yarn spinning industry
	13121	Weaving industry (other than the weaving of gunny sacks and other sacks)
	13131	Yarn perfection industry
	13132	Fabric finishing industry
	13133	Fabric printing industry
	13911	Knitted fabric industry
	13921	Manufacture of textile finished goods for household use
	13924	Knitted and embroidered finished product industry
	13929	Other textile finished goods industries
	13930	Carpet and rug industry
	13991	Narrow fabric industry
	13992	Industries producing fabric for industrial use
	13993	Non-woven industry
	13994	Tire fabric industry
	13999	Other textile industries
	14111	Textile apparel (confection) industry
	14112	Leather apparel (confection) industry
	14131	Textile apparel accessories industry
	14132	Leather clothing industry
	14200	Apparel and goods from fur industry
	14301	Knitted apparel industry
	14302	Embroidered apparel industry
	15112	Leather tanning industry
	15114	Composite leather industry
	15121	Leather and composite leather products for personal use industry
	15122	Leather and composite leather products for engineering/industrial purposes industry
	15123	Leather and composite leather products for animal industry
	15129	Leather and composite leather products for other purposes industry
	15201	Daily footwear industry
	15202	Sports shoes industry
	15203	Field engineering shoes/industrial shoes industry
	16211	Plywood industry

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Main Activity	Scope of Business	
	16212	Laminated plywood, including decorative plywood industry
	16213	Other wood panel industries
	16214	Veneer industry
	16215	Laminated wood industry
	16221	Wooden building product industry
	16222	Prefabricated wooden building industry
	16230	Wooden container industry
	17011	Paper pulp industry
	17012	Cultural paper industry
	17013	Precious paper industry
	17014	Specialty paper industry
	17019	Other paper industries
	17021	Corrugated paper and paper board industry
	17022	Paper and cardboard packaging and boxes industry
	17091	Tissue paper industry
	17099	Other paper and paper board products not elsewhere classified
	19212	Lubricant manufacturing industry
	19291	Products from petroleum refinery industry
	20111	Chlorine and alkali basic inorganic chemical industry
	20112	Industrial gas basic inorganic chemical industry
	20113	Pigment basic inorganic chemical industry
	20114	Other basic inorganic chemical industries
	20115	Basic organic chemical industry sourced from agricultural products
	20116	Basic organic chemical industry for dye and pigment raw materials, dyes and pigments
	20117	Basic organic chemical industry sourced from petroleum, natural gas and coal
	20118	Basic organic chemical industry producing specialty chemicals
	20119	Other organic basic chemical industries
	20121	Natural/non-synthetic primary macro nutrient fertiliser industry
	20122	Primary macro nutrient single synthetic fertiliser industry
	20123	Primary macro nutrient synthetic fertiliser industry
	20124	Primary macro nutrient mixed synthetic fertiliser industry
	20125	Secondary macro nutrient fertiliser industry
	20126	Micronutrient fertiliser industry
	20127	Complementary fertiliser industry



**CHAPTER 2:  
TAX HOLIDAY IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	20129	Other fertiliser industries
	20131	Synthetic resin and plastic raw material industry
	20132	Synthetic rubber industry
	20211	Pesticide raw material (active ingredient) industry
	20212	Pesticide (formulation) industry
	20213	Plant growth regulator industry
	20214	Soil amendment industry
	20221	Paint and printing ink industry
	20222	Varnish (including mastics) industry
	20231	Soap and household cleaning product industry
	20232	Cosmetics for humans, including toothpaste industry
	20233	Cosmetics for animals' industry
	20234	Denture adhesive industry
	20291	Adhesive/glue industry
	20292	Explosives industry
	20293	Ink industry
	20294	Essential oil industry
	20296	Middle chain essential oil industry
	20299	Other chemical product industry not elsewhere classified
	20301	Synthetic fibre/yarn/filament strip industry
	20302	Synthetic staple fibre industry
	21011	Pharmaceutical ingredients for human industry
	21012	Pharmaceutical products for human industry
	21013	Pharmaceutical products for animals' industry
	21014	Pharmaceutical ingredients for animals' industry
	21015	Medical device industry in subgroup 2101
	21022	Traditional medicine products for humans' industry
	22111	Outer tire and inner tire industry
	22112	Tire retreading industry
	22121	Rubber smoking industry
	22122	Rubber remilling industry
	22123	Crumb rubber industry
	22191	Rubber household product industry
	22192	Rubber products for industrial use industry
	22193	Rubber products for infrastructure industry
	22194	Rubber products for healthcare industry
	22199	Other rubber product industries
	22210	Plastic building materials industry
	22220	Plastic products for packaging industry
	22230	Plastic pipe and fitting industry
	22291	Plastic sheet product industry

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Main Activity	Scope of Business	
	22292	Household equipment and appliances (excluding furniture) industry
	22293	Plastic engineering/industrial product and equipment industry
	23111	Flat glass industry
	23112	Safety glass industry
	23119	Other glass industries
	23121	Household glassware and utensil industry
	23122	Non-clinical, pharmaceutical and healthcare glass laboratory equipment industry
	23123	Glass packaging industry
	23124	Clinical glass laboratory equipment industry
	23129	Other glass product industry
	23911	Firebrick, mortar, cement and similar fire-resistant product industry
	23919	Other refractory clay/ceramic product industry
	23923	Porcelain sanitary ware industry
	23931	Porcelain household equipment industry
	23932	Clay/ceramic household equipment industry
	23933	Porcelain laboratory equipment and electrical/technical equipment industry
	23939	Other non-building-material clay/ceramic and porcelain product industries
	23951	Cement product industry
	23952	Lime product industry
	23953	Cement and lime products for construction industry
	23957	Ready-mixed concrete or mortar industry
	23959	Products from cement, lime, gypsum and other asbestos industry
	23961	Marble and granite products for household and ornamental use industry
	23962	Products from marble and granite for building materials industry
	23969	Products from marble, granite and other stones industry
	24101	Iron and steel making industry
	24102	Steel rolling industry
	24103	Steel and iron pipe and fitting industry
	24201	Precious metal manufacturing industry
	24202	Non-ferrous base metal manufacturing industry
	24203	Non-ferrous metal milling industry
	24204	Non-ferrous metal extrusion industry
	24205	Non-ferrous metal pipe and fitting industry
	24310	Iron and steel casting industry
	24320	Non-ferrous metal casting industry

**CHAPTER 2:  
TAX HOLIDAY IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	25111	Prefabricated non-aluminium metal building component industry
	25112	Prefabricated aluminium metal building component industry
	25113	Prefabricated heavy steel building component industry
	25119	Other prefabricated metal construction component industry
	25120	Metal tank, water reservoir and container industry
	25130	Non-heating boiler steam generator industry
	25200	Weapon and ammunition industry
	25910	Metal forging, pressing, stamping and forming; powder metallurgy industry
	25952	Nail, nut and bolt industry
	25991	Safe, office filing and similar equipment industry
	25992	Metal kitchen utensil and tableware industry
	26110	Electronic tube and electronic connector industry
	26120	Semi-conductor and other electronic component industry
	26210	Computer and/or computer assembly industry
	26220	Computer equipment industry
	26320	Wireless communications equipment industry
	26391	Smart card industry
	26399	Other communications equipment industry
	26410	Television and/or television assembly industry
	26420	Audio and video recording, receiving and reproducing equipment industry, excluding television industry
	26490	Other electronic audio and video equipment industry
	26710	Photographic equipment industry
	26514	Industrial test tool industry
	26520	Timekeeping device industry
	26601	Irradiation/x-ray tools, equipment and the like industry
	26602	Electromedical and electrotherapy equipment industry
	26791	Projector cinematography camera and equipment industry
	26792	Non-eyeglasses binocular and optical instrument industry
	26800	Magnetic media and optical media industry
	27111	Electric motor industry
	27112	Electric generator industry

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Main Activity	Scope of Business	
	27113	Transformer, rectifier and voltage stabiliser industry
	27120	Electrical control and distribution equipment industry
	27201	Battery industry
	27202	Electric accumulator industry
	27203	Electric vehicle battery industry
	27310	Fibre optic cable industry
	27320	Electrical cable and other electronics industry
	27401	Light bulb, central lighting and ultraviolet lamp industry
	27403	Transportation lighting equipment industry
	27404	LED lighting industry
	27510	Household electrical equipment industry
	27520	Household electrothermal equipment industry
	28111	Steam engine, turbine and windmill industry
	28112	Internal combustion engine industry
	28113	Engine and turbine component and spare part industry
	28120	Fluid- and gas-powered equipment industry
	28130	Other pump, compressor, faucet and valve industries
	28140	Bearing, gear and mechanical power transmission equipment industry
	28151	Non-electric oven, furnace and similar combustion furnace industry
	28152	Electric oven, furnace and similar combustion furnace industry
	28160	Lifting and handling equipment industry
	28174	Photocopying machine industry
	28191	Packing, bottling and canning machine industry
	28192	Weighing machine industry
	28193	Refrigeration machine industry
	28199	Other general purpose machinery industries not elsewhere classified
	28210	Agricultural and forestry machinery industry
	28221	Metalworking machinery and machine tool industry
	28222	Woodworking machinery and machine tool industry
	28223	Machinery and machine tools for non-metallic and non-wooden material processing industry
	28224	Electric welding machinery and machine tool industry
	28230	Metallurgical machinery industry
	28240	Mining, quarrying and construction machinery industry

**CHAPTER 2:  
TAX HOLIDAY IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	28250	Food, beverage and tobacco processing machinery industry
	28262	Commercial sewing machine as well as washing machine and dryer industry
	28263	Textile machinery industry
	28264	Needles for sewing, knitting, embroidery machines and the like industry
	28265	Leather product preparation and manufacturing machinery industry
	28291	Printing machine industry
	28292	Paper mill machinery industry
	28299	Other special purpose machinery industry
	29101	Motor vehicles with four or more wheels industry
	29102	Rural multipurpose vehicle industry
	29200	Motor vehicle body with four or more wheels industry and trailer and semi-trailer industry
	29300	Spare parts and accessories for motor vehicles with four or more wheels industry
	30111	Ship and boat industry
	30112	Offshore and floating building industry
	30113	Marine tool, equipment and ship part industry
	30120	Ships and boats for tourism or recreation and sports manufacturing industry
	30200	Locomotive and railroad car industry
	30300	Aircraft and equipment industry
	30400	Military vehicle industry
	30911	Two-wheeled and three-wheeled motorcycle industry
	30912	Two-wheeled and three-wheeled motorcycle component and equipment industry
	30921	Bicycle and wheelchair industry, including rickshaws
	30922	Bicycle and wheelchair equipment industry, including rickshaws
	31001	Wooden furniture industry
	31002	Rattan and/or bamboo furniture industry
	31003	Plastic furniture industry
	31004	Metal furniture industry
	32111	Gem industry
	32112	Precious metal jewellery for personal use industry
	32113	Precious metal jewellery for non-personal use industry
	32114	Precious metal products for engineering and/or laboratory purposes industry
	32115	Pearl jewellery industry

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Main Activity	Scope of Business	
	32119	Other precious metal product industries
	32120	Imitation jewellery and similar product industry
	32202	Non-traditional musical instrument industry
	32300	Sports equipment industry
	32401	Gaming equipment industry
	32402	Children's toy industry
	32501	Furniture for surgery, medical and dental care industry
	32502	Medical and dental equipment, orthopaedic and prosthetic supplies industry
	32503	Glasses industry
	32509	Medical and dental equipment and other supplies industry
	32901	Stationery and drawing tools, including the equipment thereof industry
	32902	Typewriter/drawing machine ribbon industry
	32904	Safety equipment industry
	52101	Warehousing and storage
	52102	Cold storage activities
	52103	Bonded warehousing or bonded zone activities
	52104	Oil and gas storage
	52108	Warehouse receipt system warehouse operator
	52109	Warehousing and other storage
	Logistics and Distribution	52221
52101		Warehousing and storage
52102		Cold storage activities
52103		Bonded warehousing or bonded zone activities
52104		Oil and gas storage
52108		Warehouse receipt system warehouse operator
52109		Warehousing and other storage
52221		Sea port service activities
52240		Cargo handling (loading and unloading of goods)
52291	Transportation management services	
52295	Multimodal transportation	
Research, Digital Economy and Technology Development	58200	Software release
	62012	E-commerce application development activities
	62014	Blockchain technology development activities
	62015	Artificial-intelligence-based programming activities
	62019	Other computer programming activities
	62021	Information security consulting activities
	62022	Digital identity provision activities
	62023	Provision of electronic certificates and services that use electronic certificates activities

**CHAPTER 2:  
TAX HOLIDAY IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	62024	Internet of Things (IoT) consulting and design activities
	63111	Data processing activities
	63112	Hosting and related activities
	63122	Commercial web portal and/or digital platforms
	72101	Natural science research and development
	72102	Technology and engineering research and development
	72103	Medical science research and development
	72104	Biotechnology research and development
	72105	Agricultural, livestock and forestry science research and development
	72106	Fishery and marine science research and development
	72107	Nuclear energy research and development
	72109	Other science and engineering technology research and development
Tourism	49221	Tourist bus transportation
	49442	Tourist railroad transport
	55110	Star hotels
	50113	Domestic sea transportation for tourism
	52231	Airport activities
	55194	Hotel apartments
	55199	Provision of other short-term accommodation
	56302	Nightclubs or discotheques primarily serving beverages
	68112	Venue rental for hosting Meetings, Incentives, Conventions and Exhibitions (MICE) activities and special events
	91022	Privately managed museums
	91024	Privately managed historical/cultural heritage
	91025	Cultural parks
	91029	Other cultural tourism
	93211	Recreational parks
	93219	Theme park or other amusement park activities
	93224	Beach tourism
	93231	Agrotourism
	93232	Recreational parks/tourist parks
	93239	Other man-made tourist attractions
	93242	Diving tourism
	93243	Marina docks
93246	Water tourism activities	
93293	Game arena business	
Energy Development	9100	Oil and gas mining supporting activities
	19100	Coal product industry

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Main Activity</b>	<b>Scope of Business</b>	
	19211	Fuel from petroleum refinery and processing industry
	19292	Coal briquette industry
	24206	Uranium and uranium ore processing industry
	27900	Other electrical equipment industries
	32906	Radioisotope production industry
	32907	Uranium fuel element fabrication industry
	35201	Natural and synthetic gas procurement
	35203	Biogas procurement
Education	85321	Private academic higher education
	85322	Private vocational and professional higher education
	85410	Sports and recreation educational services
	85491	Management and banking education services
	85492	Information and communication technology services
	85496	Flight crew education and air transportation services specifically for flight crew education
	85497	Private engineering education
	85498	Craft and industrial education
	78421	Private engineering job training
	78422	Private information and communication technology job training
	78423	Private creative industry job training
	78424	Private tourism and hospitality job training
	78425	Private business and management job training
	78426	Private domestic job training
	78427	Private agricultural and fishery job training
Health	86103	Private hospital activities
	86105	Main private clinic activities
	86903	Health support service activities
Sports	93111	Stadium facilities
	93112	Circuit facilities
	93113	Arena facilities
	93114	Field facilities
	93116	Fitness centre facilities
	93119	Other sports facility management
Financial Services	64121	Conventional commercial banks
	64122	Sharia commercial banks
	64200	Holding company activities
	64300	Trusts, funding and similar financial entities
	64911	Conventional financing companies
	64912	Sharia financing companies
	64931	Conventional venture capital companies
	64932	Sharia venture capital companies
	64941	Conventional infrastructure financing companies



**CHAPTER 2:  
TAX HOLIDAY IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	64942	Sharia infrastructure financing company
	64951	Conventional fintech P2P lending services
	64952	Sharia-based fintech P2P lending services
	64953	Fintech P2P lending sharia business units
	65111	Conventional life insurance
	65112	Sharia life insurance
	65121	Conventional general insurance
	65122	Sharia general insurance
	65131	Conventional guarantee companies
	65132	Sharia guarantee companies
	65211	Conventional reinsurance
	65212	Sharia reinsurance
	65221	Conventional re-insurance companies
	65222	Sharia reinsurance companies
	66131	Providers of transaction execution facilities in the money market and foreign exchange market
	66411	Payment service providers
	66412	Payment system infrastructure operators
Creative Industry	59112	Film, video and television program production activities by the private sector
	59122	Film, video and television program post-production activities by the private sector
	62011	Video game development activities
	62013	Immersive media content programming and production activities
	74111	Transportation and machinery design activities
	74112	Household equipment and furniture design activities
	74113	Textile, fashion and apparel design activities
	74114	Strategic and defence industrial design activities
	74115	Communication and electronics equipment design activities
	74116	Sports and games equipment design activities
	74117	Health product, cosmetics and laboratory equipment design activities
	74118	Packaging design activities
	74119	Other industrial design activities
	74120	Interior design activities
	74141	Design activities specifically for films, videos, TV programs, animation and comics
	74142	Game content design activities
SEZ Development and Management	68120	Tourism areas
	68130	Industrial parks
Provision of SEZ Infrastructure	35111	Power stations
	35112	Electricity transmission
	35113	Electricity distribution

Main Activity	Scope of Business	
	35114	Electricity sales
	35115	Electricity generation, transmission, distribution and sales in one business unit
	35116	Electricity generation, transmission, distribution and sales in one business unit
	35117	Electricity generation, transmission, distribution and sales in one business unit
	35118	Electricity distribution and sales in one business unit
	35202	Natural and synthetic gas distribution
	35301	Steam/hot water and cold air procurement
	36001	Drinking water storage, purification and distribution
	36002	Raw water storage and distribution
	37011	Non-hazardous wastewater collection
	37021	Non-hazardous wastewater treatment and disposal
	37022	Hazardous wastewater treatment and disposal
	38110	Non-hazardous waste and rubbish collection
	38211	Non-hazardous waste and rubbish treatment and disposal
	68111	Owned or rented real estate

Source: [BKPM Reg. 2/2021](#).

On another note, the SEZ National Council may determine sectors other than those stipulated in the Appendix of [BKPM Reg. 2/2021](#), as SEZ Main Activities.

## D. Requirements

Corporate income tax reduction may be utilised by business entities and entrepreneurs insofar as they fulfil general and special requirements.

### D.1 General Requirements

There are several criteria for entrepreneurs and business entities to utilise the corporate income tax reduction. Details of the criteria for each business entity and entrepreneur are summarised in Table 2.3 below.

**Table 2.3 Details of the Criteria for Business Entities and Entrepreneurs**

No.	Criteria for Business Entities	Criteria for Entrepreneurs
1.	Resident corporate taxpayers conducting business sectors constituting main activities in SEZs	Resident corporate taxpayers conducting business sectors constituting main activities in SEZs

**CHAPTER 2:  
TAX HOLIDAY IN SPECIAL ECONOMIC ZONES**

No.	Criteria for Business Entities	Criteria for Entrepreneurs
	with a minimum investment value of IDR100 billion	with a minimum investment value of IDR100 billion
2.	Having Indonesian legal entity status	Having Indonesian legal entity status
3.	<p>Having investments for which no decision concerning the granting of income tax facilities as stipulated under:</p> <ul style="list-style-type: none"> <li>a. <a href="#">MoF Reg. 237/2020</a>;</li> <li>b. the ministerial regulation concerning the granting of corporate income tax facilities</li> <li>c. the ministerial regulation; concerning the tax, customs and excise treatment in SEZs; or</li> <li>d. the government regulation concerning Income Tax facilities for investments in certain business sectors and/or certain regions.</li> </ul>	<p>Having investments for which no decision concerning the granting of income tax facilities as stipulated under:</p> <ul style="list-style-type: none"> <li>a. <a href="#">MoF Reg. 237/2020</a>;</li> <li>b. the ministerial regulation concerning the granting of corporate income tax facilities</li> <li>c. the ministerial regulation concerning the tax, customs and excise treatment in SEZs; the government regulation concerning income tax facilities for investments in certain business sectors and/or certain regions;</li> <li>d. the ministerial regulation concerning the granting of tax and customs facilities for industrial companies in industrial parks and industrial park companies;</li> <li>e. the ministerial regulation concerning the granting of the net income reduction facility for new investments or business spin-offs in certain business sectors constituting labour-intensive industries.</li> </ul>
4.	Committed to realising an investment of a minimum of IDR100 billion within a maximum period of 4 years from the start of commercial production.	In the event of investments in SEZs located on Java Island, the entrepreneurs must be committed to realising the investment plan within a maximum period of 5 (five) years from the issuance of the decision concerning the granting of the corporate income tax reduction facility.

Source: [MoF Reg. 237/2020](#), processed by the Author.

## D.2 Special Requirements

A special requirement business entities and entrepreneurs should fulfil is attaching the tax clearance certificates of all shareholders. The provisions on the tax clearance certificates to be attached are as follows:

- (i) the tax clearance certificates include all shareholders registered in the deed of establishment or latest deed of amendments;
- (ii) the tax clearance certificates must be held by the shareholders registered in the latest deed of amendments in the event of changes in the shareholders;
- (iii) the tax clearance certificates are issued by the Directorate General of Taxes (DGT).

## D.3 Application Forms and Reports

The following are the forms and files required to utilise the corporate income tax reduction incentive in SEZs.

- (i) Application form for the corporate income tax reduction facility;
- (ii) Details of the taxpayer's fixed assets in the investment value plan;
- (iii) A photocopy of the business identification number;
- (iv) A photocopy of the TIN;
- (v) A statement letter that commercial production has not yet started, except for business entities and entrepreneurs that have started commercial operations until 29 March 2021;
- (vi) Tax clearance certificates of shareholders recorded in the deed of establishment or the latest deed of amendments;
- (vii) A power of attorney if the application is not submitted in person by the director of the company.

There are additional documents for business entities, as follows:

- (i) the determination as business entities to construct and/or manage SEZs from the National Council, provincial local governments, regency/municipal local governments, ministries/non-ministerial government agencies according to their authority; and
- (ii) a letter of commitment to realising the investment plan of a minimum of IDR100 billion no later than 4 (four) years from the start of commercial production.

In contrast, there is an additional document for entrepreneurs investing in SEZs located on Java Island. The document is a letter of commitment to realise the

investment plan within a maximum period of 5 (five) years from the issuance of the decision.

### **E. Application Scheme**

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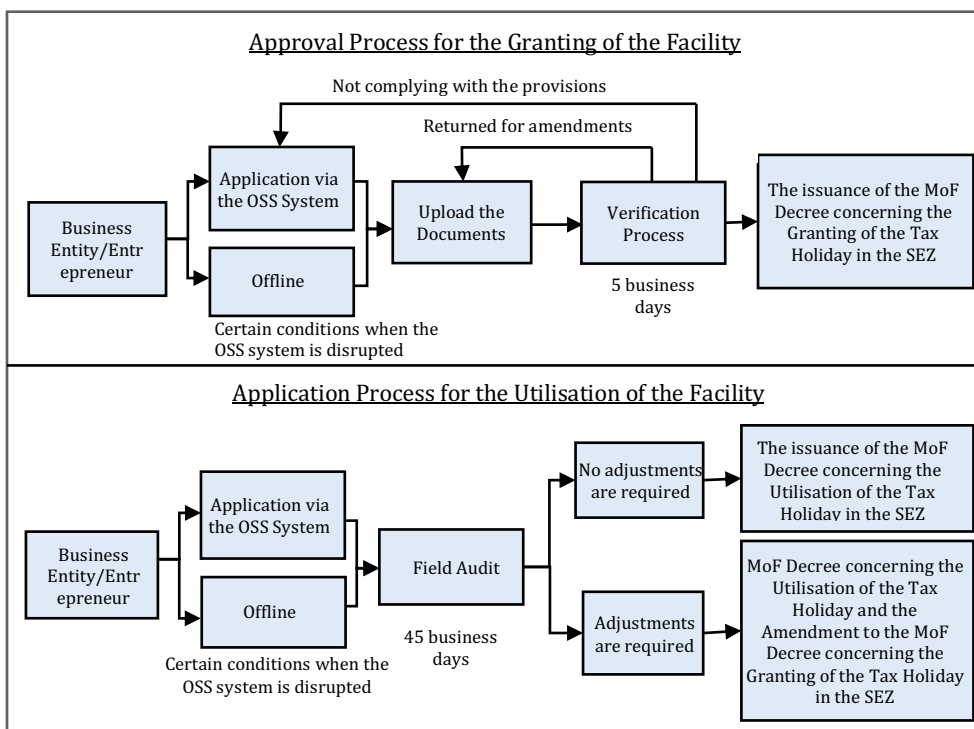
Business entities and entrepreneurs may utilise the corporate income tax reduction in 2 (two) stages. *First*, the approval process for the granting of the corporate income tax reduction facility. Details of the process are as follows.

- (i) Business entities or entrepreneurs are required to apply through the Online Single Submission (OSS) system;
- (ii) The application may be submitted offline if the OSS system is in transition, an internet network in a certain region is not available or force majeure;
- (iii) The application is attached with the soft copy of all documents;
- (iv) The verification process is conducted no later than 5 (five) business days;
- (v) If the verification results do not comply with the provisions, a rejection letter will be issued to business entities or entrepreneurs;
- (vi) In the event of any verification results that need to be amended, they will be returned to business entities or entrepreneurs to be amended;
- (vii) If the verification results conform, the Head of the Indonesian Investment Coordinating Board will issue a minister of finance decree (*Keputusan Menteri Keuangan/KMK* in Indonesian) concerning the granting of the tax holiday in SEZs.

*Second*, the submission process of the application for the utilisation of the facility. This process includes:

- (i) the business entity or entrepreneur applies via the OSS system;
- (ii) a field audit by the Director General of Taxes, the process requires 45 (forty-five) business days;
- (iii) if the field audit findings state that adjustments are required, a minister of finance decree concerning the utilisation of the tax holiday in the SEZ will be issued and the minister of finance decree concerning the granting of the tax holiday will be amended;
- (iv) If the field audit findings state that no adjustments are required, a minister of finance decree concerning the utilisation of the tax holiday in the SEZ will be issued.

**F. Flow Chart**



Source: Indonesian Investment Coordinating Board. *Tax Holiday*, Internet, can be accessed via <https://regionalinvestment.bkpm.go.id/pir/insentif/>

**G. Post-Incentive-Utilisation Obligations**

An obligation is to be fulfilled by a taxpayer that has received the decision on the utilisation of the tax holiday incentive. In this case, the taxpayer is required to submit reports every 1 (one) year to the Director General of Taxes and Fiscal Policy Agency. The reports include:

- (i) investment realisation report;
- (ii) production realisation report; and
- (iii) written notification to the Director General of Taxes before replacing tangible fixed assets that obtain the facilities

**H. Other Important Information**

This special provision is related to income received or accrued by a business entity from business activities. To such income, the following provisions shall apply:

- (i) income tax withholding and collection are not carried out during the corporate income tax reduction period;
- (ii) the income tax exemption certificate for income from the transfer of land and/or building needs to be issued; or
- (iii) the income tax exemption certificate for income from the rent of land and/or building as well as from main business activities in the SEZ does not need to be issued.

Parties that obtain the corporate income tax reduction are prohibited from:

- (i) using tangible fixed assets that obtain facilities other than for the granting of the facilities or to be transferred, except with other tangible assets; and
- (ii) using intangible assets that obtain facilities other than for the granting of the facilities or to be transferred, except with other intangible assets.





# Chapter 3

## Tax Holiday in Industrial Parks

### A. Brief Description

<b>Description</b>	Industrial companies in industrial parks and industrial park companies may be given the corporate income tax reduction facility (tax holiday) based on the grouping of industrial development areas (hereinafter referred to as <i>Wilayah Pengembangan Industri/WPI</i> in Indonesian). In this case, WPI is divided into 4 (four) types, namely advanced WPI, developing WPI, potential I WPI, potential II WPIs. The tax holiday in the form of the corporate income tax reduction is only given to potential WPI II.
<b>Incentive type</b>	Tax reduction/exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 20 of 2024 concerning Industrial Zoning (Gov. Reg. No. 20/2024);</li> <li>2. Minister of Finance Regulation Number 105/PMK.010/2016 concerning the Granting of Tax and Customs Facilities for Industrial Companies in Industrial Parks and Industrial Park Companies (<a href="#">MoF Reg. 105/2016</a>);</li> <li>3. Minister of Finance Regulation Number 130/PMK.010/2020 concerning the Granting of the Corporate Income Tax Reduction Facility (<a href="#">MoF Reg. 130/2020</a>);</li> <li>4. Minister of Finance Regulation Number 69 of 2024 concerning the Amendment to the Minister of Finance Regulation Number 130/PMK.010/2020 concerning the Granting of the Corporate Income Tax Reduction Facility (<a href="#">MoF Reg. 69/2024</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 1 July 2016

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 88, with adjustments to the latest developments.

## B. Incentive Benefits

An industrial park is an area where industrial activities are centralised, equipped with supporting means and infrastructure developed and managed by industrial park companies. Please note that industrial parks are divided into 4 (four) industrial development areas (hereinafter referred to as *Wilayah Pengembangan Industri/WPI* in Indonesian), namely Developed WPI, Developing WPI, Potential I WPI, and Potential II WPI. Based on the 4 (four) types of WPIs, there are different income tax facilities. However, in the context of the tax holiday in the form of the corporate income tax reduction (hereinafter referred to as a corporate income tax reduction), it is only given to Developed WPI and Potential II WPI, as refers to the generally applicable tax holiday provisions (MoF Reg. 130/2020 as amended by MoF Reg. 69/2024).

Details for the corporate income tax reduction that applies to Developed WPI and Potential II WPI are as follows:

- (i) 100% of the amount of corporate income tax payable for new investments with a minimum value of IDR500 billion. The utilisation periods of this incentive are as follows.

**Table 3.1 Period and Investment Plan Value**

No.	Period	Investment Plan Value
1.	5 years	A minimum of IDR500 billion and less than IDR1 trillion.
2.	7 years	A minimum of IDR1 trillion and less than IDR5 trillion.
3.	10 years	A minimum of IDR5 trillion and less than IDR15 trillion.
4.	15 years	A minimum of IDR15 trillion and less than IDR30 trillion.
5.	20 years	A minimum of IDR30 trillion

Source: [MoF Reg. 130/2020](#) as amended by [MoF Reg. 69/2024](#).

If the above periods have expired, taxpayers may utilise the corporate income tax reduction of 50% of corporate income tax payable for 2 (two) years.

- (ii) 50% of the amount of corporate income tax payable for new investment with a minimum value of IDR100 billion and a maximum of less than IDR500 billion. The utilisation period of this incentive is 5 (five) years. When this period expires, taxpayers may utilise a corporate income tax reduction of 25% of corporate income tax payable for 2 (two) years.

## C. Parties Receiving the Incentives

The corporate income tax reduction facility only applies to industrial companies in industrial parks and industrial park companies that conduct business activities in Developed WPI and WPI Potential II. In other words, tax holidays

facilities provided in potential WPI II industrial park are not limited to sectors for certain types of activities. However, specifically for tax holiday in industrial parks facilities at Developed WPI, compliance with the pioneer industry KBLI coverage applies. The following are details of the pioneer industry.

**Table 3.2 Details of KBLIs Entitled to the Tax Holiday in Developed WPIs in Industrial Parks**

Business Sector	Production Type	
Upstream base metal industry (steel or non-steel) without or with its integrated derivatives	24101A	Base metal from raw materials other than scrap industry producing steel, including stainless steel
	24102A	Steel milling industry integrated with the steel industry, including stainless steel (KBLI 24101A)
	24103A	Seamless pipe industry integrated with the steel industry, including stainless steel (KBLI 24101A)
	24103B	Steel welded pipe industry integrated with the steel milling industry, including stainless steel
	24103C	Heavy-profile manufacturing industry integrated with the steel industry (KBLI 24101A)
	24103D	Rail manufacturing industry integrated with the steel industry (KBLI 24101A)
	24201A	Metal manufacturing industry producing gold ingots
	24201B	Metal manufacturing industry producing silver ingots
	24201C	Metal manufacturing industry producing platinum
	24202A1	Basic metal industry producing alumina (bauxite into alumina)
	24202A2	Basic metal industry producing aluminium ingots (alumina into aluminium ingots)
	24202B1	Basic metal industry producing nickel metal from nickel ore using the pyrometallurgy process
	24202B2	Basic metal industry producing nickel metal from nickel ore using the hydrometallurgy process
	24202C	Basic metal industry producing copper cathodes
	24203A1	Basic metal industry producing aluminium in the form of plates

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Business Sector	Production Type	
		originating from raw materials other than scrap integrated with aluminium ingot manufacturing industry (KBLI 24202A2)
	24203A2	Basic metal industry producing aluminium in the form of rod from raw materials other than scrap integrated with the aluminium ingot manufacturing industry (KBLI 24202A2)
	24203A3	Basic metal industry producing aluminium in the form of billets originating from raw materials other than scrap integrated with the aluminium ingot manufacturing industry (KBLI 24202A2)
	24203C1	Basic metal industry producing copper in the form of plates integrated with the copper cathode manufacturing industry (KBLI 24202C)
	24203C2	Basic metal industry producing copper in the form of strips integrated with the copper cathode manufacturing industry (KBLI 24202C)
	24203C3	Basic metal industry producing copper in the form of sheet integrated with the copper cathode manufacturing industry (KBLI 24202C)
	24204A	Aluminium extrusion industry integrated with aluminium ingot manufacturing industry (KBLI 24202A2)
	24205A1	Aluminium tube industry integrated with aluminium ingot manufacturing industry (KBLI 24202A2)
	24205A2	Seamless pipe industry integrated with the aluminium ingot manufacturing industry (KBLI 24202A2)
	24205A3	Welded aluminium pipes industry integrated with the aluminium ingot manufacturing industry (KBLI 24202A2)
	24205C	Copper pipe manufacturing industry integrated with basic metal industry producing copper cathodes (KBLI 24202C)

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Business Sector	Production Type	
	24202D	Industries producing rare earth elements
	24202E	Basic metal from raw materials other than scrap industry producing lead
	24202F	Basic metal from raw materials other than scrap industry producing zinc
Oil and gas refinery or processing industry without or with its integrated derivatives	19211	Fuel from oil and gas refinery or processing industry
	19291A	Petrochemical industry producing olefins integrated with oil and gas refinery or processing industry (KBLI 19211)
	19291B	Petrochemical industry producing aromatics integrated with oil and gas refinery and processing industry (KBLI 19211)
	19291C	Petrochemical industry producing normal paraffins integrated with oil and gas refinery or processing industry (KBLI 19211)
	19291D	Petrochemical industry producing synthetic gas integrated with oil and gas refinery or processing industry (KBLI 19211)
Basic organic chemical industry sourced from petroleum, natural gas, and/or coal without or with its integrated derivatives.	19100A	Products from coal industry producing semi-coke
	20117A	Basic organic chemical industry producing ethylene
	20117B	Basic organic chemical industry producing propylene
	20117C	Basic organic chemical industry producing butadiene
	20117D	Basic organic chemical industry producing benzene
	20117E	Basic organic chemical industry producing toluene
	20117F	Basic organic chemical industry producing xylene
	20117G	Basic organic chemical industry producing methanol
	20117H	Basic organic chemical industry producing formic acid
	20117I	Basic organic chemical industry producing dimethyl ether
	20117J	Basic organic chemical industry producing carbon black

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Business Sector</b>	<b>Production Type</b>	
	20117K	Basic organic chemical industry producing caprolactam
	20117L	Basic organic chemical industry producing ethylene glycol
	20117M	Basic organic chemical industry producing marine fuel oil
	20117A1	Chemical industry producing polyethylene integrated with ethylene (KBLI 20117A)
	20117A2	Chemical industry producing ethyl benzene integrated with ethylene (KBLI 20117A)
	20117A3	Chemical industry producing dichloroethylene integrated with ethylene (KBLI 20117A)
	20117B1	Chemical industry producing acrylonitrile integrated with propylene (KBLI 20117B)
	20117B2	Basic organic chemical industry producing formic acid
	20117D1	Chemical industry producing cyclohexane integrated with benzene (KBLI 20117D)
	20117F1	Chemical industry producing c-PTA integrated with xylene (KBLI 20117F)
	20117H1	Chemical industry producing acetic acid integrated with formic acid (KBLI 20117H)
	20117A4	Chemical industry producing styrene integrated with ethylbenzene (KBLI 20117A2)
	20117A5	Chemical industry producing vinyl chloride monomer integrated with dichloroethylene (KBLI 20117A3)
	20117B3	Chemical industry producing acetone integrated with isopropyl alcohol (KBLI 20117B2)
	20117F2	Chemical producing p-PTA integrated with c-PTA (KBLI 20117F1)
	20117F3	Chemical producing DMT integrated with c-PTA (KBLI 20117F1)
	20117H2	Chemical industry producing ethyl acetate integrated with acetic acid (KBLI 20117H1)
	20118A	Special chemical industry producing flavour and fragrance
	20118B	Industries producing catalysts
	20131A	Industries producing alkyd resin

<b>Business Sector</b>	<b>Production Type</b>	
	20131B	Industries producing polyester resins
	20131C	Industries producing amino resins
	20131D	Industries producing polyamide resins
	20131E	Industries producing epoxide resins
	20131F	Industries producing silicone resins
	20131G	Industries producing polyurethane resins
	20131H	Industries producing polyethylene resins
	20131I	Industries producing polypropylene resins
	20131J	Industries producing polystyrene resins
	20131K	Industries producing polyvinyl chloride resins
	20131L	Industries producing cellulose acetate resins
	20131M	Industries producing nitrocellulose resins
	20132A	Synthetic rubber industry producing Styrene Butadiene Rubber (SBR) integrated with organic basic chemical industry (KBLI 20117)
	20132B	Synthetic rubber industry producing polychloroprene (neoprene) integrated with organic basic chemical industry (KBLI 20117)
	20132C	Synthetic rubber industry producing acrylonitrile butadiene rubber (nitrile rubber) integrated with organic basic chemical industry (KBLI 20117)
	20132D	Synthetic rubber industry producing ethylene, propylene, non-conjugated diene rubber (Ethylene-Propylene Diene Rubber/EPDM) integrated with organic basic chemical industry (KBLI 20117)
	20132E	Synthetic rubber industry producing silicone rubber (polysiloxane) integrated with organic basic chemical industry (KBLI 20117)
	20132F	Synthetic rubber industry producing isoprene rubber integrated with the organic basic chemical industry (KBLI 20117)
	20132G	Synthetic rubber industry producing poly butadiene rubber integrated with

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Business Sector</b>	<b>Production Type</b>	
		organic basic chemical industry (KBLI 20117)
	20301A	Fibre (tow), yarn, polyamide synthetic filament strip manufacturing industry
	20301B	Fibre (tow), yarn, synthetic polyacrylic filament strip manufacturing industry
	20301C	Fibre (tow), yarn and polypropylene synthetic filament strip manufacturing industry
	20302A	Polyamide staple fibre industry
	20302B	Polyacrylic staple fibre industry
	22291A	Industries producing polyethylene film
	23990A	Industries producing asphalt
Basic organic chemical industry sourced from agricultural, plantation or forestry products without or with integrated derivatives	20115A	Basic organic chemical industry producing beta carotene
	20115B	Basic organic chemical industry producing tocopherol
	20115C	Basic organic chemical industry producing tocotrienol
	20115D	Basic organic chemical industry producing green diesel
	20115E	Basic organic chemical industry producing green gasoline
	20115F	Basic organic chemical industry producing green aviation turbine fuel (avtur)
	20115G	Basic organic chemical industry producing bio lubricants
	20115H	Basic organic chemical industry producing biosurfactants
	20115I	Basic organic chemical industry producing bioethanol (fuel grade ethanol)
	20115J	Basic organic chemical industry producing bio emulsifiers
	20115K	Basic organic chemical industry producing recovered oil
	20301D	Fibre (tow), yarn, synthetic cellulose acetate filament strip manufacturing industry
	20301E	Fibre (tow), yarn, viscose rayon filament strip manufacturing industry
	20302C	Industries producing synthetic viscose rayon staple fibre
	20302D	Industries producing synthetic acetate cellulose staple fibre



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<b>Business Sector</b>	<b>Production Type</b>	
Basic inorganic chemical industry without or with its integrated derivatives	20111A	Industries producing caustic soda without or with its integrated derivatives, that uses processes other than mercury processes
	20111B	Industries producing soda ash without or with its integrated derivatives
	20111C	Industries producing sodium chloride without or with its integrated derivatives
	20111D	Industries producing potassium hydroxide without or with its integrated derivatives
	20111E	Industries producing lithium without or with its integrated derivatives
	20111F	Industries producing sodium without or with its integrated derivatives
	20111G	Industries producing potassium without or with its integrated derivatives
	20112A	Industries producing ammonia without or with integrated derivatives
	20113A	Basic inorganic chemical industry producing pigments without or with integrated derivatives
	20114A	Basic inorganic chemical industry producing phosphorus without or with its integrated derivatives
	20114B	Basic inorganic chemical industry producing sulphur without or with its integrated derivatives
	20114C	Basic inorganic chemical industry producing nitrogen without or with its integrated derivatives
	20114D	Basic inorganic chemical industry producing halogen compounds without or with integrated derivatives
Pharmaceutical main raw material industry without or with its integrated derivatives	21011A	Main vaccine raw material manufacturing industry
	21011B	Biotechnology-based main pharmaceutical raw material industry
	21011C	Blood-based medicine raw material manufacturing industry
	21011D	Industries producing vitamins
	21012A	Pharmaceutical product industry integrated with vaccine main raw material manufacturing industry (KBLI 21011A)

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Business Sector</b>	<b>Production Type</b>	
	21012B	Pharmaceutical product industry integrated with biotechnology-based pharmaceutical main raw material industry (KBLI 21011B)
	21012C	Pharmaceutical product industry integrated with blood-based medicine main raw material manufacturing industry (KBLI 21011C)
Irradiation, electromedical and electrotherapy equipment manufacturing industry	26601A	X-ray tube manufacturing industry
	26602A	CT scan manufacturing industry
	26602B	Magnetic Resonance Imaging (MRI) manufacturing industry
Electronic or telematics equipment manufacturing industry, such as semiconductor wafers, backlights for Liquid Crystal Displays (LCD), electrical drivers or displays	26120A	Semiconductor wafer manufacturing industry
	26120B	Display backlight manufacturing industry
	26120C	Electrical driver manufacturing industry
	26120D	Display manufacturing industry
	27201A	Battery manufacturing industry
Machine and machine main component manufacturing industry	27111A	Electric motor manufacturing industry
	28112A	Internal combustion motor manufacturing industry
	28151A	(Non-electric) industrial metal furnaces manufacturing industry
	28152A	(Electric) industrial metal furnace manufacturing industry
	28210A	Four-wheeled tractor main component industry integrated with four-wheeled tractors with a capacity of more than 40HP
	28210B	Rural multifunctional mechanical equipment manufacturing industry
	28263	Textile machinery manufacturing industry
Robotic component manufacturing industry supporting manufacturing machine manufacturing industry	28299A	Robotic component manufacturing industry
Generator main component manufacturing industry	27112A	Generator manufacturing industry
	28111A	Generator turbine manufacturing industry
Motor vehicle and motor vehicle main component manufacturing industry	29101A	Electric vehicle with four or more wheels industry integrated with batteries and electric motors

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<b>Business Sector</b>	<b>Production Type</b>	
	29101B	Vehicles with four or more wheels industry integrated with the manufacture of a minimum of two main components of motor vehicles with four or more wheels
	29300A	Batteries for motor vehicles with four or more wheels industry
	29300B	Electric motors for motor vehicles with four or more wheels industry
	29300C	Flexy engine compatible with 100% biodiesel for motor vehicles with four or more wheels industry
	29300D	A minimum of two main components of motor vehicles with four or more wheels manufacturing industry integrated with motor vehicles with four or more wheels manufacturing industry
	29300E	Power Control Units (PCU) for electric vehicles with four or more wheels industry
	30911A	Two-wheeled or three-wheeled electric vehicle industry
	30912A	Batteries for two-wheeled or three-wheeled electric vehicle industry
	30912B	Electric motors for two-wheeled or three-wheeled electric vehicle industry
	30912C	Power Control Units (PCU) for two-wheeled or three-wheeled electric vehicle industry
Ship main component manufacturing industry	28112B	Combustion engines for marine use manufacturing industry
Train main component manufacturing industry	28112C	Train internal combustion engine manufacturing industry
	30200A	Train traction motor manufacturing industry
	30200B	Railway transmission manufacturing industry
	30200C	Electric, diesel and steam locomotive manufacturing industry
	30200D	Self-propelled train carriage or electric train carriage manufacturing industry
	42205A	Railway signal building construction, maintenance and repair activities
	42205B	Railway telecommunications construction, maintenance and repair activities

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Business Sector</b>	<b>Production Type</b>	
Main aircraft component manufacturing industry and supporting activities for aerospace industry	30300A	Aircraft engine industry
	30300B	Aircraft propeller manufacturing industry
	30300C	Rotor manufacturing industry
	30300D	Aircraft structural component manufacturing industry
	30300E	Aircraft manufacturing industry integrated with main aircraft component industry (KBLI 30300A, 30300B, 30300C or 30300D)
	22112A	Aircraft tire retread industry
	33153A	Aircraft repair and maintenance (MRO) business activities
Processing industry based on agricultural, plantation or forestry products producing pulp without or with its derivatives	17011A	Industries producing pulp, including dissolving pulp with raw materials from industrial plantation forests
	17013A	Precious paper industry integrated with industries producing pulp (KBLI 17011A)
	17014A	Specialty paper industry integrated with industries producing pulp (KBLI 17011A)
	17012A	Cultural paper industry integrated with industries producing pulp (KBLI 17011A)
	17019A	Other paper industry integrated with industries producing pulp (KBLI 17011A)
	17021A	Paper and corrugated paper board industry integrated with industries producing pulp (KBLI 17011A)
	17022A	Packaging and boxes from paper and cardboard industry integrated with industries producing pulp (KBLI 17011A)
	17091A	Tissue paper industry integrated with industries producing pulp (KBLI 17011A)
	17099A	Goods from paper and other cardboards industry integrated with industries producing pulp (KBLI 17011A)
	Economic infrastructure	35111A
42101A		Highway construction
42912A		Port construction
52101A		Investment activities and operation of oil tanking

Business Sector	Production Type	
	49110A	Long-distance rail transportation for passengers
Digital economy that includes data processing, hosting and related activities	63112	Hosting activities and related activities
	61300	Satellite telecommunications activities

Source: [BKPM Reg. 7/2020](#), further processed by the Author.

## **D. Requirements**

Corporate income tax reduction may be utilised by industrial companies and industrial park companies, insofar as they fulfil general and special requirements.

### **D.1 General Requirements**

Resident taxpayers with the following criteria:

- (i) constituting industrial companies or industrial park companies conducting business in Potential II WPI and Developed WPIs;
- (ii) having status as Indonesian legal entity;
- (iii) performing new investments for which the following have never been issued:
  - a. the decision concerning the granting or the notification concerning the rejection of the corporate income tax reduction;
  - b. the decision concerning Income Tax facilities for investments in certain business sectors and/or certain regions pursuant to Article 31A of the Income Tax Law (ITL);
  - c. the notification concerning the granting of the tax facilities for investments stipulated under the ministerial regulation concerning the granting of the net income reduction facility for new investments or spin-offs in certain business sectors constituting labour-intensive industries pursuant to Art. 29A of [Gov. Reg. No. 45/2019](#);
  - d. the decision concerning the granting of income tax facilities in Special Economic Zones (SEZs or *Kawasan Ekonomi Khusus/KEK* in Indonesian);
  - e. the decision on the granting of the corporate income tax reduction facility pursuant to the government regulation concerning the granting of business licensing, ease of doing business and investment facilities for entrepreneurs in the Nusantara Capital;
- (iv) having a new investment plan of a minimum of IDR100 billion;
- (v) fulfilling the provisions on the Debt-to-Equity Ratio (DER) of 4:1 pursuant to the provisions under [MoF Reg. 169/2015](#);

- (vi) committed to start realising the investment plan no later than 1 (one) year after the issuance of the decision on the corporate income tax reduction;
- (vii) in the event that the shareholding of the taxpayer is directly owned by another resident Taxpayer, the other resident taxpayer must hold an automated tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian).

All the above requirements must be submitted before the start of commercial production. Thus, the application may be submitted:

- (i) simultaneously with registration to obtain a business identification number (*Nomor Induk Berusaha/NIB* in Indonesian) for new taxpayers; or
- (ii) no later than 1 (one) year after the issuance of a business permit for new investments.

## **D.2 Special Requirements**

The special requirement stipulated under [MoF Reg. 105/2016](#) is that new investments must be performed through the incorporation of a new legal entity in Indonesia. Further, the ratification of the incorporation of the legal entity must be enacted since or after 15 August 2011.

## **D.3 Application Forms and Reports**

The following are the forms and files required to utilise the corporate income tax reduction incentive in SEZs:

- (i) application form for the corporate income tax reduction facility;
- (ii) details of the taxpayer's fixed assets in the investment value plan;
- (iii) a photocopy of the business identification number;
- (iv) a photocopy of the business permit/principle permit/spin-off permit;
- (v) a photocopy of the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
- (vi) a statement letter that commercial production has not yet started;
- (vii) a statement letter that the provision on the amount of debt-to-equity ratio is fulfilled;
- (viii) a statement/commitment to start realising the investment plan no later than 1 (one) year after the issuance of the decision on the corporate income tax reduction;
- (ix) the soft copy or electronic documents of the automated tax clearance certificates of the resident taxpayer shareholders;

- (x) a power of attorney if the application is not submitted in person by the director of the company.

### **E. Application Scheme**

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Corporate taxpayers may utilise the corporate income tax reduction in 2 (two) stages. *First*, the approval process for the granting of the facility. This process consists of the following several steps.

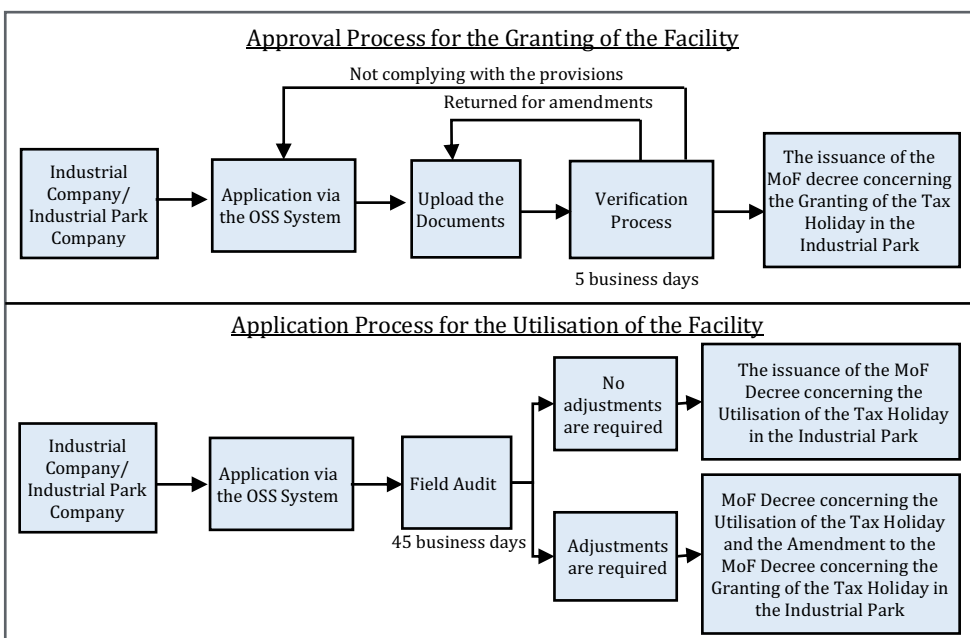
- (i) A taxpayer that fulfils the criteria may apply online via the Online Single Submission (OSS) system. Pursuant to MoF Reg. 130/2020 as amended by MoF Reg. 69/2024, offline application is not possible;
- (ii) If the notification states that the criteria are fulfilled, the taxpayer may continue the application through the OSS system;
- (iii) Documents to be uploaded include details of assets in the investment, a statement letter of the debt-to-equity (DER) ratio, a letter of appointment of a national strategy project and a statement/commitment;
- (iv) Further, the verification process will be conducted no later than 5 (five) business days;
- (v) If the verification process is deemed not to comply with the provisions, a rejection letter will be issued. On the other hand, if the verification results state that the application is incomplete, it will be returned for amendments and if the verification states that the application is complete, it may be further processed;
- (vi) The issuance of a minister of finance decree (*Minister of Finance Decree/KMK* in Indonesian) concerning the granting of a tax holiday. A copy of the minister of finance decree is sent to the taxpayer, the ministry of finance, the Director General of Taxes and ministries or institutions in certain sectors.

*Second*, the submission process of the application for the utilisation of the facility. This process consists of the following several steps.

- (i) The taxpayer applies via the OSS system by uploading documents that include:
  - a. the list of investment realisation in the form of fixed assets as well as layout drawings; and
  - b. documents relating to:
    - the first sales transaction of products or supply of services from the main business activity to the market including, may be in the form of tax invoices or invoices; or

- the first time the products or services from the main business activity are self-used for further production processes, may be in the form of the personal-use report;
  - c. the automated tax clearance certificate;
- (ii) Based on the application, a field audit will be conducted by the Director General of Taxes. This field audit is conducted within a maximum period of 45 (forty-five) business days after the notice of audit is submitted;
- (iii) If the field audit findings are deemed to require adjustments, a minister of finance decree concerning the utilisation of the tax holiday will be issued and the finance decree concerning the granting of the tax holiday will be amended.

**F. Flow Chart**



Source: Indonesian Investment Coordinating Board. *Tax Holiday*, Internet, can be accessed via <https://regionalinvestment.bkpm.go.id/pir/insentif>, with adjustments to the latest developments.

**G. Post-Incentive-Utilisation Obligations**

An obligation is to be fulfilled by a taxpayer that has received the decision on the utilisation of the tax holiday incentive. In this case, the taxpayer is required to submit reports every 1 (one) year to the Director General of Taxes and Fiscal Policy Agency (*Badan Kebijakan Fiskal/BKF* in Indonesian). The reports include:



- (i) the investment realisation report;
- (ii) the production activity realisation report; and
- (iii) the letter of submission of the investment realisation or production activity realisation report.

The reports must be submitted no later than 30 (thirty) days after the end of the tax year concerned via the OSS system.

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## **H. Other Important Information**

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### **H.1 Global Minimum Tax**

Since the tax holiday in MoF Reg. 105/2016 refers to the general corporate income tax reduction provision, the global minimum tax provision as stipulated in MoF Reg. 69/2024 applies. MoF Reg. 69/2024 elucidates that if taxpayers that have obtained a corporate income tax reduction facility and are included in the scope of certain taxpayers stipulated under statutory laws and regulations concerning the imposition of the global minimum tax on multinational enterprise groups in Indonesia, the taxpayers are subject to the additional domestic minimum tax pursuant to statutory provisions in the field of taxation.

The imposition of the additional domestic minimum tax also applies to taxpayers that have obtained a corporate income tax reduction facility before the entry of force of MoF Reg. 69/2024.

### **H.2 Special Provisions**

There are special provisions stipulating the granting of the corporate income tax reduction. The special provisions pertain to field audits and the revocation of the corporate income tax reduction. *First*, the field audit is conducted within a maximum period of 45 (forty-five) business days after the notice of audit is submitted. The field audit is conducted by the Director General of Taxes referring to the minister of finance regulation stipulating audit procedures.

*Second*, industrial companies in the industrial parks and industrial park companies that have obtained the corporate income tax facilities are prohibited from the following.

- (i) The taxpayer imports, purchases or acquires used capital goods relocated from other countries or companies in the context of realising new investments that obtain a corporate income tax reduction;
- (ii) The taxpayer conducts a business Main Activity that does not correspond to the plan;

- (iii) The taxpayer transfers assets that obtain the corporate income tax reduction during the utilisation period; and/or
- (iv) The taxpayer relocates the investment to other provinces in Indonesia or overseas from the tax year the investment starts and for 5 (five) tax years from the end of the utilisation period of the corporate income tax reduction facility;
- (v) The taxpayer changes the bookkeeping method or shifts profits or losses from the utilisation period of the corporate income tax reduction facility to the following period and vice versa. This also applies if the taxpayer changes the income and/or expense recognition method and depreciation and/or inventory calculation method.

The violation of this provision starts from the start of the tax year to 5 (five) tax years from the end of the utilisation period of the corporate income tax facility.



# **TAX ALLOWANCE**

## Chapter 4

# Tax Allowances for Investments in Certain Business Sectors and/or Certain Regions

### A. Brief Description

<b>Description</b>	<p>Income tax facilities for investments in certain business sectors and/or certain regions. The tax allowances are given for new investments or spin-offs that fulfil the following criteria:</p> <ul style="list-style-type: none"> <li>(i) having high investment value or for exports;</li> <li>(ii) having large employment absorption; or</li> <li>(iii) having high local content requirements.</li> </ul> <p>The facilities received are in the form of the reduction of:</p> <ul style="list-style-type: none"> <li>(i) net income of 30% of the total investment in the form of fixed assets expensed for 6 (six) years at 5% respectively;</li> <li>(ii) accelerated depreciation of tangible fixed assets and accelerated amortisation of intangible fixed assets acquired in the context of the investment;</li> <li>(iii) the imposition of Income Tax on dividends paid to non-resident taxpayers other than Permanent Establishments (PEs or <i>Bentuk Usaha Tetap</i>/BUT in Indonesian);</li> <li>(iv) loss carry-forward for more than 5 (five) years but not more than 10 (ten) years.</li> </ul> <p>Business sectors eligible to obtain the tax allowances are listed in Appendix I and Appendix II of Gov. Reg. No. 18/2015 as amended by Gov. Reg. No. 9/2016; Appendix I and Appendix II of <a href="#">Gov. Reg. No. 78/2019</a>.</p>
<b>Incentive type</b>	Additional net income reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 78 of 2019 concerning Income Tax Facilities for Investments in Certain Business Sectors and/or Certain Regions (<a href="#">Gov. Reg. No. 78/2019</a>);</li> <li>2. Minister of Industry Regulation Number 47 of 2019 concerning the Criteria and/or Requirements in the Context of Obtaining Income Tax Facilities for Investments in Certain Business Sectors and/or</li> </ol>

	<p>Certain Regions in the Industrial Sector (<a href="#">Minister of Industry Reg. 47/2019</a>);</p> <p>3. Indonesian Investment Coordinating Board Regulation Number 5 of 2020 concerning Procedures for the Offline Submission of the Application for Corporate Income Tax Facilities for Investments in Certain Business Sectors (<a href="#">BKPM Reg. 5/2020</a>);</p> <p>4. Minister of Finance Regulation Number 81 of 2024 concerning Tax Provisions in the Context of the Implementation of the Coretax Administration System (<a href="#">MoF Reg. 81/2024</a>).</p>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2007

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 89, with adjustments to the latest developments.

## B. Incentive Benefits

Corporate taxpayers investing in main business activities as stipulated under Art. 407 of MoF Reg. 81/2024 are entitled to tax allowances. The tax allowances consist of the following.

(i) Net income reduction

Net income reduction is granted of 30% of the amount of investment in the form of tangible fixed assets, including land, used for main business activities, expensed for 6 (six) years at 5% per year respectively.

(ii) Accelerated depreciation

Accelerated depreciation of tangible fixed assets and accelerated amortisation of intangible assets. The details are as per Table 4.1 below.

**Table 4.1. Details of Accelerated Depreciation and Amortisation**

No.	Group	Useful Life	Depreciation Percentage	
			Straight Line	Declining Balance
Depreciation of tangible fixed assets				
1.	Non-buildings group I	2 years	50%	100%
2.	Non-buildings group II	4 years	25%	50%
3.	Non-buildings group III	8 years	12,5%	25%

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No.	Group	Useful Life	Depreciation Percentage	
			Straight Line	Declining Balance
4.	Non-buildings group IV	10 years	10%	20%
5.	Permanent buildings	10 years	10%	
6.	Non-permanent buildings	5 years	20%	
Amortisation of intangible assets				
1.	Group I	2 years	50%	100%
2.	Group II	4 years	25%	50%
3.	Group III	8 years	12,5%	25%
4.	Group IV	10 years	10%	20%

Source: [MoF Reg. 81/2024](#), processed by the Author.

(iii) The imposition of income tax on dividends

The imposition of income tax on dividends paid to non-tax residents other than PEs in Indonesia of 10%. The rate may be set lower if so stipulated under the tax treaty (*Persetujuan Penghindaran Pajak Berganda/P3B* in Indonesian).

(iv) Longer loss carry-forward

Loss carry-forward for more than 5 (five) years but not more than 10 (ten) years. Details of the additional loss carry-forward are indicated in Table 4.2 below.

**Table 4.2 Additional Loss Carry-Forward**

No.	Additional Carry-Forward	Requirements
1.	1 year	Investments in certain business sectors performed by taxpayers.
2.	1 year	Investments in certain business sectors performed in industrial parks and/or bonded zones.
3.	1 year	New investments in new and renewable energy sector.
4.	1 year	If the costs incurred for economic and/or social infrastructure at the business location amount to a minimum of IDR10 billion.
5.	1 year	If domestically produced raw materials and/or components are used at a minimum of 70% no later than the second tax year.
6.	1 year or 2 years	One year: If employing a minimum of additional 300 (three hundred) Indonesian workers and maintaining that number for 4 (four) consecutive years; or Two years: If employing a minimum of additional 600 (six hundred) Indonesian workers and maintaining that number for 4 (four) consecutive years.

No.	Additional Carry-Forward	Requirements
7.	2 years	If costs are incurred for domestic research and development. The research aims to develop products or product efficiency of a minimum of 5% of the total investment within a period of 5 (five) years.
8.	2 years	If exporting a minimum of 30% of the total sales value in a tax year, for investments in certain business sectors in Appendix I of <a href="#">Gov. Reg. No. 78/2019</a> conducted outside the bonded zones.

Source: [MoF Reg. 81/2024](#), processed by the Author.

**Notes:**

Number 1 and 2 : Granted in the first, second and/or third tax year from the start of commercial production.

Number 3 to 8 : Granted for losses up to the utilisation period of the facilities.

**C. Parties Receiving the Incentives**

The tax allowance facility is given to resident corporate taxpayers investing in main business activities. This also applies to new investments or spin-offs of businesses existing in the following.

- (i) Certain business sectors included in the KBLI in table 4.3 below.

**Table 4.3 Group 1 Certain Business Sector KBLIs**

Business Sector	KBLI 2017	Product Scope
Corn farming	01111	- Corn seeds - Corn cultivation
Soybean farming	01113	- Soybean seeds - Soybean cultivation
Hybrid rice farming	01121	- Hybrid rice seeds - Hybrid rice cultivation
Inbred rice farming	01122	- Inbred rice seeds - Inbred rice cultivation
Miscellaneous secondary crop tuber farming	01135	Cassava plantation
Sugar cane farming	01140	Sugarcane plantation business, including sugarcane nursery and seeding activities
Fibre crop farming	01160	All product scope included in this KBLI
Tropical and subtropical fruit farming	01220	- Banana cultivation - Pineapple cultivation - Mangosteen cultivation
Crop for beverage ingredient farming	01270	- Coffee - Tea - Cocoa



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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Pepper plantation	01281	Pepper
Spices, aromatic/refreshing, narcotic and other medicinal plant farming	01289	Nutmeg
Ornamental plant farming	01301	- Dracaena - Orchid - Jasmine
Beef cattle breeding and cultivation	01411	- Beef cattle breeding - Beef cattle cultivation
Dairy cow breeding and cultivation	01412	- Dairy cattle breeding - Dairy cattle cultivation
Teak forest concession	02111	Land preparation, seeding, planting, maintenance, harvesting and/or marketing activities of teak plant products
Pine forest concession	02112	Land preparation, seeding, planting, maintenance, harvesting and/or marketing activities of pine plant products
Mahogany forest concession	02113	Land preparation, seeding, planting, maintenance, harvesting and/or marketing activities of mahogany plant products
Rosewood forest concession	02114	Land preparation, seeding, planting, maintenance, harvesting and/or marketing activities of rosewood plant products
Silk tree/lightwood/white lightwood forest concession	02115	Land preparation, seeding, planting, maintenance, harvesting and/or marketing activities of silk tree/lightwood/white lightwood plant products
Sandalwood forest concession	02116	Land preparation, seeding, planting, maintenance, harvesting and/or marketing activities of sandalwood plant products
Acacia forest concession	02117	Land preparation, seeding, planting, maintenance, harvesting and/or marketing activities of acacia plant products
Eucalyptus forest concession	02118	Land preparation, seeding, planting, maintenance, harvesting and/or marketing activities of eucalyptus plant products
Pisces/marine finfish fishery	03111	All types of fish ( <i>pisces</i> ), except sharks
Marine crustacean fishery	03112	All types of crustaceans
Sea mollusc fishery	03113	All types of molluscs
Pisces/marine finfish cultivation	03211	All product scope included in this KBLI
Marine mollusc cultivation	03215	All product scope included in this KBLI
Marine crustacean cultivation	03216	All product scope included in this KBLI

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Coal gasification at mining sites	05102	Coal gasification
Geothermal energy exploitation	06202	- Geothermal energy search - Geothermal energy drilling
Iron sand mining	07101	Processing and/or refining of iron sand
Iron ore mining	07102	Processing and/or refining of iron ore
Uranium ore and thorium mining	07210	Processing and/or refining of: - uranium ore - thorium
Tin ore mining	07291	Processing and/or refining of tin ore
Black tin ore mining	07292	Processing and/or refining of black tin ore
Bauxite ore mining	07293	Processing and/or refining of bauxite ore
Copper ore mining	07294	Processing and/or refining of copper ore
Nickel ore mining	07295	Processing and/or refining of nickel ore
Manganese ore mining	07296	Processing and/or refining of manganese ore
Other non-iron ore mineral resource mining	07299	Processing and/or refining of: - zinc ore - zirconium ore - chromium ore - antimony ore - ilmenite - rutile - rare earth elements
Gold and silver mining	07301	Processing and/or refining of: - gold ore - silver ore
Fish freezing industry	10213	- All types of fish ( <i>pisces</i> ), except shark - Tuna: loin, steak, pocket, meat, slice and/or cube - Demersal fish fillets
Minced-meat- and surimi-based industry	10216	Surimi and surimi-based products: meatballs, sausages, grilled fish cake ( <i>otak-otak</i> in Indonesian), dragon's feet ( <i>kaki naga</i> in Indonesian), dumplings, <i>ekado</i> , fish fingers, imitation crabmeat, fish balls, fish nuggets, fish sticks, crab sticks, <i>chikua</i> and/or kamaboko
Seaweed processing industry	10298	Refined carrageenan
Canned fruit and vegetable processing and preservation industry	10320	All product scope included in this KBLI
Margarine industry	10412	Margarine
Coconut crude oil industry	10422	All product scope included in this KBLI
Coconut oil industry	10423	All product scope included in this KBLI

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Coconut pellet industry	10424	All product scope included in this KBLI
Other crude and animal and vegetable fat and oil industries	10490	All product scope included in this KBLI
Fresh milk and cream processing industry	10510	All product scope included in this KBLI
Cereal food industry	10615	Manufacture of cereal food
Cassava starch industry	10621	Manufacture of cassava starch through extraction, such as tapioca flour
Various types of palm starch industry	10622	Flour from natural sago
Glucose and the like industry	10623	Sugar from cassava
Bakery and cake product industry	10710	- Manufacture of biscuits - Manufacture of wafers
Granulated sugar industry	10721	Granulated sugar from sugar cane
Chocolate-based food and chocolate confectionery industry	10732	All product scope included in this KBLI
Cooking products from coconut industry	10773	All product scope included in this KBLI
Baby food industry	10791	All product scope included in this KBLI
Plant-based creamer industry	10795	Manufacture of plant-based creamer
Corn processing industry	00000	Manufacture of glucose, fructose, lactose, maltose and/or sucrose, which are made from corn
Yarn spinning industry	13112	Yarn from cotton, polyester, nylon, acrylic, spandex and/or rayon and blends thereof
Weaving industry (other than the weaving of gunny sacks and other sacks)	13121	Woven fabric manufactured using mechanical looms
Fabric finishing industry	13132	All product scope included in this KBLI
Fabric printing industry	13133	All product scope included in this KBLI
Batik industry	13134	All product scope included in this KBLI
Knitted fabric industry	13911	All product scope included in this KBLI
Carpet and rug industry	13930	All product scope included in this KBLI
Industries producing fabric for industrial use	13992	All product scope included in this KBLI
Non-woven industry	13993	All product scope included in this KBLI
Textile apparel (confection) industry	14111	All product scope included in this KBLI
Leather apparel (confection) industry	14112	All product scope included in this KBLI
Knitted apparel industry	14301	All product scope included in this KBLI
Daily footwear industry	15201	All product scope included in this KBLI

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Sports shoes industry	15202	All product scope included in this KBLI
Field engineering/industrial footwear industry	15203	All product scope included in this KBLI
Coal product industry	19100	All product scope included in this KBLI
Lubricant manufacturing industry	19212	All product scope included in this KBLI
Coal briquette industry	19292	All product scope included in this KBLI
Chlorine and alkali basic inorganic chemical industry	20111	Hydrochloric acid, sodium hypochlorite
Other basic inorganic chemical industries	20114	White carbon, sulfuric acid, ammonium sulphate, phosphoric acid, hydrogen peroxide, ammonium nitrate, ammonium chlorate, ammonium perchlorate, potassium nitrate, potassium chlorate
Basic organic chemical industry sourced from agricultural products	20115	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Basic organic chemical sourced from petroleum, natural gas and coal industry	20117	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Other organic basic chemical industries	20119	- Paraformaldehyde - Dimethyl phthalate
Primary macro nutrient single synthetic fertiliser industry	20122	Urea fertilisers
Synthetic resin and plastic raw material industry	20131	Polycarbonate, polybutene, polyacetal, nylon filament yarn, nylon tire cord, super absorbent polymer, polyester chip (pet resin), polyvinyl alcohol
Soap and household cleaning product industry	20231	All product scope included in this KBLI
Cosmetics industry, including toothpaste	20232	All product scope included in this KBLI
Synthetic fibre/yarn/filament strip industry	20301	Filament polyester yarn
Synthetic staple fibre industry	20302	Synthetic polyester staple fibre
Pharmaceutical ingredients for human industry	21011	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Pharmaceutical products for human industry	21012	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Traditional medicine product industry	21022	Phytopharmaceuticals
Outer tire and inner tire industry	22111	All product scope included in this KBLI
Plastic building materials industry	22210	All product scope included in this KBLI
Plastic sheet product industry	22291	PET film
Flat glass industry	23111	All product scope included in this KBLI
Safety glass industry	23112	All product scope included in this KBLI
Porcelain sanitary ware industry	23923	All product scope included in this KBLI
Clay/ceramic building material industry, excluding bricks and rooftiles	23929	All product scope included in this KBLI
Other porcelain household equipment industry	23931	All product scope included in this KBLI
Porcelain laboratory equipment and electrical/technical equipment industry	23933	All product scope included in this KBLI
Iron and steel making industry	24101	- Base metal industry producing steel - Base metal industry producing stainless steel from scrap
Steel rolling industry	24102	- Hot rolled coil/sheet steel (including stainless steel) from slab; and/or - Cold rolled coil/sheet steel (including stainless steel) plated or not plated with metal or other non-metal from hot rolled coil steel
Precious base metal manufacturing industry	24201	Processing of anode slime into doré metal
Non-ferrous base metal manufacturing industry	24202	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Wire product industry	25951	- Manufacture of brass plated steel wire - Manufacture of steel cords

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Other metal product industry not classified elsewhere	25999	- Manufacture of ship propellers - Manufacture of ship anchors - Manufacture of ship chains
Semi-conductor and other electronic component industry	26120	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Computer and/or computer assembly industry	26210	All product scope included in this KBLI
Computer equipment industry	26220	Printers
Wireless communications equipment industry	26320	All product scope included in this KBLI
Smart card industry	26391	All product scope included in this KBLI
Other communications equipment industry	26399	All product scope included in this KBLI
Television and/or television assembly industry	26410	All types of flat panel displays, excluding CRT televisions
Audio and video recording, receiving and reproducing equipment industry, excluding television industry	26420	CD, VCD/DVD, Blu-ray players and/or the combination thereof, car head units (radios and televisions installed in cars)
Other electronic audio and video equipment industry	26490	- Manufacture of video game consoles - Manufacture of active speakers
Electronic measuring and testing equipment industry	26513	Radar tools and equipment
Photography equipment industry	26710	All product scope included in this KBLI
Transformer, rectifier and voltage stabiliser industry	27113	Transformers with voltage of 70 kv-500 kv industry
Electrical control and distribution equipment industry	27120	All product scope included in this KBLI
Battery industry	27201	All product scope included in this KBLI with an investment value below IDR100 billion
Fibre optic cable industry	27310	All product scope included in this KBLI
Electrical cables and other electronics industry	27320	Electrical cables
LED lighting industry	27404	All product scope included in this KBLI
Household electrical equipment industry	27510	Refrigerators and/or washing machines

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Engine and turbine component and spare part industry	28113	- Manufacture of generator components and/or spare parts - Manufacture of turbine components and/or spare parts
Other pump, compressor, faucet and valve industry	28130	Compressors for: - refrigerators and ACs - cold storage
Lifting and handling equipment industry	28160	- Manufacture of lifts - Manufacture of escalators
Photocopy machine industry	28174	- Manufacture of photocopy machines - Manufacture of photocopy machine equipment
Refrigeration machine industry	28193	Manufacture of evaporators and/or condensers, for all cooling machines
Agricultural and forestry machinery industry	28210	- Assembly of agricultural tractors - Manufacturing of rice milling units
Metalworking machinery and machine tool industry	28221	All product scope included in this KBLI
Mining, quarrying and construction machinery industry	28240	Manufacture of heavy equipment (Track Type Tractors/TTT, truck body and the like), including the components thereof
Textile machinery manufacturing industry	28263	- Manufacture of knitting machines - Manufacture of weaving machines - Manufacture of embroidery machines with an investment value below IDR100 billion
Other special purpose machinery industry	28299	Manufacture of injection moulding machines
Motor vehicles with four wheels or more industry	29100	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Motor vehicle body with four or more wheels industry and trailer and semi-trailer industry	29200	All product scope included in this KBLI
Spare parts and accessories for motor vehicles with four or more wheels industry	29300	All product scope in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Ship and boat industry	30111	- Manufacture of or assembly of various commercial ships and boats made of steel and/or aluminium

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
		- Manufacture or assembly of various commercial ships and boats made of fibre glass, wood and/or ferro cement
Marine tool, equipment and ship part industry	30113	Manufacture of ship equipment, tools and parts, such as hull equipment, deck machinery work accommodation, steering gear and loading and unloading equipment
Two-wheeled and three-wheeled motorcycle industry	30911	All product scope included in this KBLI
Two-wheeled and three-wheeled motorcycle component and equipment industry	30912	- Manufacture of engines or engine parts - Manufacture of die casting component, brake system - Manufacture of transmission system
Bicycle and wheelchair industry, including rickshaws	30921	All product scope included in this KBLI, excluding rickshaws
Wooden furniture industry	31001	All product scope included in this KBLI
Rattan and/or bamboo furniture industry	31002	All product scope included in this KBLI
Precious metal jewellery for personal use industry	32112	All product scope included in this KBLI
Gaming equipment industry	32401	All product scope included in this KBLI
Children's toy industry	32402	All product scope included in this KBLI
Coir industry	32905	All product scope included in this KBLI
Repair of ships, boats and floating structures	33151	All product scope included in this KBLI
Power generation	35101	- Micro power stations - Mini power stations with an investment value below IDR100 billion
Natural and synthetic gas procurement	35201	- Regasification of LNG into gas using Floating Storage Regasification Unit (FSRU) - Coalbed methane (Non PSq/coalbed methane gas, shale gas, tight gas sand and methane hydrate) - Purification and/or processing of natural gas into Liquefied Natural Gas (LNG) and/or Liquefied Petroleum Gas (LPG) - Procurement and/or processing of synthetic gas from coal gasification
Drinking water storage, purification and distribution	36001	- Development and/or management of raw water units and/or production units in the drinking water supply system



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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
		- Development of distribution units of the drinking water supply system
Hazardous wastewater treatment and disposal	37022	All product scope included in this KBLI
Non-hazardous waste treatment and disposal	38211	The treatment of non-hazardous rubbish that produces biofertilizers, methane or carbon dioxide
Organic waste compost production	38212	All product scope included in this KBLI
Hazardous rubbish treatment and disposal	38220	Treatment of hazardous rubbish that produces oil-free used bleaching soil or eco environment oil (recovered oil)
Remediation and other rubbish treatment activities	39000	All product scope included in this KBLI
Long-distance rail transportation for passengers	49110	The business of intercity passenger transport by rails, including the operation of sleeping cars or dining cars as an integrated operation of a railway company (but excluding rail transport for urban passengers)
Cargo handling (loading and unloading of goods)	52240	Business of loading and unloading of goods and/or passengers' luggage within ports, including container terminals, liquid bulk terminals and dry bulk terminals
Video game development activities	62011	All product scope included in this KBLI
E-commerce application development activities	62012	All product scope included in this KBLI
Other computer programming activities	62019	All product scope included in this KBLI
Tourism areas	68120	All product scope included in this KBLI, except that in Special Economic Zones (SEZ)

Source: [Gov. Reg. No. 78/2019](#), processed by the Author

(ii) Certain business sectors and certain regions included in the KBLIs below.

**Table 4.4 Group 1 Certain Business Sectors and/or Certain Regions**

<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
Freshwater fish farming in floating net cages/fixed net cages	03222	- Nile tilapia - Pangas catfish	All provinces in Indonesia, except DKI Jakarta
Coal mining	05101	- Coal liquid action - Coal upgrading	Aceh, West Sumatra, Riau, Jambi, South Sumatra,

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
			Bengkulu, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, West Papua, Papua
Canned (non-shrimp) fish and aquatic biota processing and preservation industry	10221	- All types of fish ( <i>pisces</i> ), except sharks - All types of crustaceans - All types of molluscs - Canned fish and cooked loin (canned tuna or skipjack tuna)	All provinces in Indonesia, except DKI Jakarta
Canned shrimp processing and preservation industry	10222	All product scope included in this KBLI	All provinces in Indonesia, except DKI Jakarta
Other aquatic biota freezing industries	10293	- All types of crustaceans - All types of molluscs - Frozen shrimps	All provinces in Indonesia, except DKI Jakarta
Other aquatic biota processing and preservation industries	10299	Breaded shrimps	All provinces in Indonesia, except DKI Jakarta
Coffee processing industry	10761	Coffee powder, roasted coffee beans, coffee extracts, instant coffee and/or coffee essence	All provinces in Indonesia except DKI Jakarta Province
Cultural paper industry	17012	- Printing paper - Newspaper paper - Joss paper	All provinces in Indonesia, except DKI Jakarta
Other paper industry	17019	All product scope included in this KBLI	All provinces in Indonesia, except DKI Jakarta
Corrugated paper and paper board industry	17021	All product scope included in this KBLI	All provinces in Indonesia, except DKI Jakarta
Paper and cardboard packaging and boxes industry	17022	All product scope included in this KBLI	All provinces in Indonesia, except DKI Jakarta

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
Tissue paper industry	17091	All product scope included in this KBLI	All provinces in Indonesia, except Banten, DKI Jakarta, West Java, Central Java, DI Yogyakarta, East Java (excluding regencies on Madura Island)
Other rubber product industry not elsewhere classified	22199	Synthetic rubber gloves and/or natural rubber gloves	Aceh, North Sumatra, West Sumatra, Riau, Riau Islands, Jambi, South Sumatra, Bangka Belitung, Bengkulu, Lampung, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, West Papua, Papua
Five-star hotels	55111	All product scope included in this KBLI	Toba Samosir Regency, Simalungun Regency, North Tapanuli Regency, Humbang Hasundutan Regency, Dairi Regency, Karo Regency, Samosir Regency, Pakpak Bharat Regency, Belitung Regency, East Belitung Regency, Pandeglang Regency, Administration of Kepulauan Seribu Regency, Magelang Regency, Purworejo Regency, Probolinggo Regency, Malang Regency, Pasuruan Regency, Lumajang Regency, Central Lombok Tengah, West Manggarai Regency, Wakatobi Regency, Pulau Morotai Regency
Four-star hotels	55112	All product scope included in this KBLI	Toba Samosir Regency, Simalungun Regency, North Tapanuli Regency, Humbang Hasundutan Regency, Dairi Regency, Karo Regency, Samosir Regency, Pakpak Bharat Regency, Belitung Regency, East Belitung

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
			Regency, Pandeglang Regency, Administration of Kepulauan Seribu Regency, Magelang Regency, Purworejo Regency, Probolinggo Regency, Malang Regency, Pasuruan Regency, Lumajang Regency, Central Lombok Tengah, West Manggarai Regency, Wakatobi Regency, Pulau Morotai Regency
Golf courses	93112	All product scope included in this KBLI	Toba Samosir Regency, Simalungun Regency, North Tapanuli Regency, Humbang Hasundutan Regency, Dairi Regency, Karo Regency, Samosir Regency, Pakpak Bharat Regency, Belitung Regency, East Belitung Regency, Pandeglang Regency, Administration of Kepulauan Seribu Regency, Magelang Regency, Purworejo Regency, Probolinggo Regency, Malang Regency, Pasuruan Regency, Lumajang Regency, Central Lombok Tengah, West Manggarai Regency, Wakatobi Regency, Pulau Morotai Regency
Theme park or amusement park activities	93210	All product scope included in this KBLI	Toba Samosir Regency, Simalungun Regency, North Tapanuli Regency, Humbang Hasundutan Regency, Dairi Regency, Karo Regency, Samosir Regency, Pakpak Bharat Regency, Belitung Regency, East Belitung Regency, Pandeglang Regency, Administration of Kepulauan Seribu Regency, Magelang

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
			Regency, Purworejo Regency, Probolinggo Regency, Malang Regency, Pasuruan Regency, Lumajang Regency, Central Lombok Tengah, West Manggarai Regency, Wakatobi Regency, Pulau Morotai Regency

Source: [Gov. Reg. No. 78/2019](#), processed by the Author

## **D. Requirements**

The tax allowance may be utilised by resident corporate taxpayers insofar as they fulfil the general and special requirements.

### **D.1 General Requirements**

The following are general requirements to be fulfilled.

- (i) The investment is performed by resident corporate taxpayers and complies with the specified business sectors;
- (ii) The shareholders fulfil the requirements to be granted the tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian) pursuant to the provisions stipulating procedures for the granting of the the tax clearance certificate;
- (iii) New investments or spin-offs, except for spin-offs for the replacement or addition of machinery in production that has started commercial production.
- (iv) Having a high investment value for export purposes; and
- (v) Having high local content requirements.

### **D.2 Special Requirements**

As the tax allowance facility consists of several components, special requirements need to be considered. The following are special requirements related to the depreciation of tangible fixed assets, including land.

- (i) The tangible fixed assets are acquired by the taxpayer in a new condition, except if relocated as a whole as one investment package from another country;
- (ii) Listed in the principle permit, investment permit, investment registration, issued by the Indonesian Investment Coordinating Board (*Badan*

*Koordinasi Penanaman Modal/BKPM* in Indonesian)/Provincial One-Stop Integrated Service and Investment Services /Regency/Municipal One-Stop Integrated Service and Investment Services or business permit issued by the Online Single Submission Institution which constitutes the basis for the granting of income tax facilities; and; and

- (iii) Held and used for main business activities.

### **D.3 Application Forms and Reports**

The following are the forms and files required to utilise the tax allowance.

- (i) Application form for the tax allowance facility if the application is submitted offline;
- (ii) A photocopy of the business identification number (*Nomor Induk Berusaha/NIB* in Indonesian);
- (iii) A photocopy of the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
- (iv) The tax clearance certificates of shareholders;
- (v) The softcopy of the details of fixed assets in the investment value plan;
- (vi) A statement letter that commercial production has not yet started;
- (vii) A statement/commitment letter of the ability to fulfil administrative, technical and qualitative requirements;
- (viii) A power of attorney if the application is not submitted in person by the director of the company.

## **E. Application Scheme**

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Corporate taxpayers may utilise the tax allowance in 2 (two) stages. *First*, the approval process for the granting of the facility. This process consists of the following several steps.

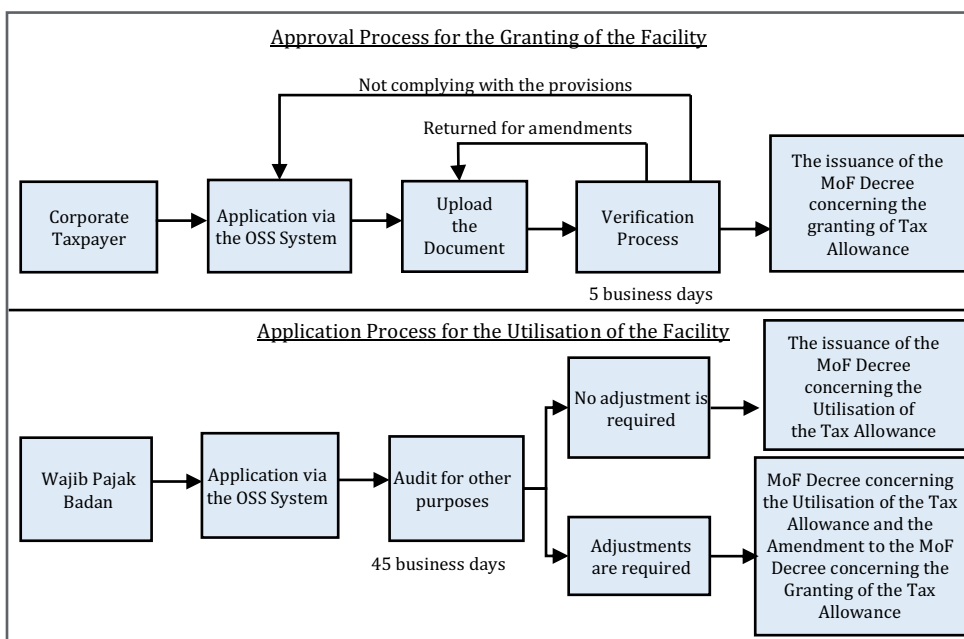
- (i) A taxpayer that fulfils the requirements may apply online via the OSS system;
- (ii) If the notification states that the investment fulfils the criteria, the taxpayer may continue the application through the OSS system;
- (iii) Documents to be uploaded include:
  - a. the tax clearance certificates of shareholders;
  - b. details of assets in the investment; and
  - c. a statement/commitment of the ability to fulfil administrative, technical and qualitative requirements;

- (iv) Further, the verification process will be conducted no later than 5 (five) business days;
- (v) If the verification process is deemed not to comply with the provisions, a rejection letter will be issued. On the other hand, if the verification results state that the application is incomplete, it will be returned for amendments and if the verification states that the application is complete, it may be further processed;
- (vi) The issuance of a minister of finance decree (*Keputusan Menteri Keuangan/KMK* in Indonesian) concerning the granting of a tax holiday. A copy of the minister of finance decree is sent to the taxpayer, the Ministry of Finance, the Director General of Taxes and ministries or institutions in certain sectors.

*Second*, the submission process of the application for the utilisation of the facility. This process consists of the following several steps.

- (i) The taxpayer applies to the Director General of Taxes online through the OSS system;
- (ii) The following must be attached to application for the utilisation of the tax allowance:
  - a. realisation of fixed assets as well as layout drawings;
  - b. the tax clearance certificate pursuant to the provisions stipulating procedures for the granting of the tax clearance certificate; and
  - c. documents related to:
    - the first sales transaction of products to the market, including tax invoices or invoice; or
    - the first time the products are subject to personal use for further production processes, including a report on personal use;
- (iii) Based on the application, an audit for other purposes will be conducted by the Director General of Taxes. This audit for other purposes is conducted within a maximum period of 45 (forty-five) business days after the notice of audit is submitted;
- (iv) If the findings of the audit for other purposes are deemed to require adjustments, a minister of finance decree concerning the utilisation of the tax allowance will be issued and the minister of finance decree concerning the granting of the tax allowance will be amended.

## F. Flow Chart



Source: Indonesian Investment Coordinating Board. *Tax Allowance*, Internet, can be accessed via <https://regionalinvestment.bkpm.go.id/pir/insentif>

## G. Post-Incentive-Utilisation Obligations

An obligation is to be fulfilled by a taxpayer after receiving the tax allowance facility, namely submitting the:

- (i) the investment realisation report for the tax allowance;
- (ii) the production activity realisation report; and
- (iii) the letter of submission of the investment realisation/production activity realisation reports.

The reports must be submitted to the Director General of Taxes every year no later than 30 (thirty) days after the end of the tax year concerned.

## H. Other Important Information

Special provisions related to the application for the tax allowance facility are as follows:



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**CHAPTER 4:**  
**TAX ALLOWANCES FOR INVESTMENTS IN CERTAIN BUSINESS SECTORS AND/OR**  
**CERTAIN REGIONS**

- (i) for new taxpayers, the application for the facility is submitted simultaneously with the registration to obtain a business identification number; or
- (ii) for taxpayers wishing to perform investments and/or spin-offs, the application for the facility is submitted no later than 1 (one) year after the issuance of the business permit by the OSS institution.



# Chapter 5

## Tax Allowances in Special Economic Zones

### A. Brief Description

<b>Description</b>	<p>Every entrepreneur in a Special Economic Zone (SEZ or <i>Kawasan Ekonomi Khusus/KEK</i> in Indonesian) receives income tax (<i>Pajak Penghasilan/PPH</i> in Indonesian) facilities for investments in certain business sectors and/or certain regions (hereinafter referred to as tax allowance) for entrepreneurs investing in Main Activities in SEZs or other activities in SEZs in the form of:</p> <ul style="list-style-type: none"> <li>(i) net income reduction of 30% of the total value of investment in the form of tangible fixed assets;</li> <li>(ii) accelerated depreciation of tangible fixed assets and accelerated amortisation of intangible assets acquired in the context of investment;</li> <li>(iii) the imposition of income tax on dividends paid to non-resident taxpayers other than Permanent Establishments (PEs) in Indonesia of 10%, or a lower rate according to the applicable tax treaty (<i>Peretujuan Penghindaran Pajak Berganda/P3B</i> in Indonesian);</li> <li>(iv) loss carry-forward for 10 (ten) years.</li> </ul>
<b>Incentive type</b>	Additional net income reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 39 of 2009 concerning Special Economic Zones (<a href="#">Law No. 39/2009</a>);</li> <li>2. Government Regulation Number 40 of 2021 concerning the Administration of Special Economic Zones (<a href="#">Gov. Reg. No. 40/2021</a>);</li> <li>3. Minister of Finance Regulation Number 237/PMK.010/2020 concerning the Tax, Customs and Excise Treatment in Special Economic Zones (<a href="#">MoF Reg. 237/2020</a>);</li> <li>4. Minister of Finance Regulation Number 33/PMK.010/2021 concerning the Amendment to Minister of Finance Regulation Number 237/PMK.010/2020 concerning the Tax, Customs and Excise Treatment in Special Economic Zones (<a href="#">MoF Reg. 33/2021</a>);</li> </ol>

	5. Indonesian Investment Coordinating Board Regulation Number 2 of 2021 concerning Procedures for the Fulfilment of the Criteria and Offline Submission of the Application for Income Tax Facilities in Special Economic Zones ( <a href="#">BKPM Reg. 2/2021</a> ).
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2016

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 91-92.

## B. Incentive Benefits

One of the income tax facilities available in SEZs is income tax facility for investment in certain business fields and/or certain regions. The corporate income tax facility consists of the following.

(i) Net income reduction

Net income reduction is granted of 30% of the amount of investment in the form of tangible fixed assets, including land, used for main business activities, expensed for 6 (six) years at 5% per year respectively.

(ii) Accelerated depreciation

Accelerated depreciation of tangible fixed assets and accelerated amortisation of intangible assets. The details are as below.

**Table 5.1. Details of Accelerated Depreciation and Amortisation**

No.	Group	Useful Life	Depreciation Percentage	
			Straight Line	Declining Balance
Depreciation of tangible fixed assets				
1.	Non-buildings group I	2 years	50%	100%
2.	Non-buildings group II	4 years	25%	50%
3.	Non-buildings group III	8 years	12,5%	25%
4.	Non-buildings group IV	10 years	10%	20%
5.	Permanent buildings	10 years	10%	
6.	Non-permanent buildings	5 years	20%	
Amortisation of intangible assets				
1.	Group I	2 years	50%	100%
2.	Group II	4 years	25%	50%
3.	Group III	8 years	12,5%	25%
4.	Group IV	10 years	10%	20%

Source: [MoF Reg. 237/2020](#), processed by the Author.

- (iii) The imposition of income tax on dividends  
The imposition of income tax on dividends paid to non-tax residents other than PEs in Indonesia of 10%. The rate may be set lower if so, stipulated under the tax treaty.
- (iv) Longer loss carry-forward  
The loss carry-forward is granted for 10 (ten) years.

**C. Parties Receiving the Incentives**

This facility is given to SEZ entrepreneurs conducting main activities. These main activities refer to certain Indonesian standard business field classification (*Klasifikasi Baku Lapangan Usaha Indonesia/KBLI* in Indonesian) list. The following are the details of SEZ main activity KBLIs.

**Table 5.2 Details of SEZ Main Activity KBLIs**

Main Activity	Scope of Business	
Production and processing	10130	Meat and poultry product processing and preservation industry
	10211	Fish salting/drying industry
	10212	Fish smoking/grilling industry
	10213	Fish freezing industry
	10215	Fish fermentation industry
	10216	Minced-meat- and surimi-based industry
	10217	Fish cooling/chilling industry
	10219	Other fish processing and preservation industries
	10221	Canned (non-shrimp) fish and aquatic biota processing and preservation industry
	10222	Canned shrimp processing and preservation industry
	10291	Other aquatic biota salting/drying industries
	10292	Other aquatic biota smoking/grilling industries
	10293	Other aquatic biota freezing industries
	10295	Other aquatic biota fermentation industries
	10296	Other minced aquatic biota-based industries
	10297	Other aquatic biota cooling/chilling industries
	10298	Seaweed processing industry
	10299	Other aquatic biota processing and preservation industries
	10312	Fruit and vegetable crushing industry
10320	Canned fruit and vegetable processing and preservation industry	

**CHAPTER 5:  
TAX ALLOWANCES IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	10411	Crude oil and vegetable fat industry
	10412	Margarine industry
	10414	Fish oil industry
	10415	Non-coconut and palm oil industry
	10421	Copra industry
	10422	Coconut crude oil industry
	10423	Coconut oil industry
	10424	Coconut pellet industry
	10431	Crude palm oil industry
	10432	Crude palm kernel oil industry
	10433	Crude palm oil and crude palm kernel oil fractionation industry
	10434	Crude palm oil and crude palm kernel oil refinery industry
	10435	Crude palm oil fractionation industry
	10436	Crude palm kernel oil fractionation industry
	10437	Palm oil industry
	10510	Fresh milk and cream processing industry
	10520	Milk powder and condensed milk processing industry
	10531	Ice cream processing industry
	10613	Various tubers and vegetables (including rhizomes) milling industry
	10614	Mixed flour and flour dough industry
	10615	Cereal food industry
	10616	Wheat flour industry
	10621	Cassava starch industry
	10622	Various types of palm starch industry
	10623	Glucose and the like industry
	10629	Starch and other starch product industry
	10634	Rice and corn starch industry
	10635	Sweetener from rice and corn industry
	10636	Oil from corn and rice industry
	10710	Bakery and cake product industry
	10721	Granulated sugar industry
	10729	Other non-syrup sugar processing industries
	10731	Cocoa industry
	10732	Chocolate-based food and chocolate confectionery industry
	10733	Fruit and vegetable compote industry
	10734	Confectionery industry
	10739	Other confectionery industries
	10740	Macaroni, noodles and similar products industry
	10750	Food and processed food industry
	10761	Coffee processing industry
	10762	Herbal infusion processing industry

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Main Activity	Scope of Business	
	10763	Tea processing industry
	10771	Soy sauce industry
	10772	Cooking spices and food flavouring industry
	10773	Cooking products from coconut industry
	10774	Salt processing industry
	10779	Other cooking product industries
	10791	Baby food industry
	10793	Food from soybeans and nuts other than soy sauce, tempeh and tofu industry
	10794	Crackers, chips, peanut crackets ( <i>peyek</i> in Indonesian) and the like industry
	10795	Plant-based creamer industry
	10799	Other food products whose main ingredient is sago industry
	10801	Animal food ration industry
	11010	Distilled alcoholic beverage industry
	11020	Alcoholic beverages from fermented grapes and other agricultural products industry
	11031	Alcoholic beverages from fermented malt industry
	11032	Malt industry
	11040	Soft drink industry
	11051	Bottled water industry
	13111	Textile fibre preparation industry
	13112	Yarn spinning industry
	13121	Weaving industry (other than the weaving of gunny sacks and other sacks)
	13131	Yarn finishing industry
	13132	Fabric finishing industry
	13133	Fabric printing industry
	13911	Knitted fabric industry
	13921	Manufacture of textile finished goods for household use
	13924	Knitted and embroidered finished product industry
	13929	Other textile finished goods industries
	13930	Carpet and rug industry
	13991	Narrow fabric industry
	13992	Industries producing fabric for industrial use
	13993	Non-woven industry
	13994	Tire fabric industry
	13999	Other textile industries
	14111	Textile apparel (confection) industry
	14112	Leather apparel (confection) industry
	14131	Textile apparel accessories industry
	14132	Leather apparel accessories industry

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Main Activity	Scope of Business	
	14200	Apparel and goods from fur industry
	14301	Knitted apparel industry
	14302	Embroidered apparel industry
	15112	Leather tanning industry
	15114	Composition leather industry
	15121	Leather and composite leather products for personal use industry
	15122	Leather and composite leather products for engineering/industrial purposes industry
	15123	Leather and composite leather products for animals' industry
	15129	Leather and composite leather products for other purposes industry
	15201	Daily footwear industry
	15202	Sports shoes industry
	15203	Field engineering shoes/industrial shoes industry
	16211	Plywood industry
	16212	Laminated plywood, including decorative plywood industry
	16213	Other wood panel industries
	16214	Veneer industry
	16215	Laminated wood industry
	16221	Wooden building material industry
	16222	Prefabricated wooden building industry
	16230	Wooden container industry
	17011	Paper pulp industry
	17012	Cultural paper industry
	17013	Precious paper industry
	17014	Specialty paper industry
	17019	Other paper industries
	17021	Corrugated paper and paper board industry
	17022	Paper and cardboard packaging and boxes industry
	17091	Tissue paper industry
	17099	Other paper and paper board products not elsewhere classified
	19212	Lubricant manufacturing industry
	19291	Products from petroleum refinery industry
	20111	Chlorine and alkali basic inorganic chemical industry
	20112	Industrial gas basic inorganic chemical industry
	20113	Pigment basic inorganic chemical industry
	20114	Other basic inorganic chemical industries
	20115	Basic organic chemical industry sourced from agricultural products



**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Main Activity	Scope of Business	
	20116	Basic organic chemicals for dye and pigment raw materials, dyes and pigments industry
	20117	Basic organic chemical industry sourced from petroleum, natural gas and coal
	20118	Basic organic chemical industry producing specialty chemicals
	20119	Other organic basic chemical industries
	20121	Natural/non-synthetic primary macro nutrient fertiliser industry
	20122	Primary macro nutrient single synthetic fertiliser industry
	20123	Primary macro nutrient synthetic fertiliser industry
	20124	Primary macro nutrient mixed synthetic fertiliser industry
	20125	Secondary macro nutrient fertiliser industry
	20126	Micronutrient fertiliser industry
	20127	Complementary fertiliser industry
	20129	Other fertiliser industries
	20131	Synthetic resin and plastic raw material industry
	20132	Synthetic rubber industry
	20211	Pesticide raw material (active ingredient) industry
	20212	Pesticide (formulation) industry
	20213	Plant growth regulator industry
	20214	Soil amendment industry
	20221	Paint and printing ink industry
	20222	Varnish (including mastics) industry
	20231	Soap and household cleaning product industry
	20232	Cosmetics for humans' industry, including toothpaste
	20233	Cosmetics for animals' industry
	20234	Denture adhesive industry
	20291	Adhesive/glue industry
	20292	Explosives industry
	20293	Ink industry
	20294	Essential oil industry
	20296	Middle chain essential oil industry
	20299	Other chemical product industry not elsewhere classified
	20301	Synthetic fibre/yarn/filament strip industry
	20302	Synthetic staple fibre industry
	21011	Pharmaceutical ingredients for human industry
	21012	Pharmaceutical products for human industry
	21013	Pharmaceutical products for animals' industry
	21014	Pharmaceutical ingredients for animals' industry

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Main Activity	Scope of Business	
	21015	Medical devices in subgroup 2101 industry
	21022	Traditional medicine products for humans' industry
	22111	Outer tire and inner tire industry
	22112	Tire retreading industry
	22121	Rubber smoking industry
	22122	Rubber remilling industry
	22123	Crumb rubber industry
	22191	Rubber household product industry
	22192	Rubber products for industrial use industry
	22193	Rubber products for infrastructure industry
	22194	Rubber products for healthcare industry
	22199	Other rubber product industries
	22210	Plastic building materials industry
	22220	Plastic products for packaging industry
	22230	Plastic pipes and fittings thereof industry
	22291	Plastic sheet product industry
	22292	Household equipment and appliances (excluding furniture) industry
	22293	Plastic engineering/industrial products and equipment industry
	23111	Flat glass industry
	23112	Safety glass industry
	23119	Other glass industries
	23121	Household glassware and utensil industry
	23122	Non-clinical, pharmaceutical and healthcare glass laboratory equipment industry
	23123	Glass packaging industry
	23124	Clinical glass laboratory equipment industry
	23129	Other glass product industry
	23911	Firebrick, mortar, cement and similar fire-resistant product industry
	23919	Other fire-resistant clay/ceramic product industry
	23923	Porcelain sanitary ware industry
	23931	Porcelain household equipment industry
	23932	Clay/ceramic household equipment industry
	23933	Porcelain laboratory equipment and electrical/technical equipment industry
	23939	Other non-building-material clay/ceramic and porcelain product industries
	23951	Cement product industry
	23952	Lime product industry
	23953	Cement and lime products for construction industry
	23957	Ready-mixed concrete or mortar industry

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Main Activity	Scope of Business	
	23959	Products from cement, lime, gypsum and other asbestos industry
	23961	Marble and granite products for household and ornamental use industry
	23962	Goods from marble and granite for building materials industry
	23969	Products from marble, granite and other stones industry
	24101	Iron and steel making industry
	24102	Steel rolling industry
	24103	Steel and iron pipe and fitting industry
	24201	Precious base metal manufacturing industry
	24202	Non-ferrous base metal manufacturing industry
	24203	Non-ferrous metal milling industry
	24204	Non-ferrous metal extrusion industry
	24205	Non-ferrous metal pipe and fitting industry
	24310	Iron and steel casting industry
	24320	Non-ferrous and steel metal casting industry
	25111	Prefabricated non-aluminium architectural metalwork industry
	25112	Prefabricated aluminium architectural metalwork industry
	25113	Prefabricated steel structure industry
	25119	Other prefabricated architectural metalwork industry
	25120	Metal tank, water reservoir and container industry
	25130	Non-heating boiler steam generator industry
	25200	Weapon and ammunition industry
	25910	Metal forging, pressing, stamping and forming; powder metallurgy industry
	25952	Nail, nut and bolt industry
	25991	Safe, office filling and the like industry
	25992	Metal kitchen utensil and tableware industry
	26110	Electronic tube and electronic connector industry
	26120	Semi-conductor and other electronic component industry
	26210	Computer and/or computer assembly industry
	26220	Computer equipment industry
	26320	Wireless communications equipment industry
	26391	Smart card industry
	26399	Other communications equipment industry
	26410	Television and/or television assembly industry

**CHAPTER 5:  
TAX ALLOWANCES IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	26420	Audio and video recording, receiving and reproducing equipment industry, excluding television industry
	26490	Other electronic audio and video equipment industry
	26710	Photographic equipment industry
	26514	Test tools in industrial processes industry
	26520	Timekeeping device industry
	26601	Irradiation/x-ray tools, equipment and the like industry
	26602	Electromedical and electrotherapy equipment industry
	26791	Projector cinematography camera and equipment industry
	26792	Binocular and optical instrument industry, excluding eyeglasses industry
	26800	Magnetic media and optical media industry
	27111	Electric motor industry
	27112	Electric generator industry
	27113	Transformer, rectifier and voltage stabiliser industry
	27120	Electrical control and distribution equipment industry
	27201	Battery industry
	27202	Electric accumulator industry
	27203	Electric vehicle battery industry
	27310	Fibre optic cable industry
	27320	Electrical cable and other electronics industry
	27401	Light bulb, central lighting and ultraviolet lamp industry
	27403	Transportation lighting equipment industry
	27404	LED lighting industry
	27510	Household electrical equipment industry
	27520	Household electrothermal equipment industry
	28111	Steam engine, turbine and windmill industry
	28112	Internal combustion engine industry
	28113	Engine and turbine component and spare part industry
	28120	Fluid- and gas-powered equipment industry
	28130	Other pump, compressor, faucet and valve industry
	28140	Bearing, gear and mechanical power transmission equipment industry
	28151	Non-electric oven, furnace and similar combustion furnace industry

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Main Activity	Scope of Business	
	28152	Electric oven, furnace and similar combustion furnace industry
	28160	Lifting and handling equipment industry
	28174	Photocopy machine industry
	28191	Packing, bottling and canning machine industry
	28192	Weighing machine industry
	28193	Refrigeration machine industry
	28199	Other general purpose machinery industry not elsewhere classified
	28210	Agricultural and forestry machinery industry
	28221	Metalworking machinery and machine tool industry
	28222	Woodworking machinery and machine tool industry
	28223	Machinery and machine tools for non-metallic and non-wood material processing industry
	28224	Electric welding machinery and machine tools industry
	28230	Metallurgical machinery industry
	28240	Mining, quarrying and construction machinery industry
	28250	Food, beverage and tobacco processing machinery industry
	28262	Commercial sewing machine as well as washing machine and dryer industry
	28263	Textile machinery industry
	28264	Needles for sewing, knitting, embroidery machines and the like industry
	28265	Leather product preparation and manufacturing machinery industry
	28291	Printing machine industry
	28292	Paper mill machinery industry
	28299	Other special purpose machinery industry
	29101	Motor vehicles with four or more wheels industry
	29102	Rural multipurpose vehicle industry
	29200	Motor vehicle body with four or more wheels industry and the trailer and semi-trailer industry
	29300	Spare parts and accessories for motor vehicles with four or more wheels industry
	28291	Ship and boat industry
	28292	Paper mill machinery industry
	28299	Other special purpose machinery industry
	29101	Motor vehicles with four or more wheels industry
	29102	Locomotive and railroad car industry
	29200	Motor vehicle body with four or more wheels industry and the trailer and semi-trailer industry

**CHAPTER 5:  
TAX ALLOWANCES IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	29300	Spare parts and accessories for motor vehicles with four or more wheels industry
	30111	Ship and boat industry
	30112	Offshore and floating building industry
	30113	Spare parts and accessories for motor vehicles with four or more wheels industry
	30120	Ships and boats for tourism or recreation and sports manufacturing industry
	30200	Locomotive and railroad car industry
	30300	Aircraft and equipment industry
	30400	Military vehicle industry
	30911	Two-wheeled and three-wheeled motorcycle industry
	30912	Two-wheeled and three-wheeled motorcycle component and equipment industry
	30921	Bicycle and wheelchair industry, including rickshaws
	30922	Bicycle and wheelchair equipment industry, including rickshaws
	31001	Wooden furniture industry
	31002	Rattan and/or bamboo furniture industry
	31003	Plastic furniture industry
	31004	Metal furniture industry
	32111	Gem industry
	32112	Precious metal jewellery for personal use industry
	32113	Precious metal jewellery for non-personal use industry
	32114	Precious metal products for engineering and/or laboratory purposes industry
	32115	Pearl jewellery industry
	32119	Other precious metal product industries
	32120	Imitation jewellery and similar product industry
	32202	Non-traditional musical instrument industry
	32300	Sports equipment industry
	32401	Gaming equipment industry
	32402	Children's toy industry
	32501	Furniture for surgery, medical and dental care industry
	32502	Medical and dental equipment, orthopaedic and prosthetic supplies industry
	32503	Glasses industry
	32509	Medical and dental equipment industry and other supplies
	32901	Stationery and drawing tools, including equipment industry

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Main Activity	Scope of Business	
	32902	Typewriter/drawing machine ribbon industry
	32904	Safety equipment industry
Logistics and distribution	52101	Warehousing and storage
	52102	Cold storage activities
	52103	Bonded warehousing or bonded zone activities
	52104	Oil and gas storage
	52108	Warehouse receipt system warehouse operator
	52109	Warehousing and other storage
	52221	Maritime port service activities
	52240	Cargo handling (loading and unloading of goods)
	52291	Transportation management services
	52295	Multimodal transportation
Research, Digital Economy and Technology Development	58200	Software release
	62012	E-commerce application development activities
	62014	Blockchain technology development activities
	62015	Artificial intelligence-based programming activities
	62019	Other computer programming activities
	62021	Information security consulting activities
	62022	Digital identity provision activities
	62023	Provision of electronic certificates and services that use electronic certificates activities
	62024	Internet of Things (IoT) consulting and design activities
	63111	Data processing activities
	63112	Hosting and related activities
	63122	Commercial web portal and/or digital platforms
	72101	Natural science research and development
	72102	Technology and engineering research and development
	72103	Medical science research and development
	72104	Biotechnology research and development
	72105	Agricultural, livestock and forestry science research and development
	72106	Fishery and marine science research and development
	72107	Nuclear energy research and development
72109	Other science and engineering technology research and development	
Tourism	49221	Tourist bus transportation
	49442	Tourist railroad transport
	55110	Star hotels
	50113	Domestic sea transportation for tourism
	52231	Airport activities
	55194	Hotel apartments
	55199	Provision of other short-term accommodation

**CHAPTER 5:  
TAX ALLOWANCES IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	56302	Nightclubs or discotheques primarily serving beverages
	68112	Venue rental for hosting Meetings, Incentives, Conventions and Exhibitions (MICE) activities and special events
	91022	Privately managed museums
	91024	Privately managed historical heritage/cultural heritage
	91025	Cultural parks
	91029	Other cultural tourism
	93211	Recreational parks
	93219	Theme park or other amusement park activities
	93224	Beach tourism
	93231	Agrotourism
	93232	Recreational parks/tourist parks
	93239	Other man-made tourist attractions
	93242	Diving tourism
	93243	Marina docks
	93246	Water tourism activities
	93293	Game arena business
Energy development	9100	Oil and gas mining supporting activities
	19100	Coal product industry
	19211	Fuel from oil and gas refinery industry
	19292	Coal briquette industry
	24206	Uranium and uranium ore processing industry
	27900	Other electrical equipment industries
	32906	Radioisotope production industry
	32907	Uranium fuel element fabrication industry
	35201	Natural and synthetic gas procurement
	35203	Biogas procurement
Education	85321	Private academic higher education
	85322	Private vocational and professional higher education
	85410	Sports and recreation educational services
	85491	Management and banking education services
	85492	Information and communication technology services
	85496	Flight crew education and air transportation services specifically for flight crew education
	85497	Private engineering education
	85498	Craft and industrial education
	78421	Private engineering job training
	78422	Private information and communication technology job training
	78423	Private creative industry job training
	78424	Private tourism and hospitality job training



**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Main Activity	Scope of Business	
	78425	Private business and management job training
	78426	Private domestic job training
	78427	Private agricultural and fishery job training
Health	86103	Private hospital activities
	86105	Main private clinic activities
	86903	Health support service activities
Sports	93111	Stadium facilities
	93112	Circuit facilities
	93113	Arena facilities
	93114	Field facilities
	93116	Fitness centre facilities
	93119	Other sports facility management
Financial services	64121	Conventional commercial banks
	64122	Sharia commercial banks
	64200	Holding company activities
	64300	Trusts, funds and similar financial entities
	64911	Conventional financing companies
	64912	Sharia financing companies
	64931	Conventional venture capital companies
	64932	Sharia venture capital companies
	64941	Conventional infrastructure financing companies
	64942	Sharia infrastructure financing company
	64951	Conventional fintech P2P lending services
	64952	Sharia-based fintech P2P lending services
	64953	Fintech P2P lending sharia business units
	65111	Conventional life insurance
	65112	Sharia life insurance
	65121	Conventional general insurance
	65122	Sharia general insurance
	65131	Conventional guarantee companies
	65132	Sharia guarantee companies
	65211	Conventional reinsurance
	65212	Sharia reinsurance
	65221	Conventional re-insurance companies
	65222	Sharia reinsurance companies
	66131	Financial intermediaries in the money market and foreign exchange market
66411	Payment service provider	
66412	Payment system infrastructure providers	
Creative industry	59112	Film, video and television program production activities by the private sector
	59122	Film, video and television program post-production activities by the private sector
	62011	Video game development activities
	62013	Immersive media content programming and production activities

**CHAPTER 5:  
TAX ALLOWANCES IN SPECIAL ECONOMIC ZONES**

Main Activity	Scope of Business	
	74111	Transportation and machinery design activities
	74112	Household equipment and furniture design activities
	74113	Textile, fashion and apparel design activities
	74114	Strategic and defence industrial design activities
	74115	Communication and electronics equipment design activities
	74116	Sports and games equipment design activities
	74117	Health product, cosmetics and laboratory equipment design activities
	74118	Packaging design activities
	74119	Other industrial design activities
	74120	Interior design activities
	74141	Design activities specifically for films, videos, TV programs, animation and comics
	74142	Game content design activities
SEZ construction and management	68120	Tourism areas
	68130	Industrial parks
Provision of SEZ infrastructure	35111	Power stations
	35112	Electricity transmission
	35113	Electricity distribution
	35114	Electricity sales
	35115	Electricity generation, transmission, distribution and sales in one business unit
	35116	Electricity generation, transmission and sales in one business unit
	35117	Electricity generation, distribution and sales in one business unit
	35118	Electricity distribution and sales in one business unit
	35202	Natural and synthetic gas distribution
	35301	Steam/hot water and cold air procurement
	36001	Drinking water storage, purification and distribution
	36002	Raw water storage and distribution
	37011	Non-hazardous wastewater collection
	37021	Non-hazardous wastewater treatment and disposal
	37022	Hazardous wastewater treatment and disposal
	38110	Non-hazardous waste and rubbish collection
	38211	Non-hazardous waste and rubbish treatment and disposal
68111	Owned or rented real estate	

Source: [BKPM Reg. 2/2021](#),

On a side note, the SEZ National Council may determine sectors other than those stipulated under the Appendix of the [BKPM Reg. 2/2021](#) as SEZ main activities.

## **D. Requirements**

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Corporate income tax reduction may be utilised by entrepreneurs insofar as they fulfil general and special requirements.

### **D.1 General Requirements**

Tax allowances may be utilised by SEZ entrepreneurs. The following are the criteria for SEZ entrepreneurs that may utilise this facility.

- (i) Resident taxpayers conducting business in:
  - a. main activities in SEZs with an investment of a minimum of IDR100 billion and choose to be given Income Tax facilities;
  - b. main activities in SEZs with an investment value of less than IDR100 billion; or
  - c. other activities in SEZs.
- (ii) Having status as Indonesian legal entity; and
- (iii) For the applied for investment, the following has never been issued:
  - a. the decision concerning the granting of income tax facilities in SEZs;
  - b. the decision concerning the granting of corporate income tax reduction;
  - c. the decision concerning the granting of income tax facilities as stipulated under the ministerial regulation concerning the tax, customs and excise treatment in SEZs;
  - d. the decision concerning Income Tax facilities for investments in certain business sectors and/or certain regions pursuant to [Gov. Reg. No. 78/2019](#);
  - e. the notification concerning the granting of the tax facilities for investments stipulated under the ministerial regulation concerning the granting of the net income reduction facility for new investments or spin-offs in certain business sectors constituting labour-intensive industries pursuant to Art. 29A of [Gov. Reg. No. 45/2019](#); and
  - f. the decision concerning the granting of Income Tax facilities stipulated under [MoF Reg. 105/2016](#) concerning the granting of tax and customs facilities for industrial companies in industrial parks and industrial park companies.

## **D.2 Special Requirements**

The special requirement that needs to be fulfilled by entrepreneurs is attaching the tax clearance certificates (*Surat Keterangan Fiskal/SKF* in Indonesian) of all shareholders. The following are the provisions on the tax clearance certificates that need to be attached.

- (i) The tax clearance certificates include all shareholders registered in the deed of establishment or latest deed of amendments;
- (ii) The tax clearance certificates must be held by the shareholders registered in the latest deed of amendments in the event of changes in the shareholders;
- (iii) The tax clearance certificates are issued by the Directorate General of Taxes (DGT).

## **D.3 Application Forms and Reports**

The following are the forms and files required to utilise the corporate income tax reduction incentive in SEZs.

- (i) The application form for the corporate income tax reduction facility;
- (ii) Details of the taxpayer's fixed assets in the investment value plan;
- (iii) A photocopy of the business identification number (*Nomor Induk Berusaha/NIB* in Indonesian);
- (iv) A photocopy of the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
- (v) A statement letter that commercial production has not yet started, except for business entities and entrepreneurs that had started commercial operations until 29 March 2021;
- (vi) The tax clearance certificates (*Surat Keterangan Fiskal/SKF* in Indonesian) of all shareholders listed in the deed of establishment or latest deed of amendment.
- (vii) A power of attorney if the application is not submitted in person by the director of the company; and
- (viii) A letter of commitment to realise the investment plan within a maximum period of 5 (five) years for entrepreneurs investing in SEZs located on Java Island.

## E. Application Scheme

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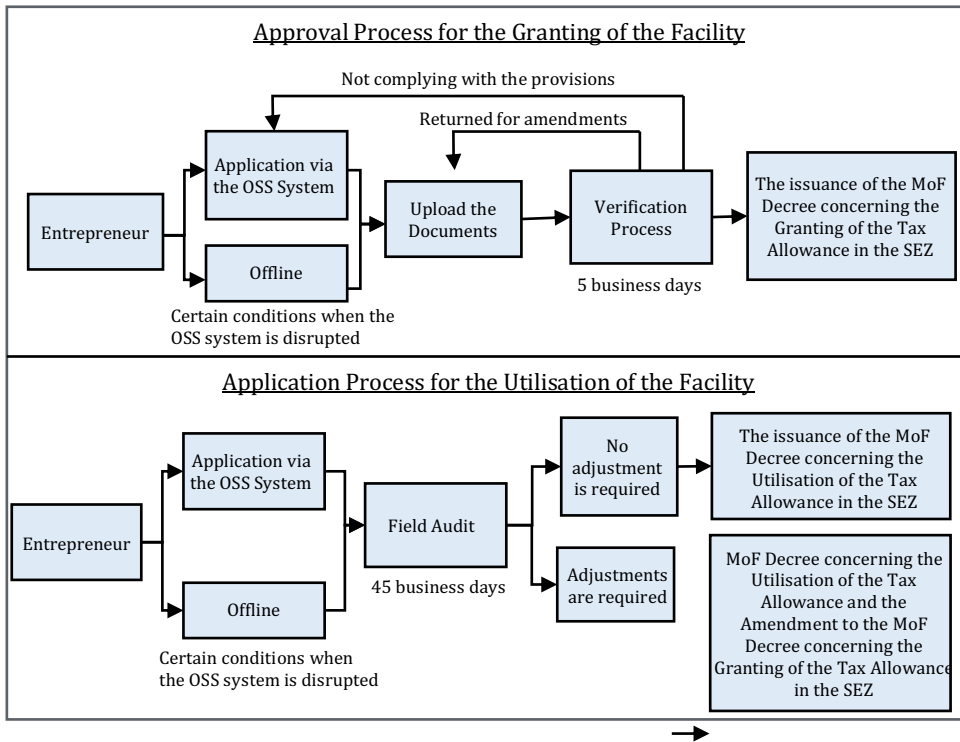
Entrepreneurs may utilise the corporate income tax reduction in 2 (two) stages. *First*, the approval process for the granting of the corporate income tax reduction facility. Details of the process are as follows.

- (i) Entrepreneurs are required to apply through the Online Single Submission (OSS) system;
- (ii) The application may be submitted offline if the OSS system is in a transition period, no internet network is available in a certain region or force majeure;
- (iii) The application is attached with:
  - a. details of fixed assets in the investment value plan; and
  - b. the tax clearance certificates of the entrepreneur's shareholders;
- (iv) The verification process is conducted no later than 5 (five) business days;
- (v) If the verification results do not comply with the provisions, a rejection letter will be issued to the business entities or entrepreneurs;
- (vi) In the event of any verification results that need to be amended, the application will be returned to business entities or entrepreneurs to be amended;
- (vii) If the verification results conform, the head of the Indonesian Investment Coordinating Board will issue a minister of finance decree (*Keputusan Menteri Keuangan/KMK* in Indonesian) concerning the granting of the tax allowance in SEZs.

*Second*, the submission process of the application for the utilisation of the facility. This process includes the following.

- (i) Submission of the application by an entrepreneur in the OSS system;
- (ii) Field audit by the Director General of Taxes, this process takes 45 (forty-five) business days;
- (iii) If the findings of the field audit indicate that adjustments are required, a minister of finance decree concerning the utilisation of the tax allowance in the SEZ and the amendment to the minister of finance decree concerning the granting of the tax allowance in the SEZ will be issued;
- (iv) If the findings of the field audit indicate that no adjustment is required, a minister of finance decree concerning the use of the tax allowance in the SEZ will be issued.

**F. Flow Chart**



Source: Indonesian Investment Coordinating Board. *Tax Allowance*, Internet, can be accessed via <https://regionalinvestment.bkpm.go.id/pir/insentif/>

**G. Post-Incentive-Utilisation Obligations**

An obligation is to be fulfilled by a taxpayer that has obtained a decision to utilise the tax allowance incentive. In this case, the taxpayer is required to submit reports every 1 (one) year to the Director General of Taxes and Fiscal Policy Agency. The reports include the following.

- (i) Investment realisation report;
- (ii) Production realisation report; and
- (iii) Written notification to the Director General of Taxes before replacing tangible fixed assets that have received the facility.

The reports in points (i) and (ii) must be submitted no later than 30 days after the end of the tax year concerned.

## **H. Other Important Information**

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The following are special provisions related to the application for tax allowance facilities in SEZs.

- (i) For new taxpayers, the application for the facility is submitted simultaneously with the registration to obtain a business identification number; or
- (ii) For taxpayers wishing to perform investments and/or spin-offs, the application for the facility is submitted no later than 1 (one) year after the issuance of the business permit by the OSS institution.

In addition, taxpayers approved to utilise the SEZ tax allowance facility need to consider the following several prohibitions.

- (i) Tangible fixed assets that obtain the tax allowance are prohibited from:
  - a. being used other than to grant the facilities; or
  - b. being transferred, either part or all the fixed assets. This is stipulated otherwise if the fixed assets are replaced with new fixed assets before the end of a longer period between a period of 6 (six) years since the start of commercial production or the useful life of the assets.
- (ii) Intangible fixed assets that obtain the tax allowance are prohibited from:
  - a. being used other than to grant the facilities; or
  - b. being transferred, either part or all the fixed assets. This is stipulated otherwise if the fixed assets are replaced with new fixed assets before the end of the useful life of the intangible assets.





# Chapter 6

## Tax Allowances in Industrial Parks

### A. Brief Description

<b>Description</b>	<p>Tax allowances are provided for industrial companies and companies in industrial parks based on the grouping of Industrial Development Areas (hereinafter referred to as <i>Wilayah Pengembangan Industri/WPI</i> in Indonesian), in the form of the following.</p> <ul style="list-style-type: none"> <li>(i) Net income reduction of 30% of the total value of Investment in the form of tangible fixed assets;</li> <li>(ii) Accelerated depreciation of tangible fixed assets and accelerated amortisation of intangible assets acquired in the context of investment;</li> <li>(iii) The imposition of income tax on dividends paid to non-resident taxpayers other than Permanent Establishments (PEs or Bentuk Usaha Tetap/BUT in Indonesian) in Indonesia of 10%, or a lower rate according to the applicable tax treaty (<i>Peretujuan Penghindaran Pajak Berganda/P3B</i> in Indonesian);</li> <li>(iv) Loss carry-forward for more than 5 (five) years and a maximum of 10 (ten) years.</li> </ul>
<b>Incentive type</b>	Additional net income reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 20 of 2024 concerning Industrial Zoning (Gov. Reg. No. 20/2024);</li> <li>2. Minister of Finance Regulation Number 105/PMK.010/2016 concerning the Granting of Tax and Customs Facilities for Industrial Companies in Industrial Parks and Industrial Park Companies (<a href="#">MoF Reg. 105/2016</a>);</li> <li>3. Indonesian Investment Coordinating Board Regulation Number 5 of 2020 concerning Procedures for the Offline Submission of the Application for corporate income tax Facilities for Investments in Certain Business Sectors (<a href="#">BKPM Reg. 5/2020</a>);</li> <li>4. Minister of Finance Regulation Number 81 of 2024 concerning Tax Provisions in the Context of the</li> </ol>

	Implementation of the Coretax Administration System ( <a href="#">MoF Reg. 81/2024</a> ).
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 1 July 2016

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 93, with adjustments to the latest developments.

## B. Incentive Benefits

An industrial park is an area where industrial activities are centralised, equipped with supporting means and infrastructure developed and managed by industrial park companies. Please note that industrial areas are divided into 4 (four) WPIs, namely Developed WPIs, Developing WPIs, Potential I WPIs and Potential II WPIs.

Based on the 4 (four) types of WPIs, there are different income tax facilities. However, in the context of income tax facilities or tax allowances, they are granted to Developed WPIs, Developing WPIs, and Potential I WPIs.

Details for the applicable tax allowance facilities are as follows:

(i) Net income reduction

Net income reduction is given at 30% of the total investment value in the form of tangible fixed assets including land, which is used for main business activities, expensed for 6 (six) years at 5% per year respectively.

(ii) Accelerated depreciation

Accelerated depreciation of tangible fixed assets and accelerated amortisation of intangible assets. The details are as per Table 6.1.

**Table 6.1. Details of Accelerated Depreciation and Amortisation**

No.	Group	Useful Life	Depreciation Percentage	
			Straight Line	Declining Balance
Depreciation of tangible fixed assets				
1.	Non-buildings group I	2 years	50%	100%
2.	Non-buildings group II	4 years	25%	50%
3.	Non-buildings group III	8 years	12,5%	25%
4.	Non-buildings group IV	10 years	10%	20%
5.	Permanent buildings	10 years	10%	
6.	Non-permanent buildings	5 years	20%	

No.	Group	Useful Life	Depreciation Percentage	
			Straight Line	Declining Balance
Amortisation of intangible assets				
1.	Group I	2 years	50%	100%
2.	Group II	4 years	25%	50%
3.	Group III	8 years	12,5%	25%
4.	Group IV	10 years	10%	20%

Source: [MoF Reg. 105/2016](#), processed by the Author.

(iii) The imposition of income tax on dividends

The imposition of income tax on dividends paid to non-tax residents other than PEs in Indonesia is 10%. The rate may be set lower if so, stipulated under the tax treaty.

(iv) Loss carry-forward

Loss carry-forward for 10 (ten) years is granted to industrial companies and industrial park companies conducting business in Developing WPIs and Potential I WPIs.

Please note that the loss carry-forward for industrial companies conducting business in Developed WPIs is set longer than 5 (five) years but not more than 10 (ten) years. In addition, for Developed WPIs, there are details of additional carry-forward stipulated under MoF Reg. 81/2024.

**Table 6.2 Additional Loss Carry-Forward**

No.	Additional Carry-Forward	Condition
1.	1 year	Investments in certain business sectors performed by taxpayers.
2.	1 year	Investments in certain business sectors performed by industrial parks
3.	1 year	New investments in the new and renewable energy sector
4.	1 year	If incurring costs for economic and/or social infrastructure at the business location of a minimum of IDR10 billion
5.	1 year	If domestically produced raw materials and/or components of a minimum of 70% are used no later than the second tax year
6.	1 year or 2 years	One year: if employing a minimum of additional 300 Indonesian workers and maintaining that number for 4 consecutive years; or Two years:

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No.	Additional Carry-Forward	Condition
		if employing a minimum of additional 600 Indonesian workers and maintaining that number for 4 consecutive years
7.	2 years	If incurring costs for domestic research and development. The research is aimed at product development or product efficiency of a minimum of 5% of the total investment within a period of 5 years.
8.	2 years	If exporting a minimum of 30% of the total sales value in a tax year.

Source: [MoF Reg. 81/2024](#), processed by the Author.

### Notes:

Number 1 and 2 : Granted in the first, second and/or third tax year from the start of commercial production.

Number 3 to 8 : Granted for losses up to the utilisation period of the facilities.

### C. Parties Receiving the Incentives

The tax allowance may be utilised by industrial companies or industrial park companies conducting business in Developed WPIs, Developing WPIs and Potential I WPIs. Business activities in Developed WPIs must be based on certain business sectors in KBLIs in Table 6.3 and Table 6.4 below.

**Table 6.3 Specific Business Sector Groups in Developed WPIs**

Business Sector	KBLI 2017	Product Scope
Corn farming	01111	- Corn seeds - Corn cultivation
Soybean farming	01113	- Soybean seeds - Soybean cultivation
Hybrid rice farming	01121	- Hybrid rice seeds - Hybrid rice cultivation
Inbred rice farming	01122	- Inbred rice seeds - Inbred rice cultivation
Miscellaneous secondary crop tubers farming	01135	Cassava plantation
Sugar cane farming	01140	Sugarcane plantation business, including sugarcane nursery and seeding activities
Fibre crop farming	01160	All product scope included in this KBLI
Tropical and subtropical fruit farming	01220	- Banana cultivation - Pineapple cultivation - Mangosteen cultivation
Crop for beverage ingredients farming	01270	- Coffee - Tea - Cocoa

**CHAPTER 6:  
TAX ALLOWANCES IN INDUSTRIAL PARKS**

<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Pepper plantation	01281	Pepper
Spices, aromatic/refreshing, narcotic and other medicinal plant farming	01289	Nutmeg
Ornamental plant farming	01301	- Dracaena - Orchid - Jasmine
Beef cattle breeding and cultivation	01411	- Beef cattle breeding - Beef cattle cultivation
Dairy cow breeding and farming	01412	- Dairy cattle breeding - Dairy cattle cultivation
Teak forestry concession	02111	Land preparation, nursery, planting, maintenance, harvesting, and/or marketing activities of teak plant products
Pine forest concession	02112	Land preparation, nursery, planting, maintenance, harvesting and/or marketing activities of pine plant products
Mahogany forestry concession	02113	Land preparation, nursery, planting, maintenance, harvesting and/or marketing activities of mahogany plant products
Rosewood forest concession	02114	Land preparation, nursery, planting, maintenance, harvesting and/or marketing activities of rosewood plant products
Silk tree/lightwood/white lightwood forest concession	02115	Land preparation, seeding, planting, maintenance, harvesting and/or marketing activities of silk tree/lightwood/white lightwood plant products
Sandalwood forest concession	02116	Land preparation, nursery, planting, maintenance, harvesting and/or marketing activities of sandalwood plant products
Acacia forest concession	02117	Land preparation, nursery, planting, maintenance, harvesting and/or marketing activities of acacia plant products
Eucalyptus forest concession	02118	Land preparation, nursery, planting, maintenance, harvesting and/or marketing activities of eucalyptus plant products
Pisces/marine finfish fishery	03111	All types of fish ( <i>pisces</i> ), except sharks
Marine crustacean fishery	03112	All types of crustaceans
Sea mollusc fishery	03113	All types of molluscs
Pisces/marine finfish cultivation	03211	All product scope included in this KBLI
Marine mollusc cultivation	03215	All product scope included in this KBLI
Marine crustacean cultivation	03216	All product scope included in this KBLI

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Coal gasification at mining sites	05102	Coal gasification
Geothermal energy exploitation	06202	- Geothermal energy search - Geothermal energy drilling
Iron sand mining	07101	Processing and/or refining of iron sand
Iron ore mining	07102	Processing and/or refining of iron ore
Uranium and thorium ore mining	07210	Processing and/or refining of: - uranium ore - thorium
Tin ore mining	07291	Processing and/or refining of tin ore
Black tin ore mining	07292	Processing and/or refining of black tin ore
Bauxite ore mining	07293	Processing and/or refining of bauxite ore
Copper ore mining	07294	Processing and/or refining of copper ore
Nickel ore mining	07295	Processing and/or refining of nickel ore
Manganese ore mining	07296	Processing and/or refining of manganese ore
Other non-iron ore mineral resource mining	07299	Processing and/or refining of: - zinc ore - zirconium ore - chromium ore - antimony ore - ilmenite - rutile - rare earth elements
Gold and silver mining	07301	Processing and/or refining of: - gold ore - silver ore
Fish freezing industry	10213	- All types of fish ( <i>pisces</i> ), except sharks - Tuna: loin, steak, pocket, meat, slice and/or cube - Demersal fish fillets
Minced-meat- and surimi-based industry	10216	Surimi and surimi-based products: meatballs, sausages, grilled fish cake ( <i>otak-otak</i> in Indonesian), dragon's feet ( <i>kaki naga</i> in Indonesian), dumplings, <i>ekado</i> , fish fingers, imitation crabmeat, fish balls, fish nuggets, fish sticks, crab sticks, <i>chikua</i> and/or kamaboko
Seaweed processing industry	10298	Refined carrageenan
Canned fruit and vegetable processing and preservation industry	10320	All product scope included in this KBLI
Margarine industry	10412	Margarine
Coconut crude oil industry	10422	All product scope included in this KBLI
Coconut oil industry	10423	All product scope included in this KBLI
Coconut pellet industry	10424	All product scope included in this KBLI

<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Other crude and animal and vegetable fat and oil industries	10490	All product scope included in this KBLI
Fresh milk and cream processing industry	10510	All product scope included in this KBLI
Cereal food industry	10615	Manufacture of cereal foods
Cassava starch industry	10621	Manufacture of cassava starch through extraction, such as tapioca flour
Various types of palm starch industry	10622	Flour from natural sago
Glucose and the like industry	10623	Sugar from cassava
Bread and cake product industry	10710	- Manufacture of biscuits - Manufacture of wafers
Sugar industry	10721	Granulated sugar from sugar cane
Chocolate-based food and confectionery industry	10732	All product scope included in this KBLI
Coconut cooking product industry	10773	All product scope included in this KBLI
Baby food industry	10791	All product scope included in this KBLI
Vegetable creamer industry	10795	Manufacture of plant-based creamer
Corn processing industry	00000	Manufacture of glucose, fructose, lactose, maltose and/or sucrose, made from corn
Yarn spinning industry	13112	Yarn from cotton, polyester, nylon, acrylic, spandex and/or rayon and blends thereof
Weaving industry (other than the weaving of gunny sacks and other sacks)	13121	Woven fabric manufactured using mechanical looms
Fabric finishing industry	13132	All product scope included in this KBLI
Fabric printing industry	13133	All product scope included in this KBLI
Batik industry	13134	All product scope included in this KBLI
Knitted fabric industry	13911	All product scope included in this KBLI
Carpet and rug industry	13930	All product scope included in this KBLI
Industries producing fabric for industrial use	13992	All product scope included in this KBLI
Non-woven industry	13993	All product scope included in this KBLI
Textile apparel (confection) industry	14111	All product scope included in this KBLI
Leather apparel (confection) industry	14112	All product scope included in this KBLI
Knitted apparel industry	14301	All product scope included in this KBLI
Daily footwear industry	15201	All product scope included in this KBLI
Sports shoes industry	15202	All product scope included in this KBLI
Field engineering/ industrial shoes industry	15203	All product scope included in this KBLI
Coal product industry	19100	All product scope included in this KBLI

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Lubricant manufacturing industry	19212	All product scope included in this KBLI
Coal briquette industry	19292	All product scope included in this KBLI
Chlorine and alkali basic inorganic chemical industry	20111	Hydrochloric acid, sodium hypochlorite
Other basic inorganic chemical industries	20114	White carbon, sulfuric acid, ammonium sulphate, phosphoric acid, hydrogen peroxide, ammonium nitrate, ammonium chlorate, ammonium perchlorate, potassium nitrate, potassium chlorate
Basic organic chemical industry sourced from agricultural products	20115	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Basic organic chemical industry sourced from oil, natural gas and coal	20117	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Other organic basic chemical industries	20119	- Paraformaldehyde - Dimethyl phthalate
Primary macro nutrient single synthetic fertiliser industry	20122	Urea fertilisers
Synthetic resin and plastic raw material industry	20131	Polycarbonate, polybutene, polyacetal, nylon filament yam, nylon tire cord, super absorbent polymer, polyester chip (pet resin), polyvinyl alcohol
Soap and household cleaning product industry	20231	All product scope included in this KBLI
Cosmetics for human industry, including toothpaste	20232	All product scope included in this KBLI
Synthetic fibre/yarn/filament strip industry	20301	Polyester filament yarn
Synthetic staple fibre industry	20302	Synthetic polyester staple fibre
Pharmaceutical ingredients for human industry	21011	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Pharmaceutical products for human industry	21012	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction



<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
		facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Traditional medicine product industry	21022	Phytopharmaceuticals
Outer tire and inner tire industry	22111	All product scope included in this KBLI
Plastic building materials industry	22210	All product scope included in this KBLI
Plastic sheet product industry	22291	PET film
Flat glass industry	23111	All product scope included in this KBLI
Safety glass industry	23112	All product scope included in this KBLI
Porcelain sanitary ware industry	23923	All product scope included in this KBLI
Clay/ceramic building material industry, excluding bricks and rooftiles	23929	All product scope included in this KBLI
Porcelain household equipment industry	23931	All product scope included in this KBLI
Porcelain laboratory equipment and electrical/technical equipment industry	23933	All product scope included in this KBLI
Iron and steel making industry	24101	- Base metal industry producing steel - Base metal industry producing stainless steel from scrap
Steel rolling industry	24102	- Hot rolled coil/sheet steel (including stainless steel) from slab; and/or - Cold rolled coil/sheet steel (including stainless steel) coated or uncoated with other metals or non-metals from hot rolled coil steel
Precious base metal manufacturing industry	24201	Processing of anode slime into doré metal
Non-ferrous base metal manufacturing industry	24202	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Wire product industry	25951	- Manufacture of brass plated steel wire - Manufacture of steel cord
Other metal product industry not classified elsewhere	25999	- Manufacture of ship propellers - Manufacture of ship anchors - Manufacture of ship chains
Semi-conductor and other electronic component industry	26120	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
		facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Computer and/or computer assembly industry	26210	All product scope included in this KBLI
Computer equipment industry	26220	Printers
Wireless communications equipment industry	26320	All product scope included in this KBLI
Smart card industry	26391	All product scope included in this KBLI
Other communications equipment industry	26399	All product scope included in this KBLI
Television and/or television assembly industry	26410	All types of flat panel display televisions, excluding CRT televisions
Audio and video recording, receiving and reproducing equipment industry, excluding television industry	26420	CD, VCD/DVD, Blu-ray players and/or the combination thereof, car head units (radios and televisions installed in cars)
Other electronic audio and video equipment industry	26490	- Manufacture of video game consoles - Manufacture of active speakers
Electronic measuring and testing equipment industry	26513	Radar tools and equipment
Photography equipment industry	26710	All product scope included in this KBLI
Transformer, rectifier and voltage stabiliser industry	27113	Transformers with voltage of 70 kv-500 kv industry
Electrical control and distribution equipment industry	27120	All product scope included in this KBLI
Battery industry	27201	All product scopes included in this KBLI with an investment value below IDR100 billion
Fibre optic cable industry	27310	All product scope included in this KBLI
Electrical cable and other electronics industry	27320	Electrical cables
LED lighting industry	27404	All product scope included in this KBLI
Household electrical equipment industry	27510	Refrigerators and/or washing machines
Engine and turbine component and spare part industry	28113	- Manufacture of generator components and/or spare parts - Manufacture of turbine components and/or spare parts
Other pump, compressor, faucet and valve industries	28130	Compressors for: - refrigerators and ACs - cold storage
Lifting and handling equipment industry	28160	- Manufacture of lifts - Manufacture of escalators

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Photocopy machine industry	28174	- Manufacture of photocopy machines - Manufacture of photocopy machine equipment
Refrigeration machine industry	28193	- Manufacture of evaporators and/or condensers, for all refrigeration machines
Agricultural and forestry machinery industry	28210	- Assembly of agricultural tractors - Manufacturing of rice milling units
Metalworking machinery and machine tool industry	28221	All product scope included in this KBLI
Mining, quarrying and construction machinery industry	28240	Manufacture of heavy equipment (Track Type Tractor/TTT, truck body and the like), including components
Textile machinery manufacturing industry	28263	- Manufacture of knitting machines - Manufacture of weaving machines - Manufacture of embroidery machines with an investment value below IDR100 billion
Other special purpose machinery industry	28299	Manufacture of injection moulding machines
Motor vehicles with four wheels or more industry	29100	All product scope included in this KBLI, except for products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Motor vehicle body with four or more wheels industry and the trailer and semi-trailer industry	29200	All product scope included in this KBLI
Spare parts and accessories for motor vehicles with four or more wheels industry	29300	All product scope in this KBLI except products included in the scope of the corporate income tax reduction facility stipulated under MoF Reg. 150/2018 and the amendments thereto
Ship and boat industry	30111	- Manufacture or assembly of various commercial ships and boats made from steel and/or aluminium - Manufacture or assembly of various commercial ships and boats made from fibre glass, wood and/or ferro cement
Marine tool, equipment and ship part industry	30113	Manufacture of ship equipment, tools and parts, such as hull equipment, deck machinery work accommodation, steering gear and loading and unloading equipment
Two-wheeled and three-wheeled motorcycle industry	30911	All product scope included in this KBLI

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Two-wheeled and three-wheeled motorcycle component and equipment industry	30912	- Manufacture of engines or engine parts - Manufacture of die casting components, brake systems - Manufacture of transmission systems
Bicycle and wheelchair equipment industry, including rickshaws	30921	All product scope included in this KBLI, except rickshaws
Wooden furniture industry	31001	All product scope included in this KBLI
Rattan and/or bamboo furniture industry	31002	All product scope included in this KBLI
Precious metal jewellery for personal use industry	32112	All product scope included in this KBLI
Gaming equipment industry	32401	All product scope included in this KBLI
Children's toy industry	32402	All product scope included in this KBLI
Coir industry	32905	All product scope included in this KBLI
Repair of ships, boats and floating structures	33151	All product scope included in this KBLI
Power generation	35101	- Micro power stations - Mini power stations with an investment value below IDR100 billion
Natural and synthetic gas procurement	35201	- Regasification of LNG into gas using Floating Storage Regasification Unit (FSRU) - Coalbed methane (Non PSq/coalbed methane gas, shale gas, tight gas sand and methane hydrate) - Purification and/or processing of natural gas into Liquefied Natural Gas (LNG) and/or Liquefied Petroleum Gas (LPG) - Procurement and/or processing of synthetic gas from coal gasification
Drinking water storage, purification and distribution	36001	- Development and/or management of raw water units and/or production units in the drinking water supply system - Development of distribution units of the drinking water supply system
Hazardous wastewater treatment and disposal	37022	All product scope included in this KBLI
Non-hazardous waste and rubbish treatment and disposal	38211	The treatment of non-hazardous rubbish that produces biofertilisers, methane gas or carbon dioxide gas
Organic waste compost production	38212	All product scope included in this KBLI
Hazardous waste treatment and disposal	38220	Hazardous waste treatment that produces oil-free used bleaching soil or eco environment oil (recovered oil)

<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>
Remediation and other rubbish treatment activities	39000	All product scope included in this KBLI
Long-distance rail transportation for passengers	49110	Business of intercity passenger transport by rails, including the operation of sleeping cars or dining cars as an integrated operation of a railway company (but excluding rail transport for urban passengers)
Cargo handling (loading and unloading of goods)	52240	Business of loading and unloading of goods and/or passengers' luggage within ports, including container terminals, liquid bulk terminals and dry bulk terminals
Video game development activities	62011	All product scope included in this KBLI
E-commerce application development activities	62012	All product scope included in this KBLI
Other computer programming activities	62019	All product scope included in this KBLI
Tourism areas	68120	All product scope included in this KBLI, except that in Special Economic Zones (SEZs)

Source: [Gov. Reg. No. 78/2019](#), processed by the Author.

**Table 6.4 Group 1 KBLI Main Activity SEZ**

<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
Freshwater fish farming in floating net cages/fixed net cages	03222	- Nile tilapia - Pangas catfish	All provinces in Indonesia, except DKI Jakarta
Coal mining	05101	- Coal liquid action - Coal upgrading	Aceh, West Sumatra, Riau, Jambi, South Sumatra, Bengkulu, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, West Papua, Papua
Canned (non-shrimp) fish and aquatic biota processing and preservation industry	10221	- All types of fish ( <i>pisces</i> ), except sharks - All types of crustaceans - All types of molluscs - Canned fish and cooked loin (canned tuna or skipjack tuna)	All provinces in Indonesia, except DKI Jakarta

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
Canned shrimp processing and preservation industry	10222	All product scope included in this KBLI	All provinces in Indonesia, except DKI Jakarta
Other aquatic biota freezing industries	10293	- All types of crustaceans - All types of molluscs - frozen shrimps	All provinces in Indonesia, except DKI Jakarta
Other aquatic biota processing and preservation industries	10299	Breaded shrimps	All provinces in Indonesia, except DKI Jakarta
Coffee processing industry	10761	Coffee powder, roasted coffee beans, coffee extracts, instant coffee and/or coffee essence	All provinces in Indonesia except DKI Jakarta Province
Cultural paper industry	17012	- Printing paper - Newspaper paper - Joss paper	All provinces in Indonesia, except DKI Jakarta
Other paper industry	17019	All product scope included in this KBLI	All provinces in Indonesia, except DKI Jakarta
Corrugated paper and paper board industry	17021	All product scope included in this KBLI	All provinces in Indonesia, except DKI Jakarta
Paper and cardboard packaging and boxes industry	17022	All product scope included in this KBLI	All provinces in Indonesia, except DKI Jakarta
Tissue paper industry	17091	All product scope included in this KBLI	All provinces in Indonesia, except Banten, DKI Jakarta, West Java, Central Java, DI Yogyakarta, East Java (excluding regencies on Madura Island)
Other rubber product industry not elsewhere classified	22199	Synthetic rubber gloves and/or natural rubber gloves	Aceh, North Sumatra, West Sumatra, Riau, Riau Islands, Jambi, South Sumatra, Bangka Belitung, Bengkulu, Lampung, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North

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<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
			Kalimantan, West Papua, Papua
Five-star hotels	55111	All product scope included in this KBLI	Toba Samosir Regency, Simalungun Regency, North Tapanuli Regency, Humbang Hasundutan Regency, Dairi Regency, Karo Regency, Samosir Regency, Pakpak Bharat Regency, Belitung Regency, East Belitung Regency, Pandeglang Regency, Administration of Kepulauan Seribu Regency, Magelang Regency, Purworejo Regency, Probolinggo Regency, Malang Regency, Pasuruan Regency, Lumajang Regency, Central Lombok Tengah, West Manggarai Regency, Wakatobi Regency, Pulau Morotai Regency
Four-star hotels	55112	All product scope included in this KBLI	Toba Samosir Regency, Simalungun Regency, North Tapanuli Regency, Humbang Hasundutan Regency, Dairi Regency, Karo Regency, Samosir Regency, Pakpak Bharat Regency, Belitung Regency, East Belitung Regency, Pandeglang Regency, Administration of Kepulauan Seribu Regency, Magelang Regency, Purworejo Regency, Probolinggo Regency, Malang Regency, Pasuruan Regency, Lumajang Regency, Central

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
			Lombok Tengah, West Manggarai Regency, Wakatobi Regency, Pulau Morotai Regency
Golf courses	93112	All product scope included in this KBLI	Toba Samosir Regency, Simalungun Regency, North Tapanuli Regency, Humbang Hasundutan Regency, Dairi Regency, Karo Regency, Samosir Regency, Pakpak Bharat Regency, Belitung Regency, East Belitung Regency, Pandeglang Regency, Administration of Kepulauan Seribu Regency, Magelang Regency, Purworejo Regency, Probolinggo Regency, Malang Regency, Pasuruan Regency, Lumajang Regency, Central Lombok Tengah, West Manggarai Regency, Wakatobi Regency, Pulau Morotai Regency
Theme park or amusement park activities	93210	All product scope included in this KBLI	Toba Samosir Regency, Simalungun Regency, North Tapanuli Regency, Humbang Hasundutan Regency, Dairi Regency, Karo Regency, Samosir Regency, Pakpak Bharat Regency, Belitung Regency, East Belitung Regency, Pandeglang Regency, Administration of Kepulauan Seribu Regency, Magelang Regency, Purworejo Regency, Probolinggo Regency, Malang Regency, Pasuruan



<b>Business Sector</b>	<b>KBLI 2017</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
			Regency, Lumajang Regency, Central Lombok Tengah, West Manggarai Regency, Wakatobi Regency, Pulau Morotai Regency

Source: [Gov. Reg. No. 78/2019](#), processed by the Author.

## **D. Requirements**

The tax allowance facility may be utilised by industrial companies and industrial park companies, insofar as they fulfil general and special requirements.

### **D.1 General Requirements**

Resident taxpayers with the following criteria:

- (i) constituting resident corporate taxpayers;
- (ii) shareholders that fulfil the requirements to be granted a tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian);
- (iii) performing a new investment or spin-off;
- (iv) fulfilling the following provisions:
  - a. high investment value or export-oriented;
  - b. absorbing a substantial number of labour; or
  - c. high local content requirements.
- (v) specifically for Developed WPIs, the business sectors and regions must correspond to Table 6.3 and Table 6.4.

### **D.2 Special Requirements**

The tax allowances consist of several components, therefore, there are special requirements that need to be considered. The following special requirements are related to the depreciation of tangible fixed assets.

- (i) The tangible fixed assets are acquired by the taxpayer in a new condition, except if relocated as a whole as one investment package from another country;
- (ii) Listed in the principle permit, investment permit, investment registration issued by the body or institution that administers investments;
- (iii) Held and used for main business activities.

### **D.3 Application Forms and Reports**

The following are the forms and files required to utilise the tax allowance in industrial parks.

- (i) Application form for the tax allowance facility if the application is submitted offline;
- (ii) A photocopy of the business identification number (*Nomor Induk Berusaha/NIB* in Indonesian);
- (iii) A photocopy of the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
- (iv) The tax clearance certificates of shareholders;
- (v) The list of fixed assets of taxpayers in the investment value plan;
- (vi) A statement letter that commercial production has not yet started;
- (vii) A statement/commitment letter of the ability to fulfil administrative, technical and qualitative requirements;
- (viii) A power of attorney if the application is not submitted in person by the director of the company.

### **E. Application Scheme**

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Corporate taxpayers may utilise the tax allowance in 2 (two) stages. *First*, the approval process for the granting of the facility. This process consists of the following several steps.

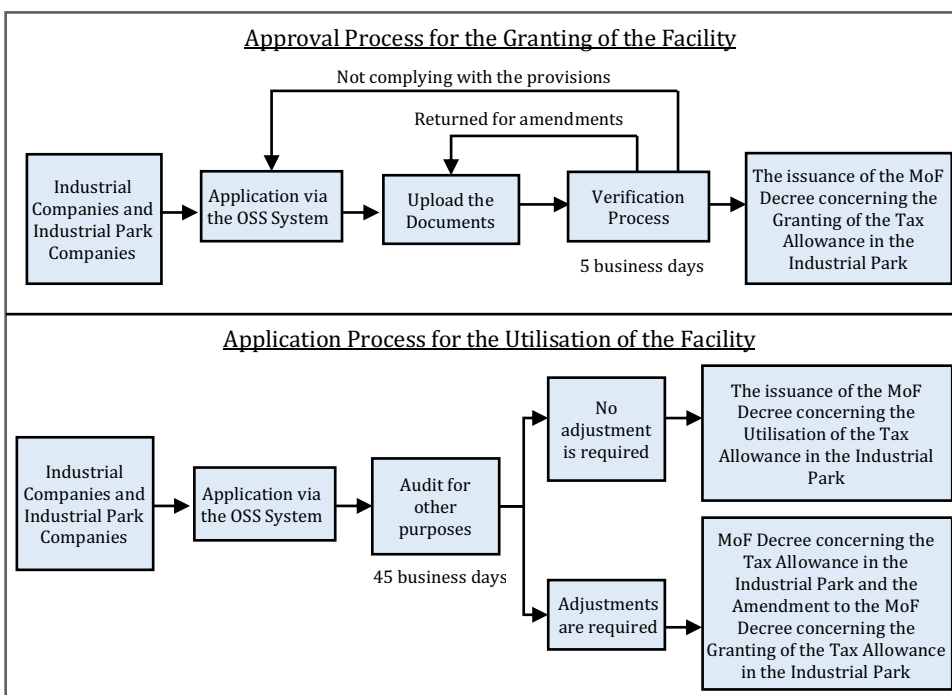
- (i) A taxpayer that fulfils the requirements may apply online via the Online Single Submission (OSS) system;
- (ii) If the notification states that the investment fulfils the criteria, the taxpayer may continue the application through the OSS system;
- (iii) Documents to be uploaded include:
  - a. the tax clearance certificates of the shareholders;
  - b. details of assets in the investment; and
  - c. a statement/commitment letter of the ability to fulfil administrative, technical and qualitative requirements;
- (iv) The verification process will be conducted no later than 5 (five) business days;
- (v) If the verification process is deemed not to comply with the provisions, a rejection letter will be issued. On the other hand, if the verification results state that the application is incomplete, it will be returned for amendments and if the verification states that the application is complete, it may be further processed;

- (vi) The issuance of a minister of finance decree (*Keputusan Menteri Keuangan/KMK* in Indonesian) concerning the granting of a tax holiday. A copy of the minister of finance decree is sent to the taxpayer, the ministry of finance, the Director General of Taxes and ministries or institutions in certain sectors.

*Second*, the submission process of the application for the utilisation of the facility. This process consists of the following several steps.

- (i) The taxpayer applies via the OSS system;
- (ii) The application for the utilisation of the tax allowance must attach:
- a. the realisation of fixed assets as well as layout drawings;
  - b. the tax clearance certificates of the shareholders; and
  - c. documents related to:
    - the first sales transaction of products to the market, including tax invoices or invoice; or
    - the first time the products are subject to personal use for further production processes, including a report on personal use;
- (iii) Based on the application, an audit for other purposes will be conducted by the Director General of Taxes. This audit for other purposes is conducted within a maximum period of 45 (forty-five) business days after the notice of audit is submitted;
- (iv) If the findings of the audit for other purpose are deemed to require adjustments, a minister of finance decree concerning the utilisation of the tax allowance will be issued and the minister of finance decree concerning the granting of the tax allowance will be amended.

## F. Flow Chart



Source: Indonesian Investment Coordinating Board. *Tax Holiday*, Internet, can be accessed via <https://regionalinvestment.bkpm.go.id/pir/insentif>, with adjustments to the latest developments.

## G. Post-Incentive-Utilisation Obligations

An obligation is to be fulfilled by a taxpayer after obtaining the tax allowance, namely submitting the:

- (i) investment realisation report for the tax allowance;
- (ii) production activity realisation report; and
- (iii) letter of submission of the investment realisation/production activity realisation report.

The reports must be submitted to the Director General of Taxes online through the OSS. The above reports must be submitted every year no later than 30 (thirty) days after the end of the tax year concerned.

## H. Other Important Information

The following are special provisions related to the application for tax allowances in industrial parks.

- (i) For new taxpayers, the application for the facility is submitted simultaneously with the registration to obtain a business identification number; or
- (ii) For taxpayers wishing to perform investments and/or spin-offs, the application for the facility is submitted no later than 1 (one) year after the issuance of the business permit by the OSS institution.

On the other hand, for the tax allowance facility in industrial parks, the following are several prohibitions that need to be considered.

- (i) Tangible fixed assets that obtain the facilities are prohibited from:
  - a. being used other than to grant the facilities; or
  - b. being transferred, either part or all the fixed assets. This is stipulated otherwise if the fixed assets are replaced with new fixed assets before the end of a longer period between a period of 6 (six) years from the start of commercial production or the useful life of the assets.
- (ii) Intangible fixed assets that obtain the facilities are prohibited from:
  - a. being used other than to grant the facilities; or
  - b. being transferred, either part or all the fixed assets. This is stipulated otherwise if the fixed assets are replaced with new fixed assets before the end of the useful life of the intangible assets.



# Chapter 7

## Facilities for the Utilisation of Renewable Energy Sources

### A. Brief Description

<b>Description</b>	Utilisation of renewable energy sources may be granted income tax ( <i>Pajak Penghasilan</i> /PPH in Indonesian) facilities in the form of: <ul style="list-style-type: none"> <li>(i) net income reduction of 30% of the total value of Investment in the form of tangible fixed assets;</li> <li>(ii) accelerated depreciation and amortisation;</li> <li>(iii) the imposition of income tax on dividends paid to non-resident taxpayers (<i>Subjek Pajak Luar Negeri/SPLN</i> in Indonesian) other than Permanent Establishments (PEs or <i>Bentuk Usaha Tetap</i>/BUT in Indonesian) in Indonesia of 10%, or a lower rate according to the applicable tax treaty (<i>Persetujuan Penghindaran Pajak Berganda</i>/P3B in Indonesian);</li> <li>(iv) loss carry-forward for longer than 5 (five) years and a maximum of 10 (ten) years.</li> </ul>
<b>Incentive type</b>	Additional net income reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Minister of Finance Regulation Number 21/PMK.011/2010 concerning the Granting of Tax and Customs Facilities for Renewable Energy Utilisation (<a href="#">MoF Reg. 21/2010</a>);</li> <li>2. Government Regulation Number 78 of 2019 concerning Income Tax Facilities for Investments in Certain Business Sectors and/or Certain Regions (<a href="#">Gov. Reg. No. 78/2019</a>);</li> <li>3. Indonesian Investment Coordinating Board Regulation Number 5 of 2020 concerning Procedures for the Offline Submission of the Application for Corporate Income Tax Facilities for Investments in Certain Business Sectors (<a href="#">BKPM Reg. 5/2020</a>);</li> <li>4. Presidential Regulation Number 112 of 2022 concerning Acceleration of Renewable Energy Development for Electricity Supply (<a href="#">Pres. Reg. 112/2022</a>).</li> </ol>
<b>Economic sectors</b>	Processing industries

<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2010

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 97.

## B. Benefits of the Incentive

To reduce dependence on the use of non-renewable energy, the government has enacted provisions on income tax facilities for the utilisation of renewable energy sources. The provisions on these facilities are outlined in [MoF Reg. 21/2010](#). The Income tax facilities are in the form of:

(i) Net income reduction

Net income reduction is granted of 30% of the amount of investment in the form of tangible fixed assets, including land, used for main business activities, expensed for 6 (six) years at 5% per year respectively.

(ii) Accelerated depreciation

Accelerated depreciation of tangible fixed assets and accelerated amortisation of intangible assets. The details are as per Table 7.1 below.

**Table 7.1. Details of Accelerated Depreciation and Amortisation**

No.	Group	Useful Life	Depreciation Percentage	
			Straight Line	Declining Balance
Depreciation of tangible fixed assets				
1.	Non-buildings group I	2 years	50%	100%
2.	Non-buildings group II	4 years	25%	50%
3.	Non-buildings group III	8 years	12,5%	25%
4.	Non-buildings group IV	10 years	10%	20%
5.	Permanent buildings	10 years	10%	
6.	Non-permanent buildings	5 years	20%	
Amortisation of intangible assets				
1.	Group I	2 years	50%	100%
2.	Group II	4 years	25%	50%
3.	Group III	8 years	12,5%	25%
4.	Group IV	10 years	10%	20%

Source: [MoF Reg. 21/2010](#), processed by the Author.



(iii) Income Tax on dividends

The imposition of income tax on dividends paid to non-tax residents other than PEs in Indonesia amounts to 10%. The rate may be set lower if so, stipulated under the tax treaty.

(iv) Loss carry-forward

Loss carry-forward is set longer than 5 (five) years, but not more than 10 (ten) years with the following provisions.

**Table 7.2 Additional Loss Carry-Forward**

No.	Additional Carry-Forward	Requirements
1.	1 year	Investments in certain business sectors performed by taxpayers
2.	1 year	Investments in certain industrial park business sectors and/or bonded zones.
3.	1 year	New investments in the field of new and renewable energy.
4.	1 year	If incurring expenses for economic and/or social infrastructure at the business location of a minimum of IDR10 billion.
5.	1 year	If domestically produced raw materials and/or components are used at a minimum of 70% no later than the second tax year
6.	1 year or 2 years	One year: If employing a minimum of additional 300 (three hundred) Indonesian workers ( <i>Tenaga Kerja Indonesia</i> /TKI in Indonesian) and maintaining that number for 4 (four) consecutive years; or Two years: If employing a minimum of additional 600 (six hundred) Indonesian workers and maintaining that number for 4 (four) consecutive years.
7.	2 years	If costs are incurred for domestic research and development. The research aims to develop products or product efficiency of a minimum of 5% of the total investment within a period of 5 (five) years.
8.	2 years	If exporting a minimum of 30% of the total sales value in a tax year, for investments in certain business sectors in Appendix I of <a href="#">Gov. Reg. No. 78/2019</a> conducted outside the bonded zones

Source: [Gov. Reg. No. 78/2019](#), processed by the Author.

**Notes:**

Number 1 and 2 : Granted in the first, second and/or third tax year from the start of commercial production.

Number 3 to 8 : Granted for losses up to the utilisation period of the facilities.

### **C. Parties Receiving the Incentives**

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This facility may be utilised by entrepreneurs investing in the field of renewable energy utilisation. Renewable energy sources refer to energy sources produced from sustainable energy resources, including:

- (i) geothermal;
- (ii) wind;
- (iii) bioenergy;
- (iv) sunlight;
- (v) water flow and falls; and
- (vi) movement and temperature differences of layers of the ocean.

### **D. Requirements**

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Entrepreneurs investing in the field of the utilisation of renewable energy sources insofar as they fulfil general and special requirements.

#### **D.1 General Requirements**

General requirements to be fulfilled include:

- (i) the investment is performed by resident corporate taxpayers and complies with the specified business sectors;
- (ii) the shareholders of the taxpayer have fulfilled their tax obligations by attaching the tax clearance certificates (*Surat Keterangan Fiskal/SKF* in Indonesian);
- (iii) new investments or spin-offs, except for spin-offs for the replacement or addition of machinery in production that has started commercial production.
- (iv) having a high investment value for export purposes; and
- (v) having high Local Content Requirements (LCR or *Tingkat Komponen Dalam Negeri/TKDN* in Indonesian).

#### **D.2 Special Requirements**

Among the facilities for renewable energy utilisation are depreciation and amortisation. The following are special requirements that need to be considered in respect of the depreciation of tangible fixed assets.

- (i) The tangible fixed assets are acquired by taxpayers in a new condition, except if relocated as a whole as one investment package from another country;

- (ii) Listed in the principle permit, investment permit, investment registration issued by the agency or institution that administers investments; and
- (iii) Held and used for the main business activities.

### **D.3 Application Forms and Reports**

The application for facilities for renewable energy utilisation refers to the provisions under [BKPM Reg. 5/2020](#) as stated in [Gov. Reg. No. 78/2019](#). Pursuant to the provisions under [BKPM Reg. 5/2020](#), the application for the facilities requires several forms, as follows:

- (i) the application form for the tax allowance facility if the application is submitted offline;
- (ii) a photocopy of the business identification number (*Nomor Induk Berusaha/NIB* in Indonesian);
- (iii) a photocopy of the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
- (iv) the tax clearance certificates of shareholders;
- (v) a statement letter that commercial production has not yet started;
- (vi) a statement/commitment letter of the ability to fulfil administrative, technical and qualitative requirements;
- (vii) recorded in the deed of establishment or latest amendment deed;
- (viii) a power of attorney of the investor if the application is not submitted in person by the director of the company.

### **E. Application Scheme**

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Please note that the investment allowance application scheme is stipulated the same as the application for the tax allowance under [Gov. Reg. No. 78/2019](#). This process consists of 2 (two) steps, i.e., the approval process for the granting of the facility and the application for the utilisation of the facility. The following are the stages of the approval of the granting of the facility.

- (i) Taxpayers that fulfil the requirements may apply online via the Online Single Submission (OSS) system;
- (ii) The application may be submitted offline if:
  - a. the OSS system is disrupted, thereby, cannot be accessed for 5 (five) days;
  - b. the OSS system cannot be accessed due to the unavailability of an internet network in certain regencies/municipalities; or
  - c. the OSS system cannot be accessed due to force majeure.

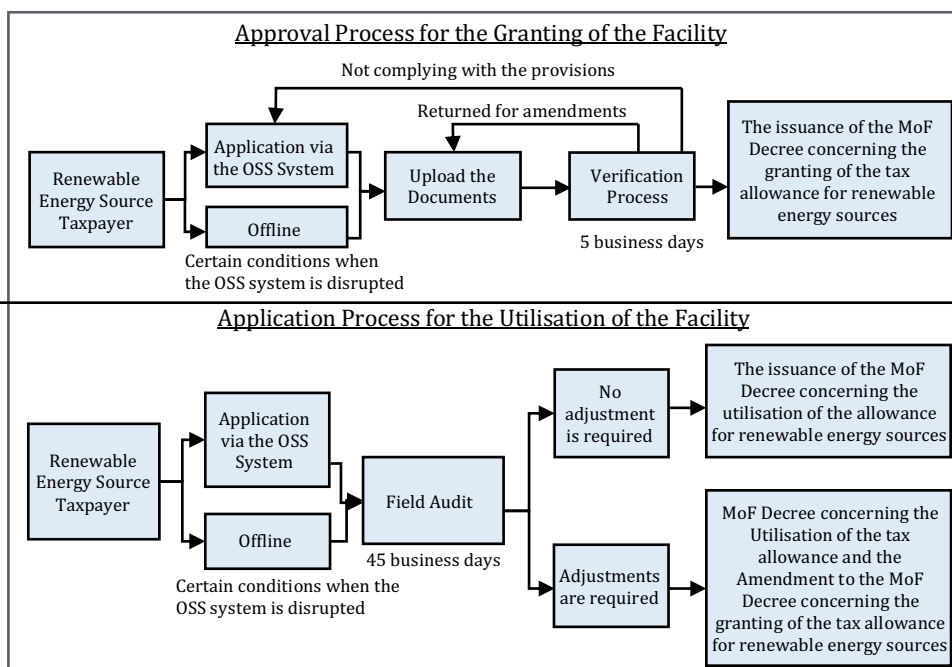
- (iii) The offline application must use the format of the application form;
- (iv) If the notification states that the criteria are fulfilled, the taxpayer may continue the application through the OSS system;
- (v) Documents to be uploaded include:
  - a. the tax clearance certificates of shareholders;
  - b. details of assets in the investment; and
  - c. a statement/commitment letter of the ability to fulfil administrative, technical and qualitative requirements.
- (vi) Next, the verification process will be conducted no later than 5 (five) business days;
- (vii) If the verification process is deemed not to comply with the provisions, a rejection letter will be issued. On the other hand, if the verification results state that the application is incomplete, it will be returned for amendments and if the verification states that the application is complete, it may be further processed;
- (viii) The issuance of a minister of finance decree (*Keputusan Menteri Keuangan/KMK* in Indonesian) concerning the granting of a tax holiday. A copy of the minister of finance decree is sent to the taxpayer, the ministry of finance, the Director General of Taxes and ministries or institutions in certain sectors.

*Second*, the submission process of the application for the utilisation of the facility. This process consists of the following several steps.

- (i) The taxpayer applies via the OSS system, unless there are certain circumstances that allow offline submission;
- (ii) The application for the utilisation of the tax allowance must attach:
  - a. realisation of fixed assets as well as layout drawings;
  - b. the taxpayer's tax clearance certificate; and
  - c. documents related to:
    - the first sales transaction of products to the market, including tax invoices or invoice; or
    - the first time the products are subject to personal use for further production processes, including a report on personal use;
- (iii) Based on the application, a field audit will be conducted by the Director General of Taxes. This field audit is conducted within a maximum period of 45 (forty-five) business days after the notice of audit is submitted;
- (iv) If the field audit findings are deemed to require adjustments, a minister of finance decree concerning the utilisation of the tax allowance will be

issued and the minister of finance decree concerning the granting of the tax allowance will be amended.

### F. Flow Chart



Source: Indonesian Investment Coordinating Board. *Tax Allowance*, Internet, can be accessed via <https://regionalinvestment.bkpm.go.id/pir/insentif>.

### G. Post-Incentive-Utilisation Obligations

An obligation is to be fulfilled by a taxpayer after receiving the tax allowance facility, namely submitting the:

- (i) investment realisation report for the tax allowance;
- (ii) production activity realisation report; and
- (iii) letter of submission of the investment realisation/production activity realisation report.

The reports must be submitted to the Director of Tax Audit and Collection and the head of the Tax Office where the taxpayers are registered. The above reports must be submitted every year no later than 30 days after the end of the tax year concerned.

## H. Other Important Information

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The following are special provisions related to the application for the tax allowance in industrial parks.

- (i) For new taxpayers, the application for the facility is submitted simultaneously with the registration to obtain a business identification number; or
- (ii) For taxpayers wishing to perform investments and/or spin-offs, the application for the facility is submitted no later than 1 (one) year after the issuance of the business permit by the OSS institution.

On the other hand, for the tax allowance facility in Industrial Parks, the following are several prohibitions that need to be considered.

- (i) Tangible fixed assets that obtain the facilities are prohibited from:
  - a. being used other than to grant the facilities; or
  - b. being transferred, either part or all of the fixed assets. This is stipulated otherwise if the fixed assets are replaced with new fixed assets before the end of a longer period between a period of 6 (six) years from the start of commercial production or the useful life of the assets.
- (ii) Intangible fixed assets that obtain the facilities are prohibited from:
  - a. being used other than to grant the facilities; or
  - b. being transferred, either part or all of the fixed assets. This is stipulated otherwise if the fixed assets are replaced with new fixed assets before the end of the useful life of the intangible assets.

# Chapter 8

## Investment Allowances for Certain Labour-Intensive Industries

### A. Brief Description

<b>Description</b>	Taxpayers investing in labour-intensive industries may be granted an income tax ( <i>Pajak Penghasilan</i> /PPH in Indonesian) facility in the form of a net income reduction of 60% of the amount of the investment in the form of tangible assets, expensed for 6 (six) years from the tax year of the start of commercial production at 10% per year respectively.
<b>Incentive type</b>	Additional net income reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 94 of 2010 concerning the Calculation of Taxable Income and Settlement of Income Tax in the Current Year (<a href="#">Gov. Reg. No. 94/2010</a>);</li> <li>2. Government Regulation Number 9 of 2021 concerning the Tax Treatment to Support Ease of Doing Business (<a href="#">Gov. Reg. No. 9/2021</a>);</li> <li>3. Minister of Finance Regulation Number 81 of 2024 concerning Tax Provisions in the Context of the Implementation of the Coretax Administration System (<a href="#">MoF Reg. 81/2024</a>);</li> <li>4. Indonesian Investment Coordinating Board Regulation Number 4 of 2021 concerning Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities (<a href="#">BKPM Reg. 4/2021</a>).</li> </ol>
<b>Economic sectors</b>	Processing industries
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2010

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 99, with adjustments to the latest developments.

## B. Incentive Benefits

Taxpayers investing in labour-intensive industries may be granted an income tax facility (hereinafter referred to as *investment allowance*) in the form of net income reduction of 60% of the amount of the investment expensed for 6 (six) years from the start of commercial production or 10% per year. The investment is in the form of tangible fixed assets, including land, used for main business activities.

## C. Parties Receiving the Incentives

This investment allowance may be utilised by taxpayers investing in certain labour-intensive industries. These labour-intensive industries are based on the following list of the 2020 Indonesian Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha Indonesia/KBLI* in Indonesian).

**Table 8.1 List of Labour-Intensive Industry KBLIs**

<b>Business Sector</b>	<b>KBLI</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
Minced-meat- and surimi-based industry	10216	All product scope included in this KBLI	All provinces in Indonesia
Canned (non-shrimp) fish and aquatic biota processing and preservation industry	10221	- All types of fish ( <i>pisces</i> ), except sharks - All types of crustaceans - All types of molluscs - Canned fish and cooked loin (canned tuna or skipjack tuna)	All provinces in Indonesia, except DKI Jakarta
Canned shrimp processing and preservation industry	10222	All product scope included in this KBLI	All provinces in Indonesia, except DKI Jakarta
Other aquatic biota freezing industries	10293	- All types of crustaceans - All types of molluscs - Frozen shrimps	All provinces in Indonesia, except DKI Jakarta
Other aquatic biota processing and preservation industries	10299	Breaded shrimps	All provinces in Indonesia, except DKI Jakarta
Canned fruit and vegetable processing and preservation industry	10320	All product scope included in this KBLI	All provinces in Indonesia
Fresh milk and cream processing industry	10510	All product scope included in this KBLI	All provinces in Indonesia
Cereal food industry	10615	Manufacture of cereal food	All provinces in Indonesia



**CHAPTER 8:**  
**INVESTMENT ALLOWANCES FOR CERTAIN LABOUR-INTENSIVE INDUSTRIES**

<b>Business Sector</b>	<b>KBLI</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
Bakery and cake product industry	10710	- Manufacture of biscuits - Manufacture of wafers	All provinces in Indonesia
Chocolate-based food and chocolate confectionery industry	10732	All product scope included in this KBLI	All provinces in Indonesia
Coffee processing industry	10761	Coffee powder, roasted coffee beans, coffee extracts, instant coffee and/or coffee essence	All provinces in Indonesia, except DKI Jakarta
Cooking products from coconut industry	10773	All product scope included in this KBLI	All provinces in Indonesia
Yarn spinning industry	13112	Yarn from cotton, polyester, nylon, acrylic, spandex and/or rayon and blends thereof	All provinces in Indonesia
Batik industry	13134	All product scope included in this KBLI	All provinces in Indonesia
Textile apparel (confection) industry	14111	All product scope included in this KBLI	All provinces in Indonesia
Leather apparel (confection) industry	14112	All product scope included in this KBLI	All provinces in Indonesia
Knitted apparel industry	14301	All product scope included in this KBLI	All provinces in Indonesia
Leather tanning industry	15112	All product scope included in this KBLI	All provinces in Indonesia
Leather and composite leather products for personal use industry	15121	All product scope included in this KBLI	All provinces in Indonesia
Leather and composite leather products for engineering/industrial purposes industry	15122	All product scope included in this KBLI	All provinces in Indonesia
Daily footwear industry	15201	All product scope included in this KBLI	All provinces in Indonesia
Sports shoes industry	15202	All product scope included in this KBLI	All provinces in Indonesia
Corrugated paper and paper board industry	17021	All product scope included in this KBLI	All provinces in Indonesia
Paper and cardboard packaging and boxes industry	17022	All product scope included in this KBLI	All provinces in Indonesia
Tissue paper industry*	17091	All product scope included in this KBLI	All provinces in Indonesia, except Banten, DKI Jakarta, West Java, Central

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<b>Business Sector</b>	<b>KBLI</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
			Java, DI Yogyakarta, East Java (excluding regencies on Madura Island)
Other rubber product industries not classified elsewhere	22199	Synthetic rubber gloves and/or natural rubber gloves	Aceh, North Sumatra, West Sumatra, Riau, Riau Islands, Jambi, South Sumatra, Bangka Belitung, Bengkulu, Lampung, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, West Papua, Papua
Plastic building materials industry	22210	All product scope included in this KBLI	All provinces in Indonesia
Other non-metallic mineral products not classified elsewhere	23990	Manufacture of rubber asphalt	All provinces in Indonesia
Flatware product industry	25933	All product scope included in this KBLI	All provinces in Indonesia
Nail, nut and bolt industry	25952	All product scope included in this KBLI	All provinces in Indonesia
Metal cookware product industry	25992	All product scope included in this KBLI	All provinces in Indonesia
Computer equipment industry	26220	Printers	All provinces in Indonesia
Television and/or television assembly industry	26410	All types of flat panel display, excluding CRT televisions	All provinces in Indonesia
Audio and video recording, receiving and reproducing equipment industry, other than the television industry	26420	CD, VCD/DVD, Blu-ray players and/or the combination thereof, car head units (radios and televisions installed in cars)	All provinces in Indonesia
Other electronic audio and video equipment industry	26490	- Manufacture of video game consoles - Manufacture of active speakers	All provinces in Indonesia
Transformer, rectifier and voltage stabiliser industry**	27113	Transformers with voltage of 70 kv-500 kv industry	All provinces in Indonesia

**CHAPTER 8:**  
**INVESTMENT ALLOWANCES FOR CERTAIN LABOUR-INTENSIVE INDUSTRIES**

<b>Business Sector</b>	<b>KBLI</b>	<b>Product Scope</b>	<b>Regions/Provinces</b>
Electrical control and distribution equipment industry	27120	All product scope included in this KBLI	All provinces in Indonesia
Household electrical equipment industry	27510	Refrigerators and/or washing machines	All provinces in Indonesia
Stove industry	27530	All product scope included in this KBLI	All provinces in Indonesia
Other pump, compressor, faucet and valve industry	28130	Compressors for - refrigerators and ACs - cold storage	All provinces in Indonesia
Agricultural and forestry machinery industry	28210	- Assembly of agricultural tractors - Manufacturing of rice milling units	All provinces in Indonesia
Wooden furniture industry	31001	All product scope included in this KBLI	All provinces in Indonesia
Rattan and/or bamboo furniture industry	31002	All product scope included in this KBLI	All provinces in Indonesia
Precious metal jewellery for personal use industry	32112	All product scope included in this KBLI	All provinces in Indonesia
Children's toy industry	32402	All product scope included in this KBLI	All provinces in Indonesia

Source: Appendix BBBB of [MoF Reg. 81/2024](#).

**Notes:**

- \*) Integrated with the pulp industry (KBLI 17011) and in one location with its pulp industry.
- \*\*\*) Transferring technology.

## **D. Requirements**

Entrepreneurs investing in labour-intensive industries may be given investment allowances insofar as they fulfil general and special requirements.

### **D.1 General Requirements**

The provisions that must be fulfilled to utilise this facility are labour-intensive industries that:

- (i) constitute resident taxpayers;
- (ii) constitute taxpayers conducting main business activities in business sectors according to the 2020 KBLIs, having a scope of certain products, in certain regions, with certain requirements; and
- (iii) constitute taxpayers employing a minimum of 300 (three hundred) Indonesian workers for investments that receive income tax facilities. In

this case, the above-mentioned number of Indonesian workers is the average number of Indonesian workers in a tax year.

## **D.2 Special Requirements**

Among the investment allowance facilities are depreciation and amortisation. Special requirements need to be considered concerning the depreciation of tangible fixed assets, as follows:

- (i) the tangible fixed assets are acquired by the taxpayer in a new condition, except if relocated as a whole as one investment package from another country;
- (ii) listed in the principle permit, investment permit, investment registration issued by the agency or institution that administers investments;
- (iii) held and used for main business activities;
- (iv) tangible fixed assets other than land must be acquired after the issuance of the:
  - a. principle permit;
  - b. investment permit;
  - c. investment registration; and/or
  - d. business permit issued by the Online Single Submission (OSS) Institution.

## **D.3 Application Forms and Reports**

The following are the forms and files required to utilise the investment allowance.

- (i) The softcopy of the details of fixed assets in the investment value plan; and
- (ii) The tax clearance certificates (*Surat Keterangan Fiskal/SKF* in Indonesian) of the shareholders

## **E. Application Scheme**

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Please note that the investment allowance application scheme is stipulated the same as the application for the tax allowance under [Gov. Reg. No. 78/2019](#). This process consists of 2 (two) steps, i.e., the approval process for the granting of the facility and the application for the utilisation of the facility. The following are the stages of the approval of the granting of the facility.

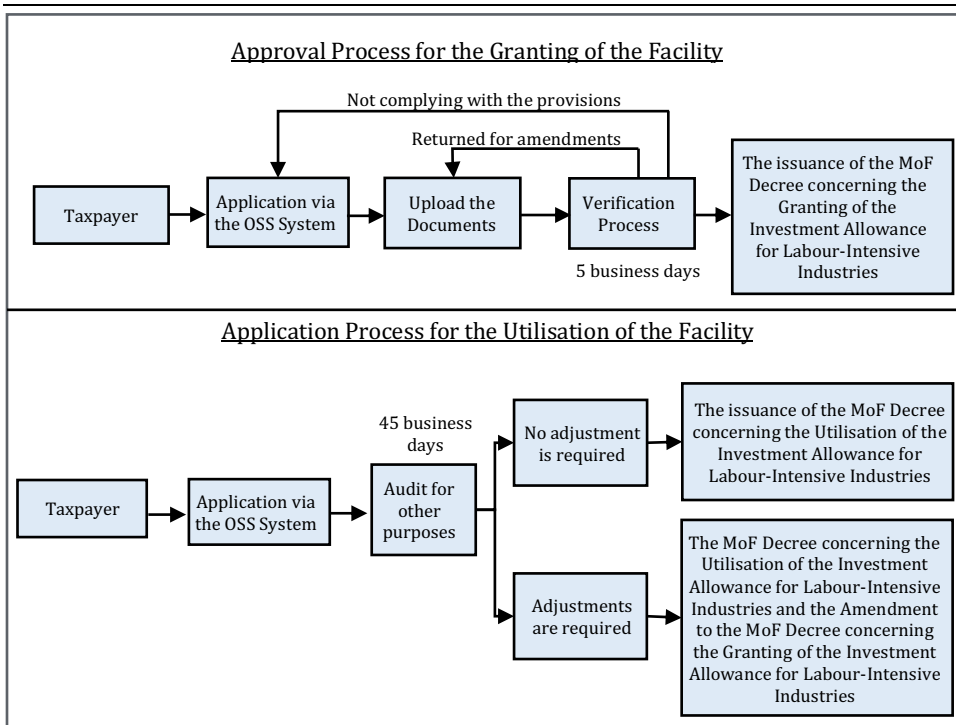
- (i) A taxpayer that fulfils the requirements will receive notification through the OSS system that the investment fulfils the requirements to obtain the investment allowance facility;

- (ii) The taxpayer may apply for the investment allowance facility by uploading an application form, namely the softcopy of the details of assets in the investment and the shareholders' tax clearance certificates;
- (iii) Next, the verification process will be conducted no later than 5 (five) business days;
- (iv) If the verification process is deemed not to comply with the provisions, a rejection letter will be issued. On the other hand, if the verification results state that the application is incomplete, it will be returned for amendments and if the verification states that the application is complete, it may be further processed;
- (v) The issuance of a minister of finance decree (*Keputusan Menteri Keuangan/KMK* in Indonesian) concerning the granting of the investment allowance. A copy of the minister of finance decree is sent to the taxpayer, the ministry of finance, the Director General of Taxes and ministries or institutions in certain sectors.

*Second*, the submission process of the application for the utilisation of the facility. This process consists of the following several steps.

- (i) The taxpayer applies via the OSS system;
- (ii) The application for the utilisation of the investment allowance must attach:
  - a. realisation of fixed assets as well as layout drawings;
  - b. the taxpayer's tax clearance certificate; and
  - c. documents related to:
    - the first sales transaction of products to the market, including tax invoices or invoice; or
    - the first time the products are subject to personal use for further production processes, including a report on personal use;
- (iii) Based on the application, a field audit will be conducted by the Director General of Taxes. This field audit is conducted within a maximum period of 45 (forty-five) business days after the notice of audit is submitted;
- (iv) If the field audit findings are deemed to require adjustments, a minister of finance decree concerning the utilisation of the tax allowance will be issued and the minister of finance decree concerning the granting of the investment allowance will be amended.

**F. Flow Chart**



Source: Indonesian Investment Coordinating Board. *Investment Allowance*, Internet, can be accessed via <https://regionalinvestment.bkpm.go.id/pir/insentif>, with adjustments to the latest developments.

**G. Post-Incentive-Utilisation Obligations**

An obligation is to be fulfilled by a taxpayer after obtaining the investment allowance facility, i.e., submitting:

- (i) a letter of submission of the reports;
- (ii) the report on the number of Indonesian worker employment realisation;
- (iii) the investment realisation report for corporate taxpayers that obtain the net income reduction facility for new investments or spin-offs in certain business sectors that do not constitute labour-intensive industries;
- (iv) the report on the total realisation of production activities for corporate taxpayers that obtain the net income reduction facility for new investments or spin-offs in certain business sectors constituting labour-intensive industries.

The reports must be submitted to the Director General of Taxes every year no later than 30 (thirty) days after the end of the tax year concerned.

## **H. Other Important Information**

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The following are special provisions related to the application for the industrial park investment allowances.

- (i) For new taxpayers, the application for the facility is submitted simultaneously with the registration to obtain a business identification number; or
- (ii) For taxpayers wishing to perform investments and/or spin-offs, the application for the facility is submitted no later than 1 (one) year after the issuance of the business permit by the OSS institution.

In the application, special provisions on fixed assets apply to investment allowances. Taxpayers are not allowed to use tangible fixed assets other than to grant facilities and transfer such assets, except when replaced with new fixed assets. If taxpayers replace the tangible fixed assets, the following provisions shall apply.

- (i) The taxpayers are required to submit written notification to the Director General of Taxes before replacing tangible fixed assets.
- (ii) The value of tangible fixed assets constituting the basis for the investment allowance is based on the lower value between the replaced tangible fixed assets and the value of the replacement tangible fixed assets.
  - a. Replacement acquisition value < replaced acquisition value  
The investment allowance may be utilised until the end of the remaining utilisation period with the acquisition value of the replacement tangible fixed assets.
  - b. Replacement acquisition value > replaced acquisition value  
The investment allowance may be utilised until the end of the remaining utilisation period with the acquisition value of the replaced tangible fixed assets.

# **SUPER TAX DEDUCTION**



# Chapter 9

## Super Tax Deduction for Research and Development Activities

### A. Brief Description

<b>Description</b>	Taxpayers conducting certain Research and Development (R&D) activities in Indonesia may be given a gross income reduction of up to 300% of the amount of expenses incurred for certain research and development activities in Indonesia, which include: <ul style="list-style-type: none"> <li>(i) gross income reduction of 100% of the total expenses incurred for R&amp;D activities; and</li> <li>(ii) additional gross income reduction of a maximum of 200% of the accumulated expenses incurred for R&amp;D activities in a certain period.</li> </ul>
<b>Incentive type</b>	Super tax deduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 94 of 2010 concerning the Calculation of Taxable Income and Settlement of Income Tax in the Current Year (<a href="#">Gov. Reg. No. 94/2010</a>);</li> <li>2. Government Regulation Number 45 of 2019 concerning the Amendment to Government Regulation Number 94 of 2010 concerning the Calculation of Taxable Income and Settlement of Income Tax in the Current Year (<a href="#">Gov. Reg. No. 45/2019</a>);</li> <li>3. Government Regulation Number 9 of 2021 the Tax Treatment to Support Ease of Doing Business (<a href="#">Gov. Reg. No. 9/2021</a>);</li> <li>4. Minister of Finance Regulation Number 81 of 2024 concerning Tax Provisions in the Context of the Implementation of the Coretax Administration System (<a href="#">MoF Reg. 81/2024</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving businesses
<b>Implementation</b>	9 October 2020

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 102, with adjustments to the latest developments.

## B. Incentive Benefits

Gross income reduction is a maximum of 300%<sup>1</sup> of the amount of expenses incurred for R&D activities. The maximum gross income reduction includes:

- (i) gross income reduction of 100% of the total expenses incurred for R&D activities; and
- (ii) additional gross income reduction of a maximum of 200% of the accumulated expenses incurred for R&D activities in a certain period. The additional gross income reduction consists of:
  - a. 50% for domestic patents and Plant Variety Protection (PVP or *Perlindungan Varietas Tanaman*/PVT in Indonesian) Rights;
  - b. 25% for foreign patents and PVT Rights;
  - c. 100% if research and development reach the commercialisation stage; and/or
  - d. 25% if patents and/or PVT Rights reach the commercialisation stage conducted through collaboration with R&D institutions and/or higher education institutions in Indonesia.

## C. Parties Receiving the Incentives

The super tax deduction facility may be utilised by taxpayers conducting certain R&D in Indonesia. R&D refer to priority R&D with the following focus and themes.

**Table 9.1 Research and Development Sectors**

No.	Focus	Themes
1.	Food	Rice farming and/or processing
		Corn farming and/or processing
		Soybean farming and/or processing
		Fruit plantation and/or processing
		Vegetable plantation and/or processing
		Cattle breeding and cultivation
		Chicken breeding and cultivation
		Fisheries and other aquatic biological resources
		Milk processing
		Aromatics/fresheners
		Meat and poultry processing and/or preservation
		Vegetable and animal oil and fat processing
		Manufacture of flour and starch

<sup>1</sup> Basically, taxpayers remain able to categorise costs arising from R&D activities as a gross income reduction of 100% insofar as they fulfil the 3M expense requirements, even without this facility.

**CHAPTER 9:**  
**SUPER TAX DEDUCTION FOR RESEARCH AND DEVELOPMENT ACTIVITIES**

No.	Focus	Themes
		Manufacture of sweeteners Manufacturing of bread, cakes and biscuits Cocoa, chocolate and/or confectionery processing Manufacture of macaroni, vermicelli, noodles and similar products Manufacture of spices and other cooking products Coffee, tea and herbal processing Beverage processing Manufacture of other food products and ready-to-eat food Grain and cereal milling and processing Nut milling and processing Milling and processing of tubers Coconut processing Emergency food Sago processing Clove and tobacco processing
2.	Pharmaceuticals, Cosmetics and Medical Devices	Active pharmaceutical ingredients Pharmacy for humans Traditional medicine Cosmetics Medical and laboratory equipment Bone and dental implants Phytopharmaceutical industry Natural ingredient extract industry
3.	Textiles, Leather, Footwear and Miscellaneous	Manufacture of synthetic fibres and natural fibres Manufacture of fabrics and raw materials for Personal Protective Equipment (PPE) Technical textile Garments and fashion Leather processing and footwear manufacturing Furniture and/or other wooden products Aircraft tires and aircraft tire retreading Off-the-road tires with a diameter above 27 inches Rubber thread Floating fenders/transportation infrastructure rubber products Plastic film packaging as a substitute for multilayer plastic Food grade plastic packaging from recycled materials Manufacture of non-traditional musical instruments Manufacture of sports equipment Furniture and/or goods made from bamboo, rattan and the like

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No.	Focus	Themes
4.	Means of Transport	Motor vehicles and/or components thereof Trains and/or components thereof Ships and/or components thereof Aircraft and/or components thereof Electric vehicles and/or components thereof Rural multi-purpose vehicles Wing-in-ground craft
5.	Information and Communications Technology (ICT)	Electronics Computers or laptops Communication equipment Smart cards Electronic components Communication equipment components Lights Software (operating systems and application programs) Drones
6.	Energy	Power generation New and renewable energy Waste/rubbish processing for energy Batteries Electrical tools Enhanced Oil Recovery (EOR)
7.	Capital Goods, Components and Auxiliary Materials	Machines and/or components thereof Equipment and auxiliary materials Biodegradable/smart packaging
8.	Agro-industry	Palm oil plantation and/or processing Sugarcane plantation and/or processing Oleo food Oleochemicals Chemurgy Animal feed Pulp and/or paper Printing Essential oil processing Upstream rubber processing
9.	Base Metals and Non-Metallic Minerals	Basic iron and steel Non-ferrous base metals Precious metals, rare earth and nuclear fuel Non-metallic minerals Minerals Fly ash bottom ash
10.	Oil- and Gas- and Coal-Based Basic Chemicals	Petrochemicals Organic chemicals Fertilisers Synthetic resin and plastic materials

No.	Focus	Themes
		Natural and synthetic rubber
		Other chemicals
		Pesticides
		Coal gasification
11.	Defence and Security	Unmanned aerial vehicles
		Rockets
		Radars
		GPS and image sensing
		Cyber security system

Source: [MoF Reg. 81/2024](#).

## **D. Requirements**

This super tax deduction facility may be utilised by corporate taxpayers insofar as they fulfil the general and special requirements. In this case, the special requirements refer to the additional gross income reduction. The following are details of the general requirements, special requirements and forms and reports required to apply for the facility.

### **D.1 General Requirements**

The following are general requirements that must be fulfilled to utilise this facility.

- (i) The taxpayer constitutes a resident taxpayer;
- (ii) The taxpayer conducts R&D activities; and
- (iii) The taxpayer has an R&D proposal.

### **D.2 Special Requirements**

Because this facility consists of the general facility and additional gross income reduction facility, the related provisions are regulated specifically. Special requirements are to be fulfilled by taxpayers to utilise the additional gross income reduction, i.e., R&D which:

- (i) are conducted by taxpayers, other than taxpayers conducting business based on production sharing contracts, contracts of work or mining concession cooperation agreements.
- (ii) are implemented no later than 26 June 2019 or the enactment of [Gov. Reg. No. 45/2019](#);
- (iii) fulfil the following criteria:
  - a. aimed at obtaining new discoveries;

- b. based on original concepts or hypotheses;
  - c. containing uncertainty in terms of the final result;
  - d. planned and budgeted; and
  - e. aimed at creating something that may be freely transferred or traded in the market; and
- (iv) constituting priority R&D.

It should be underlined that [MoF Reg. 81/2024](#) also stipulates activities not eligible for the additional gross income reduction. These activities include:

- (i) full application of engineering to production activities at the initial stage of commercial production;
- (ii) quality control during commercial production, including routine testing of products;
- (iii) repair of defects that occur during commercial production;
- (iv) routine repairs, additions, enrichments or other quality enhancements of existing products;
- (v) adaptation of existing capabilities to specific requests or customer needs as part of ongoing commercial activities;
- (vi) seasonal or periodic design changes of existing products;
- (vii) routine design of equipment and moulds;
- (viii) construction engineering and design in connection with the construction, relocation, reconfiguration or start-up of facilities and equipment; and/or
- (ix) marketing research.

### **D.3 Application Forms and Reports**

The following are the forms and files required to utilise the super tax deduction facility.

- (i) The proposal for R&D activities, which contains:
  - a. the number and date of the proposal for R&D activities;
  - b. the name and Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
  - c. the focus, theme and topics of the R&D;
  - d. achievement targets of R&D activities;
  - e. the name and TIN of the partner if R&D are conducted through cooperation;
  - f. estimated time required to achieve the expected final results of R&D activities;
  - g. the estimated number of employees and/or other parties involved in the R&D activities; and

- h. the estimated costs and the year the expenses are incurred.
- (ii) Tax clearance certificates (*Surat Keterangan Fiskal/SKF* in Indonesian).

### **E. Application Scheme**

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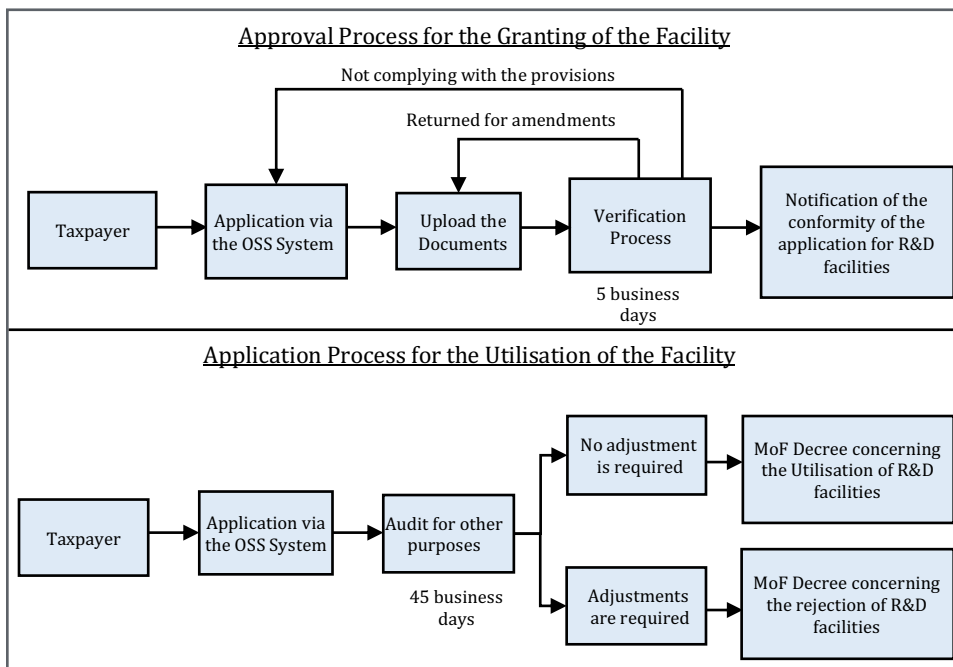
The application for the additional gross income reduction may be submitted in 2 (two) steps, i.e., the approval process for the granting of facilities and the application for facility utilisation. The following are the stages of the approval of the granting of the facilities.

- (i) The application is submitted through the Online Single Submission (OSS) system by attaching the taxpayer's tax clearance certificate and proposal for R&D activities;
- (ii) The Ministry of Research and Technology/National Research and Innovation Agency (*Badan Riset dan Inovasi Nasional/BRIN* in Indonesian) will verify the conformity between the submitted proposal for the activities and the provisions;
- (iii) The results of the verification by the Ministry of Research and Technology/National Research and Innovation Agency will be notified via the OSS system or a notice submitted offline;
- (iv) The notification will be copied to the Director General of Taxes and ministries and/or government agencies related to the R&D theme.

*Second*, the submission process of the application for the utilisation of the facility. This process consists of the following several steps.

- (i) The taxpayer submits the notification accompanied by supporting evidence that the R&D has obtained a Patent or PVT Rights or commercialisation;
- (ii) The Ministry of Research and Technology/National Research and Innovation Agency will verify the conformity between the proposal and the realisation of R&D activities;
- (iii) The results of the verification will be submitted to the taxpayer. The results of the verification will state that the taxpayer may utilise the additional gross income reduction or the taxpayer cannot utilise the additional gross income reduction.

## F. Flow Chart



Source: Indonesian Investment Coordinating Board. *Super tax deduction*, Internet, can be accessed via <https://regionalinvestment.bkpm.go.id/pir/insentif>, with adjustments to the latest developments.

## G. Post-Incentive-Utilisation Obligations

There are obligations that a taxpayer must fulfil after receiving the super tax deduction facility for R&D, i.e., submitting the following.

- (i) Report on research and development expenses for each tax year;
- (ii) Report on details of expenses for R&D activities; and
- (iii) Report on the utilisation of the additional gross income reduction, to the Director General of Taxes.

The three reports must be submitted to the Director General of Taxes through the OSS system no later than the time the corporate income tax Return for the tax year concerned is filed.

## H. Other Important Information

Special provisions apply if research and development activities are conducted through cooperation between 1 (one) or more taxpayers. In the case that each



taxpayer bears part or all of the expenses for R&D, they are required to prepare 1 (one) joint R&D proposal. The joint R&D activity proposal must contain the following information.

- (i) The number and date of the proposal for research and development activities;
- (ii) The name and TIN;
- (iii) The focus, theme and topics of the R&D;
- (iv) Achievement targets of R&D activities;
- (v) The name and TIN of the partner if R&D are conducted through cooperation;
- (vi) The estimated time required to achieve the expected final results of R&D activities;
- (vii) The estimated number of employees and/or other parties involved in the R&D activities;
- (viii) The estimated costs and the year the expenses are incurred;
- (ix) Activity plans;
- (x) Expenses borne by each taxpayer.

The additional gross income reduction treatment is determined based on the following:

- (i) the accumulated R&D expenses borne by each taxpayer; and
- (ii) additional percentage of the gross income reduction according to ownership of intellectual property rights in the form of patents or PVP rights and/or conditions for reaching the commercialisation stage of each taxpayer.



# Chapter 10

## Super Tax Deduction for Industrial Vocational Activities

### A. Brief Description

<b>Description</b>	Resident corporate taxpayers incurring expenses for job training, internships and/or apprenticeship activities in the context of fostering and developing certain competency-based human resources may be granted a gross income reduction of a maximum of 200% of the total expenses incurred for job training, internships and/or apprenticeship activities, which consist of: <ul style="list-style-type: none"> <li>(i) gross income reduction of 100% of the total expenses incurred for job training, internship and/or apprenticeship activities; and</li> <li>(ii) additional gross income reduction of a maximum of 100% of the total expenses incurred for job training, internship and/or apprenticeship activities.</li> </ul>
<b>Incentive type</b>	Additional gross income reduction (super tax deduction)
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 94 of 2010 concerning the Calculation of Taxable Income and Settlement of Income Tax in the Current Year (<a href="#">Gov. Reg. No. 94/2010</a>);</li> <li>2. Government Regulation Number 45 of 2019 concerning the Amendment to Government Regulation Number 94 of 2010 concerning the Calculation of Taxable Income and Settlement of Income Tax in the Current Year (<a href="#">Gov. Reg. No. 45/2019</a>);</li> <li>3. Government Regulation Number 9 of 2021 the Tax Treatment to Support Ease of Doing Business (<a href="#">Gov. Reg. No. 9/2021</a>);</li> <li>4. Minister of Finance Regulation Number 128/PMK.010/2019 concerning the Granting of Gross Income Reduction for Job Training, Internship and/or Apprenticeship in the Context of Fostering and Developing Certain Competency-Based Human Resources (<a href="#">MoF Reg. 128/2019</a>).</li> </ol>

<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving businesses
<b>Implementation</b>	From 2019

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 100.

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## **B. Incentive Benefits**

The super tax deduction facility for industrial vocational activities is a gross income reduction of a maximum of 200% of the total costs incurred for job training, internship and/or apprenticeship activities. The maximum gross income reduction includes the following:

- (i) a gross income reduction of 100% of the total expenses incurred for job training, internship and/or apprenticeship activities; and
- (ii) an additional gross income reduction of a maximum of 100% of the total expenses incurred for job training, internship and/or apprenticeship activities in a certain period.

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## **C. Parties Receiving the Incentives**

The super tax deduction facility for industrial vocational activities may be utilised by resident corporate taxpayers incurring expenses for job training, internship and/or apprenticeship activities. These activities must be based on the purpose of fostering and developing certain-competency-based human resources.

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## **D. Requirements**

The super tax deduction facility for industrial vocational activities may be utilised by corporate taxpayers insofar as they fulfil the general and special requirements. The following are details of the general requirements, special requirements and forms and reports required for the application for such a facility.

### **D.1 General Requirements**

The following are general requirements that are to be fulfilled to utilise the super tax deduction facility.

- (i) The taxpayer is a resident corporate taxpayer;

- (ii) The taxpayer undertakes certain-competency-based job training, internship and/or apprenticeship activities;
- (iii) The taxpayer enters into a cooperation agreement;
- (iv) The taxpayer is not currently experiencing a tax loss; and
- (v) The taxpayer has submitted the tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian).

## **D.2 Special Requirements**

Special requirements that need to be fulfilled are related to certain competencies. Certain competencies are competencies that are taught in the following.

- (i) Vocational high schools and/or vocational *madrasah aliyah* for students, teachers and/or education staff;
- (ii) Diploma program colleges in vocational programs for students, teachers and/or education staff; and/or
- (iii) Job training centres for individuals and trainees, instructors and/or trainers.

In line with this, MoF Reg. 128/2019 stipulates details of certain permitted competencies. The following are details of certain competencies that may utilise the super tax deduction.

**Table 10.1 List of Certain Competencies**

<b>Vocational High Schools/Vocational Madrasah Aliyah</b>	<b>Diploma Program Colleges in Vocational Programs</b>	<b>Job Training Centres</b>
<b>Manufacturing Sector</b>		
Construction and property technology, geomatics and geospatial engineering, electrical engineering, mechanical engineering, aircraft technology, graphic engineering, industrial instrumentation engineering, industrial engineering, textile technology, chemical engineering, automotive engineering, marine engineering, electronic engineering, petroleum engineering, mining geology, renewable energy engineering, computer	Chemistry, chemical engineering, physics engineering, electrical engineering, mechanical engineering, civil engineering, industrial engineering, geological engineering, petroleum engineering, mining engineering, material engineering, aerospace engineering, marine engineering, geomatics engineering, environmental engineering, marine engineering, renewable energy engineering, 3D printing and graphics engineering, yarn	Manufacturing engineering, welding engineering, automotive engineering, electrical engineering, electronics engineering, refrigeration, buildings

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

<b>Vocational High Schools/Vocational Madrasah Aliyah</b>	<b>Diploma Program Colleges in Vocational Programs</b>	<b>Job Training Centres</b>
technology and informatics, telecommunications engineering	manufacturing engineering, fabric manufacturing engineering, garment manufacturing engineering, garment production, furniture manufacturing engineering, furniture design	
<b>Health Sector</b>		
Nursing, dental health, medical laboratory technology, pharmacy, social care, caregivers	Biomedical engineering, blood transfusion technology, skin and hair health, pharmacy, nutrition, nutrition and dietetics, clinical nutrition, public health, midwifery, nursing, traditional medicine, herbal medicine, audiology, blood bank technology, cardiovascular engineering, medical laboratory technology, dental health, dental engineering, dental therapy, pharmaceutical and food analysis, anaesthesiology nursing, occupational therapy, optometry, orthotics and prosthetics, physiotherapy, radiology, sanitation, speech therapy, speech and language therapy, acupuncture	
<b>Agribusiness Sector</b>		
Crop agribusiness, livestock agribusiness, animal care, animal reproductive health, agricultural product processing agribusiness, agricultural engineering, forestry, fishing vessel nautics, fishing vessel engineering, merchant vessel nautics, merchant vessel engineering, fisheries, fishery product processing agribusiness	Agriculture, forestry, animal husbandry, fisheries, biosystem technology, chemical engineering, agricultural industrial technology, environment, food technology, food engineering technology	Agriculture, agricultural product processing, fishery product processing, livestock product processing, agribusiness

<b>Tourism and Creative Industry Sector</b>		
Travel and tourism business, hospitality, marine tourism and ecotourism, hotels and restaurants, culinary arts, fashion, fashion design, fine arts, creative batik and textile crafts, creative leather and imitation crafts, creative ceramic crafts, creative metal and jewellery crafts, creative wood and rattan crafts	Tourism, art, design	Tourism, batik design, leather processing, creative industry
<b>The Digital Economy Sector</b>		
	Animation, design, computers, computer engineering, telecommunications engineering	Information and communication technology
<b>Migrant Worker Sector</b>		
		Housekeepers, elderly caregivers, nannies for babies/toddlers, childminders

Source: MoF Reg. 128/2019, processed by the Author.

Please note that there are references for expenses for job training, internship and/or apprenticeship activities eligible for the additional gross income reduction. The allowable expenses include the following.

- (i) The provision of special physical facilities;
- (ii) Instructors or teachers as job training mentors;
- (iii) Goods and/or materials for implementation purposes;
- (iv) Honoraria or similar payments; and/or
- (v) Competency certification expenses.

### **D.3 Application Forms and Reports**

The following are the forms and files required to utilise the super tax deduction facility.

- (i) The cooperation agreement, which contains:
  - a. the number and date of the cooperation agreement;
  - b. the name and Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
  - c. the type of competency taught;

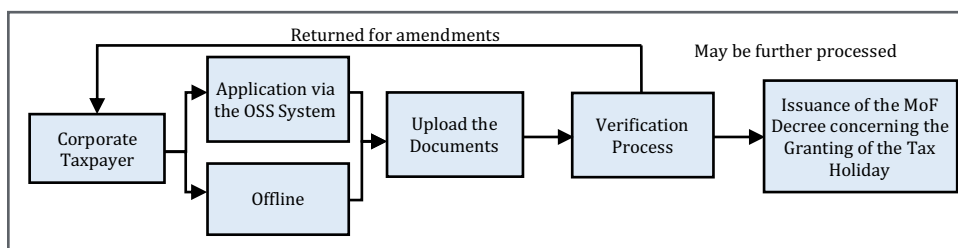
- d. the name of the vocational high school, vocational *madrasah aliyah*, diploma program college in vocational education, job training centre, and/or agency that administers government affairs in the field of central employment, provincial government or regency/municipal government;
  - e. the effective date and validity period of the cooperation;
  - f. estimated number of job trainees and/or interns;
  - g. estimated number of employees and/or other parties assigned to the learning activities; and
  - h. estimated expenses and years the expenses are incurred.
- (ii) A valid tax clearance certificate.

### **E. Application Scheme**

The application for the additional gross income reduction may be submitted in the following steps.

- (i) The application is submitted through the Online Single Submission (OSS) system by attaching the taxpayer’s tax clearance certificate and cooperation proposal;
- (ii) If the OSS system is not running properly, the application may be submitted offline to the Ministry of Research and Technology/National Research and Innovation Agency (*Badan Riset dan Inovasi Nasional/BRIN* in Indonesian) using a notice of activity plans;
- (iii) The Ministry of Research and Technology/National Research and Innovation Agency will verify the conformity between the submitted activity proposal and the provisions;
- (iv) The results of the verification by the Ministry of Research and Technology/ National Research and Innovation Agency will be notified through the OSS system or a notice that is submitted offline;
- (v) The notification will be carbon copied to the company, the Director General of Taxes, the Ministry of Finance and ministries and/or government agencies related to the research and development theme.

### **F. Flow Chart**





Source: Indonesian Investment Coordinating Board. *Super tax deduction*, Internet, can be accessed via <https://regionalinvestment.bkpm.go.id/pir/insentif>

### **G. Post-Incentive-Utilisation Obligations**

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For taxpayers that have utilised the additional gross income reduction, there are certain obligations. The post-utilisation obligation is to submit a report on the expenses for job training, internship and/or apprenticeship activities attached with a letter of submission. This report must be submitted to the Director General of Taxes through the head of the Tax Office where the taxpayers are registered. This obligation must be exercised no later than the filing of the annual corporate income tax return for the tax year of the facility utilisation.

### **H. Other Important Information**

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Special provisions that need to be considered are related to the expenses allowed for the additional gross income reduction. The following are provisions related to the additional gross income reduction.

- (i) Acquisition costs of tangible and intangible goods  
For tangible and intangible goods with a useful life of more than 1 (one) year, calculated from the depreciation or amortisation expenses of the tangible and intangible goods concerned. In this case, the expenses are expensed in the month the job training and/or internship activities are conducted.
- (ii) Expenses other than for tangible and intangible goods in point (i)  
Calculated from the actual expenses incurred and expensed in the tax year concerned.
- (iii) Expenses for the provision of training venues  
The expenses are calculated proportionally because the useful life is more than 1 (one) year, but not used in full during one tax year for job training and/or internship activities.
- (iv) Electricity, water and fuel expenses  
If the electricity, water and fuel expenses are indistinguishable in terms of the expenses for commercial purposes and job training and/or internship purposes, they are calculated proportionally.
- (v) Honorarium expenses for activity participants  
Honoraria given to activity participants who have:
  - a. blood relationship in a lineage of one degree;

- b. business; and/or
  - c. ownership or control,
- with the owners, commissioners, directors, and/or managers of taxpayers, no additional/gross income reduction may be given.

- (vi) Expenses for physical facilities, materials and/or commercial products  
The additional gross income reduction may only be given for instructor or teacher expenses, honorarium expenses and competency certification expenses.

All the above expenses may constitute an additional gross income reduction insofar as they do not cause fiscal losses for the current year.



# **PREFERENTIAL RATES**

# Chapter 11

## Income Tax Rate Reduction Incentive for Public Companies

### A. Brief Description

<b>Description</b>	<p>Public company taxpayers that fulfil certain criteria are given a lower rate than the statutory corporate income tax rate, i.e., 3% lower for the 2020 tax year onwards. The income tax rate reduction is granted to taxpayers in the form of public companies; with a total minimum number of shares traded on the stock exchange in Indonesia of a minimum of 40% and fulfil the following requirements:</p> <ul style="list-style-type: none"> <li>(i) the shares must be held by a minimum of 300 parties;</li> <li>(ii) each party referred to in point (i) may only hold shares of less than 5% of the total issued and fully paid shares;</li> <li>(iii) the above two provisions must be fulfilled within a minimum period of 183 (one hundred and eighty-three) calendar days in a period of 1 (one) tax year; and</li> <li>(iv) fulfilled by public company taxpayers by submitting a report to the Directorate General of Taxes (DGT).</li> </ul> <p>In 2020, to help businesses address the Covid-19 pandemic, the government relaxed the requirements to obtain the rate reduction, i.e., allowing public companies to buy back shares and remain eligible for the rate reduction facility.</p>
<b>Incentive type</b>	Preferential rates
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 55 of 2022 concerning Adjustments to the Regulation in the Field of Income Tax (<a href="#">Gov. Reg. No. 55/2022</a>);</li> <li>2. Minister of Finance Regulation Number 40 of 2023 concerning the Format and Procedures for the Submission of the Report and List of Taxpayers in the Context of the Fulfilment of the Requirements for the Income Tax Rate Reduction for Resident Corporate Taxpayers in the Form of Public Companies (<a href="#">MoF Reg. 40/2023</a>).</li> </ol>

<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from 2008

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 104-105.

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## **B. Incentive Benefits**

Parties that fulfil the general and special requirements may utilise the rate reduction incentive by 3% from the statutory corporate income tax rate. The following are details of the corporate income tax rate for parties that fulfil the requirements.

- (i) 19%, taking effect in the 2020 tax year and 2021 tax year; and
  - (ii) 19%, taking effect in the 2022 tax ,
- pursuant to the provisions under Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations.

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## **C. Parties Receiving the Incentives**

The income tax rate reduction incentive may be utilised by resident taxpayers in the form of public companies.

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## **D. Requirements**

The income tax rate reduction may be utilised by resident taxpayers in the form of public companies insofar as they fulfil general and special requirements.

### **D.1 General Requirements**

Resident taxpayers with the following criteria:

- (i) in the form of public companies;
- (ii) with a total minimum number of shares traded on the stock exchange in Indonesia of a minimum of 40%; and
- (iii) fulfilling certain requirements.

### **D.2 Certain Requirements**

The incentive may be given insofar as certain requirements are fulfilled, including:

- (i) the shares must be held by a minimum of 300 parties;
- (ii) each party may only hold shares of less than 5% of the total issued and fully paid shares;
- (iii) the above provisions must be fulfilled within a minimum period of 183 calendar days in a period of 1 (one) tax year; and
- (iv) all of the requirements must be fulfilled by public company taxpayers by submitting a report to the DGT.

The above-mentioned shareholders exclude the following.

- (i) Public company taxpayers that buy back their shares; and/or
- (ii) Taxpayers related to the public companies as referred to in the Income Tax Law (ITL). Please note that the special relationships for the public company taxpayers include:
  - a. controlling shareholders; and/or
  - b. major shareholders,  
pursuant to laws and regulations in the field of capital markets.

### **D.3 Application Forms and Reports**

The following is the format of the required reports to utilise the income tax rate reduction incentive for public companies.

- (i) The report on related shareholding for major shareholders and controlling shareholders; and
- (ii) The monthly report on shareholding of the issuers or public companies for the recapitulation that has been reported.

On a side note, if the monthly report submitted by the Securities Administration Bureau does not fulfil the provisions, the taxpayer may self-submit the monthly report as per the prescribed format.

### **E. Application Scheme**

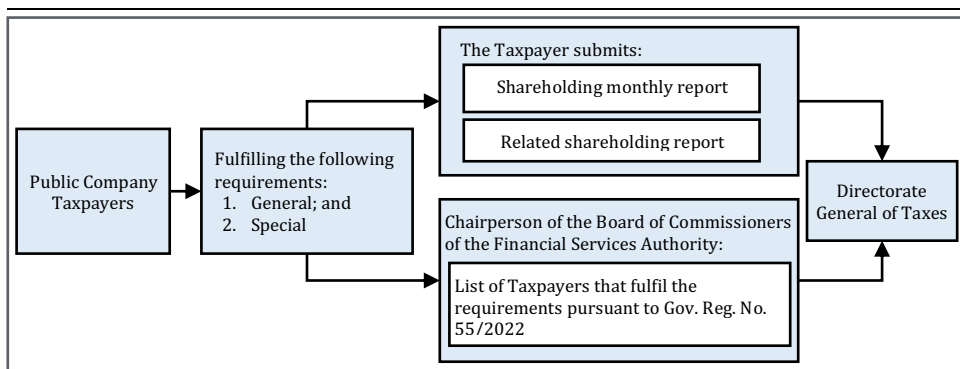
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Public company taxpayers may utilise the income tax rate reduction incentive using the following scheme.

- (i) Submitting a monthly report to the DGT which may be in the form of:
  - a. the monthly report on shareholding of issuers or public companies and the recapitulation that has been reported from the Securities Administration Bureau; or
  - b. the monthly report on shareholding of the issuers or public companies for issuers and/or public companies that self-administer securities,

- (ii) Submitting the report on related shareholding for major shareholders and controlling shareholders;
- (iii) If the general and special requirements are fulfilled, the Chairperson of the Board of Commissioners of the Financial Services Authority or an appointed official submits a list of the taxpayers to the Minister through the Director General of Taxes.
- (iv) The list of taxpayers is submitted electronically through an application or an available system and in writing to the Minister through the Director General of Taxes.
- (v) The list of taxpayers is submitted no later than the end of the month following the end of the tax year concerned.

**F. Flow Chart**



Source: processed by the Author

**G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning the post-utilisation obligations in the provisions stipulating this incentive.

**H. Other Important Information**

The provisions concerning the corporate income tax rate reduction were stipulated under Gov. Reg. in Lieu of Law No. Number 1 of 2020 concerning State Financial Policy and Financial System Stability to Address the Corona Virus Disease 2019 (Covid-19) Pandemic and/or Tackle Threats that Endanger the National Economy and/or Financial System Stability. Both in terms of substance and requirements, not much has changed, but there has been a change in terms of the statutory reference rate for the 2022 tax year.



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**CHAPTER 11:**  
**INCOME TAX RATE REDUCTION INCENTIVE FOR PUBLIC COMPANIES**

The change in the statutory rate in the Harmonisation of Tax Regulations Law implies that the provisions on the corporate income tax reduction need adjustments. Therefore, the provisions concerning the statutory rate and rate reduction refer to [MoF Reg. 40/2023](#).



# Chapter 12

## Income Tax Facilities for Real Estate Transfers in Certain CIC Schemes

### A. Brief Description

<b>Description</b>	Income received or accrued by taxpayers from a real estate transfer to a Special Purpose Company (SPC) or Collective Investment Contract (CIC or <i>Kontrak Investasi Kolektif/KIK</i> in Indonesian) in a certain CIC scheme is subject to final income tax of 0.5% of the gross value of the real estate transfer.
<b>Incentive type</b>	Preferential rates
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 40 of 2016 concerning Income Tax on Income from Real Estate Transfers in Certain Collective Investment Contract Schemes (<a href="#">Gov. Reg. No. 40/2016</a>);</li> <li>2. Minister of Finance Regulation Number 81 of 2024 concerning Tax Provisions in the Context of the Implementation of the Coretax Administration System (<a href="#">MoF Reg. 81/2024</a>).</li> </ol>
<b>Economic sectors</b>	Financial and insurance services
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving businesses
<b>Implementation</b>	Effective from 2016

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 115, with adjustments to the latest developments.

### B. Incentive Benefits

This income tax facility is in the form of the imposition of final income tax on a real estate transfer to an SPC or a CIC in a certain CIC scheme. The final income tax is imposed at 0.5% of the gross value of the real estate transfer. The gross value of a real estate transfer includes the following.

- (i) The entire amount actually received or accrued by the taxpayer from the SPC or CIC for the transfer of real estate in a certain CIC scheme, in the event that the taxpayer is not related to the SPC or CIC; or

- (ii) The entire amount that should be received or accrued by the taxpayer from the SPC or CIC for the transfer of real estate in a certain CIC scheme in the event that the taxpayer is related to the SPC or CIC.

Income tax payable is calculated based on the amount of each payment, including down payment, interest, levies, and other additional payments in connection with the transfer of the real estate. Income tax payable must be paid no later than the 15<sup>th</sup> of the following month after the month in which the payment is received.

### **C. Parties Receiving the Incentives**

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To facilitate understanding related to this type of tax facility, it is necessary to understand 4 (four) terms that will be used frequently in advance. *First*, CIC refers to a collective investment contract pursuant to statutory laws and regulations concerning the capital market. *Second*, real estate is defined as physical land and the building thereon.

*Third*, Real Estate Investment Trusts (REIT or *Dana Investasi Real Estat/DIRE* in Indonesian) is a vehicle used to collect funds from investors. These funds will later be invested in a real estate asset in the form of an asset related to real estate, cash or cash equivalent. *Fourth*, the last noteworthy term is the special purpose company or SPC. SPC refers to a limited liability company whose shares are held by an REIT in the form of a certain CIC.

Moving on to the parties that may benefit from the incentives. In the context of income tax on real estate transfers with certain CIC schemes, the parties that may benefit from the incentives are taxpayers from real estate transfers to SPCs or CICs in certain CIC schemes.

### **D. Requirements**

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Income tax facilities for real estate transfers in certain CIC schemes may be utilised insofar as they fulfil general and special requirements. The following are details of the general and special requirements that need to be fulfilled.

#### **D.1 General Requirements**

The general requirement that needs to be fulfilled to utilise the final income tax on real estate transfers in CIC schemes is having a Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian). However, this requirement is excluded for the following.

- (i) Individuals whose income is below the personal tax relief (*Penghasilan Tidak Kena Pajak/PTKP* in Indonesian); or

- (ii) Non-tax residents (*Subjek Pajak Luar Negeri/SPLN* in Indonesian), excluding permanent establishments (PEs or *Bentuk Usaha Tetap/BUT* in Indonesian).

## **D.2 Special Requirements**

The special requirement that needs to be considered is the time of income tax payment, as follows:

- (i) income tax must be self-paid by a taxpayer before the deed, decision, agreement or contract on the transfer;
- (ii) the above payment is considered as the filing of income tax if made by an individual taxpayer whose income is below the personal tax relief or a non-tax resident.

In this case, income tax is paid to the state treasury through payment services or channels provided by collecting agents pursuant to statutory provisions on the electronic state revenue system.

## **D.3 Application Forms and Reports**

The following are the forms and files required to utilise the final income tax facilities for real estate transfers.

- (i) A notice for the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the taxpayer is registered;
- (ii) A copy of the notice of the effectiveness of the REIT registration statement in the form of CIC issued and legalised by the Financial Services Authority (*Otoritas Jasa Keuangan/OJK* in Indonesian);
- (iii) The Financial Service Authority's statement that the taxpayer transferring the real estate transacts with an SPC or a CIC in a certain CIC scheme;
- (iv) Stamped statement letter stating that the taxpayer transfers real estate to an SPC or a CIC in a certain CIC scheme;
- (v) A copy of the tax payment slip (*Surat Setoran Pajak/SSP* in Indonesian) or other administrative means equivalent to the tax payment slip for income from the real estate transfer;
- (vi) Obtaining a tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian) from the Tax Office where the taxpayer is registered.

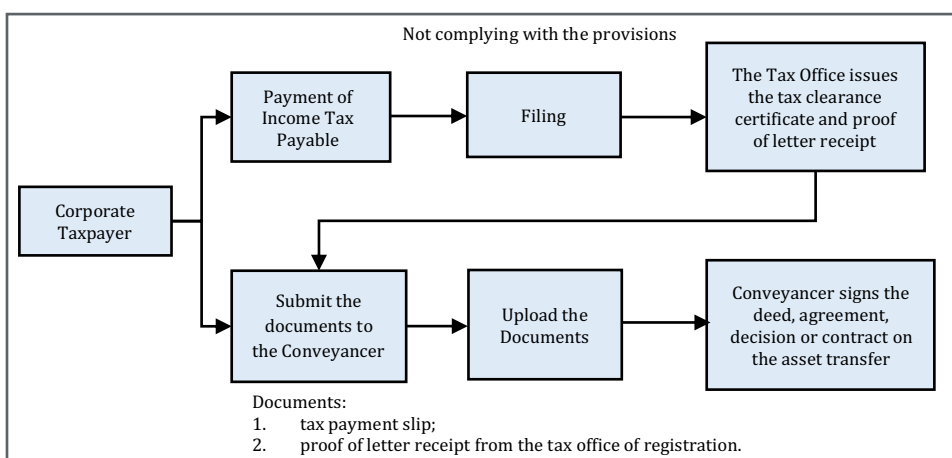
## **E. Application Scheme**

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The application for the additional gross income reduction may be submitted in the following steps.

- (i) Income tax must be paid by the taxpayer transferring real estate to the state treasury before the deed, decision, contract or agreement on the transfer of real estate to the SPC or CIC in a particular CIC scheme is signed by the competent authority;
- (ii) The taxpayer has paid Art. 4 paragraph (2) Income Tax and has been subject to tax payment examination, is considered to have filed the unified income tax returns according to the date of payment listed in the tax payment slip or other administrative means equivalent to the payment slip;
- (iii) The taxpayer also needs to submit the following documents:
  - a. a copy of the notice of the effectiveness of the REIT registration statement in the form of a CIC issued and legalised by the Financial Services Authority;
  - b. the Financial Service Authority’s statement that the taxpayer transferring the real estate transacts with an SPC or a CIC in a certain CIC scheme;
  - c. a stamped statement letter stating that the taxpayer transfers real estate to an SPC or a CIC in a certain CIC scheme;
  - d. a copy of the tax payment slip or other administrative means equivalent to the slip for income from the real estate transfer.
- (iv) The taxpayer obtains a tax clearance certificate and proof of letter receipt from the Tax Office where the taxpayer is registered.

**F. Flow Chart**



Source: MoF Reg. 37/2017, processed by the Author.

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### **G. Post-Incentive-Utilisation Obligations**

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The following are obligations after the utilisation of final income tax incentives for a transfer of real estate.

- (i) Submitting a photocopy of the tax payment slip; and
  - (ii) Submitting a photocopy of the proof of letter receipt from the Tax Office where the taxpayer is registered,
- to the conveyancer (*Pejabat Pembuat Akte Tanah/PPAT* in Indonesian).

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### **H. Other Important Information**

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These special provisions are related to the conveyancer's authority in the context of the signing of the deeds, decisions, contracts or agreements for real estate transfers. In general, the conveyancer's authority is to sign deeds, decisions, contracts or agreements for the transfer of the right to land and/or building pursuant to statutory laws and regulations in the field of land. In the context of real estate transfers for this incentive, the conveyancer may only sign deeds, decisions, contracts or agreements insofar as:

- (i) income tax has been paid by submitting the tax payment slip or other administrative means equivalent to the tax payment slip that has been examined by the Tax Office, by showing the original;
- (ii) the taxpayer's obligations have been exercised accompanied by a photocopy of the proof of letter receipt from the Tax Office where the taxpayer concerned is registered.

In addition, the conveyancer must also attach a monthly report concerning the issuance of deeds, decisions, agreements or minutes of auctions for real estate transfers. This report must be submitted no later than 20 (twenty) days after the month of issuance.





# Chapter 13

## 50% Income Tax Rate Reduction Facility for Corporate Taxpayers

### A. Brief Description

<b>Description</b>	Resident corporate taxpayers with gross turnover of up to IDR50 billion receive a facility in the form of a 50% rate reduction. This is as stipulated under Art. 17 paragraph (1) and paragraph (2a) subparagraph b of the Income Tax Law (ITL). This rate reduction is imposed on taxable income from the fraction of gross turnover of up to IDR4.8 billion.
<b>Incentive type</b>	Preferential rates
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 7 of 1983 concerning Income Tax as Amended Several Times, Last Amended by Law Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 Concerning Job Creation into Law (<a href="#">Income Tax Law</a>);</li> <li>2. Director General of Taxes Circular Letter Number SE-02/PJ/2015 concerning Affirmation of the Implementation of Article 31E paragraph (1) of Law Number 7 of 1983 concerning Income Tax as Amended Several Times, Last Amended by Law Number 36 of 2008 (<a href="#">SE-02/PJ/2015</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Micro, Small and Medium Enterprises (MSMEs or <i>Usaha Mikro, Kecil, dan Menengah</i> /UMKM in Indonesian)
<b>Tax policy objective</b>	Improving MSMEs
<b>Implementation</b>	Effective from 2009

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 103.

### B. Incentive Benefits

The 50% statutory rate reduction is stipulated under Art. 17 paragraph (1) subparagraph b of the ITL. In other words, if the income tax rate for resident corporate taxpayers and Permanent Establishments (PEs or *Bentuk Usaha Tetap*/BUT in Indonesian) is 22%, the 50% rate reduction implies that the rate

amounts to 11%. However, please note that this rate reduction is imposed on taxable income from the fraction of gross turnover of up to IDR 4.8 billion.

### **C. Parties Receiving the Incentives**

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The parties that may utilise the 50% rate reduction facility are resident corporate taxpayers.

### **D. Requirements**

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The following are requirements that need to be considered to utilise the 50% income tax rate reduction.

#### **D.1 General Requirements**

The general requirement to be fulfilled to utilise the 50% income tax rate reduction is resident corporate taxpayers with a gross turnover of up to IDR50 billion.

#### **D.2 Special Requirements**

The following are special requirements that need to be taken into account.

- (i) The 50% corporate income tax rate reduction is implemented through self-assessment, i.e., when filing the Annual Tax Return for corporate taxpayers;
- (ii) The PE is a non-tax resident, thereby, cannot utilise the 50% corporate income tax rate reduction facility; and
- (iii) The gross turnover threshold of IDR50 billion is the maximum threshold for gross turnover received by resident taxpayers to utilise this facility.

#### **D.3 Application Forms and Reports**

The required form is a calculation sheet for the income tax rate reduction facility for resident corporate taxpayers pursuant to Article 31E paragraph (1) of the ITR.

### **E. Application Scheme**

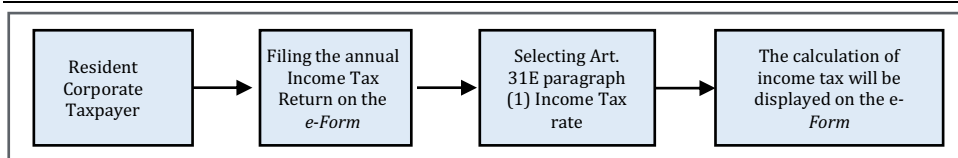
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The application for the additional 50% corporate income tax rate reduction may be submitted in the following steps.

- (i) The taxpayer files the annual corporate income tax return via *e-form*;

- (ii) The income tax payable section contains 3 (three) options in the Corporate income tax returns, as follows:
  - a. Art.17 paragraph (1) subparagraph b income tax rate x number 3;
  - b. Art. 17 paragraph (2b) income tax rate x number 3;
  - c. Art. 31E paragraph (1) income tax rate.of the 3 (three) choices above, taxpayers that fulfil the requirements are allowed to choose point c, i.e., Article 31E income tax rate.
- (iii) The taxpayer may attach the calculation sheet for the income tax rate reduction facility for resident taxpayers;
- (iv) The income tax calculation will automatically appear on the *e-form*.

#### **F. Flow Chart**



Source: processed by the Author.

#### **G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning the post-utilisation obligations in the provisions stipulating this incentive.

#### **H. Other Important Information**

Gross turnover in this context refers to all income received and/or accrued from business activities and non-business activities after deducted by goods returns and sales discounts and cash discounts in the tax year concerned. The gross turnover amount is based on all income before deducted by the expenses to derive, collect and maintain income either from Indonesia or overseas. The gross turnover may include the following:

- (i) income subject to final income tax;
- (ii) income subject to non-final income tax; and
- (iii) income excluded from taxable objects.



# Chapter 14

## Incentives for the Deposit of Export Proceeds from Natural Resource Concession, Management and/or Processing Activities

### A. Brief Description

<b>Description</b>	<p>Natural resource export proceeds (<i>Devisa Hasil Ekspor Sumber Daya Alam/DHE SDA</i> in Indonesian) that have been deposited and placed by exporters into a special natural resource export proceed account, must be deposited by a minimum of 30% in the Indonesian financial system for a certain period. The certain period is a minimum of 3 (three) months from the time of the deposit into the special natural resource export proceed account. The natural resource export proceeds are sourced from exported goods in the following sectors:</p> <ul style="list-style-type: none"> <li>(i) mining;</li> <li>(ii) plantation;</li> <li>(iii) forestry; and</li> <li>(iv) fisheries.</li> </ul> <p>For natural resource export proceeds deposited in deposit instruments, income in the form of deposit interest is subject to final income tax.</p>
<b>Incentive type</b>	Preferential Rates
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 22 of 2024 concerning the Income Tax Treatment of Income from the Deposit of Natural Resource Export Proceeds in Certain Monetary Instruments and/or Financial Instruments in Indonesia (<a href="#">Gov. Reg. No. 22/2024</a>);</li> <li>2. Government Regulation Number 36 of 2023 concerning Export Proceeds from Natural Resource Concession, Management and/or Processing Activities (<a href="#">Gov. Reg. No. 36/2023</a>);</li> </ol>

	3. Minister of Finance Regulation Number 212/PMK.03/2018 concerning Withholding Tax on Interest on Deposits and Savings Accounts and Discounts on Bank Indonesia Certificates ( <a href="#">MoF Reg. 212/2018</a> ).
<b>Economic sectors</b>	Mining, plantation, forestry and fishery sectors.
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 28 December 2015

Source: processed by the Author.

## B. Incentive Benefits

Income received or accrued by exporters from the deposit of natural resource export proceeds in certain monetary instruments and/or financial instruments in Indonesia, is subject to final income tax at a lower rate. The certain monetary instruments and/or financial instruments in Indonesia may be in the form of the following.

- (i) Deposits issued by banks whose funds are sourced from a special natural resource export proceed account in the same bank;
- (ii) Conventional open market operation term deposits in a foreign currency in Bank Indonesia placed through open market operation participants and whose funds are sourced from a special natural resource export proceed account in the same open market operation participant;
- (iii) A promissory note issued by the Indonesia Exim bank (*Lembaga Pembiayaan Ekspor Indonesia/LPEI* in Indonesian) whose funds are sourced from a special natural resource export proceed account in the Indonesia Exim bank; and
- (iv) Other monetary instruments or other financial instruments determined by the Minister of Finance, after coordinating with the Governor of Bank Indonesia.

The deposit of natural resource export proceeds that obtain tax incentives is the deposit in deposit instruments. Pursuant to [Gov. Reg. No. 22/2024](#), the imposition of the final income tax is as follows.

**Table 14.1 Details of Final Income Tax Rates on Deposit Interest of Export Proceeds**

Types of Income	Final Income Tax Rates Based on Duration			
	1-3 Months	3-6 Months	6 Months	> 6 Months
Certain monetary and/or financial instruments whose funds are in foreign currency	10%	7.5%	2.5%	0%
Monetary and/or financial instruments converted to Rupiah	5%	2.5%	0%	0%

Source: [Gov. Reg. No. 22/2024](#), processed by the Author.

The above rates also apply to the rollover of natural resource export proceed funds in certain monetary instruments and/or financial instruments after the maturity date of the certain monetary instruments and/or financial instruments expires. The tax base is the gross amount of income received by the exporter from the deposit of natural resource export proceeds in certain monetary instruments and/or financial instruments.

### C. Parties Receiving the Incentives

This facility may be utilised by exporters releasing goods from the customs territory. An exporter is an individual or institution or business entity, either in the form of a legal entity or non-legal entity performing exports. Pursuant to [Gov. Reg. No. 36/2023](#), exporters required to place export proceeds in the Indonesian financial system are natural resource export proceed exporters for the following sectors:

- (i) mining;
- (ii) plantation;
- (iii) forestry; and
- (iv) fisheries.

### D. Requirements

There are requirements for this incentive to be utilised by natural resource export proceed exporters. These requirements consist of general requirements related to the deposit of natural resource export proceeds and special requirements related to the final income tax incentive.

### **D.1 General Requirements**

The following are general requirements to utilise this incentive.

- (i) Exporters that have natural resource proceeds with an export value in the export declaration (*Pemberitahuan Pabean Ekspor/PPE* in Indonesian) of a minimum of USD250,000, are required to place the natural resource proceeds in a special account;
- (ii) Exporters that have deposited natural resource proceeds into a special account, remain required to place a minimum of 30% in the Indonesian financial system for a minimum period of 3 (three) months from the deposit into the special natural resource proceed account;
- (iii) Exporters may place the natural resource proceeds in:
  - a. the special natural resource proceeds accounts in Indonesian Exim bank or banks that conduct business activities in the same foreign currency;
  - b. banking instruments;
  - c. financial instruments issued by the Indonesian Exim Bank; and/or
  - d. instruments issued by Bank Indonesia.

### **D.2 Special Requirements**

The regulated special requirements are related to the final income tax facility for income from the deposit of natural resource export proceeds. The following are monetary instruments and/or financial instruments that fulfil the criteria.

- (i) Constituting a banking instrument in Indonesia, a financial instrument issued by the Indonesian Exim Bank and/or a monetary instrument issued by Bank Indonesia;
- (ii) The funds are sourced from natural resource export proceeds;
- (iii) Having a deposit tenor of a minimum of 1 (one) month;
- (iv) Not traded on the secondary market; and
- (v) If the funds are placed in a deposit, they must be in the same bank as the special account.

### **D.3 Application Forms and Reports**

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.



### **E. Application Scheme**

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Final income tax is withheld when income is paid to the exporter. The income tax is withheld by the following:

- (i) the bank;
- (ii) the open market operation participant;
- (iii) the Indonesian Exim Bank as the issuer of financial instruments or open market operation participant.

On the other hand, the incentive may be utilised immediately if a taxpayer invests natural resource proceeds in the same special account. This is as explained through a case study in the elucidation of [Gov. Reg. No. 22/2024](#).

### **F. Flow Chart**

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There is no information concerning the application scheme for this incentive.

### **G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning the post-utilisation obligations in the provisions stipulating this incentive.

### **H. Other Important Information**

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No other important information is available in the provisions stipulating this incentive.



# Chapter 15

## Article 21 Income Tax Facilities for Employees' Income from Employers with Certain Criteria

### A. Brief Description

<b>Description</b>	<p>Employees who receive income from employers with certain criteria with a maximum taxable income in 1 (one) year of IDR50 million are subject to Article 21 Withholding Tax (Art. 21 WHT) at a rate of 2.5% and is final.</p> <p>The employers with certain criteria are those that:</p> <ul style="list-style-type: none"> <li>(i) constitute corporate taxpayers conducting business activities in the footwear and/or textile and textile product industries;</li> <li>(ii) employ a minimum of 2,000 direct employees;</li> <li>(iii) bear Art. 21 Income Tax on their employees;</li> <li>(iv) export a minimum of 50% of the total annual sales value in the previous year;</li> <li>(v) enter into a Collective Labour Agreement (CLA);</li> <li>(vi) include their employees in the Employment Social Security Agency (<i>BPJS Ketenagakerjaan</i>) and Health Social Security Agency programs; and</li> <li>(vii) are not currently receiving or utilising a tax allowance or tax holiday.</li> </ul>
<b>Incentive type</b>	Preferential rates
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 94 of 2010 concerning the Calculation of Taxable Income and Settlement of Income Tax in the Current Tax (<a href="#">Gov. Reg. No. 94/2010</a>);</li> <li>2. Government Regulation Number 41 of 2016 concerning the Article 21 Income Tax Treatment of Employees' Income from Employers with Certain Criteria (<a href="#">Gov. Reg. No. 41/2016</a>);</li> <li>3. Minister of Finance Regulation Number 40/PMK.03/2017 concerning Procedures for the Filing and Calculation of Article 21 Withholding Tax on Employees' Income from Employers with Certain Criteria (<a href="#">MoF Reg. 40/2017</a>).</li> </ol>

<b>Economic sectors</b>	Processing industries
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	17 October 2016

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 113.

## B. Incentive Benefits

Employees who receive income from employers with certain criteria with a maximum taxable income in 1 (one) year of IDR50 million are subject to final Art. 21 Income Tax. The taxable income is net income after being deducted by the personal tax relief (*Penghasilan Tidak Kena Pajak/PTKP* in Indonesian). The final Art. 21 Income Tax amounts to 2.5% of taxable income. If the realisation of the amount of taxable income has exceeded IDR50 million in one year, the taxable income exceeding IDR50 million is subject to Art. 21 WHT at a rate of 15% and is final.

## C. Parties Receiving the Incentives

The parties that may utilise final Art. 21 Income Tax are employees estimated to accrue taxable income of a maximum of IDR 50 million in a year based on the list of employees submitted by the employer upon the filing of:

- (i) periodic Art. 21 and/or Art. 26 Income Tax returns (*Surat Pemberitahuan/SPT* in Indonesian) for the July 2016 taxable period for the 2016 tax year; and
- (ii) periodic Art.21 and/or Art. 26 Income Tax return for the January 2017 taxable period for the 2017 tax year.

## D. Requirements

Final Art. 21 Income Tax may be utilised insofar as the general and special requirements are fulfilled. The following are the general and special requirements that must be fulfilled.

### D.1 General Requirements

Employees are employees who receive income with taxable income of a maximum of IDR50 million in one year from employers with certain criteria. Employers with certain criteria are corporate taxpayers conducting business

activities in the footwear and/or textile industry. The following are details of the footwear and/or textile industry.

**Table 15.1 Details of the Footwear and/or Textile Industry**

KBLI	Industry Name	Description
15201	Daily footwear industry	This group includes the manufacture of daily footwear from leather and synthetic leather, rubber, canvas and wood, such as daily shoes, casual shoes, sandals, clogs and slippers. It also includes the manufacture of parts of the footwear, such as uppers, insoles, outsoles, front reinforcements, middle reinforcements, back reinforcements, linings and accessories from leather and synthetic leather.
15202	Sports shoes industry	This group includes the manufacture of sports shoes from leather and synthetic leather, rubber and canvas, such as soccer shoes, athletic shoes, gym shoes, jogging shoes and ballet shoes. It also includes the manufacture of parts of these sports shoes, including uppers, outsoles, insoles, linings and accessories.
15203	Field engineering shoes/industrial shoes industry	This group includes the manufacture of shoes, including the manufacture of shoe parts for field engineering/industrial purposes from leather, synthetic leather, rubber and plastic, such as chemical-resistant shoes, heat-resistant shoes, safety shoes.
13112	Yarn spinning industry	This group includes the spinning of fibres into yarn, except sewing thread, including the texturing, knotting, folding and washing of artificial or synthetic filament yarns and the manufacture of knitted yarn and wood pulp.
13121	Weaving industry (other than the weaving of gunny sacks and other sacks)	This group includes weaving businesses, whether made using handlooms, mechanical looms or other looms, except for the <i>ikat</i> woven fabric industry. The weaving business of gunny sacks and other sacks is included in group 13995 or 13996.
13132	Fabric finishing industry	This group includes bleaching, dyeing and other finishing businesses for fabrics.
13133	Fabric printing industry	This group includes fabric printing businesses, including batik motif fabric printing.
13911	Knitted fabric industry	This group includes fabric from knitting or lace manufacturing businesses.

KBLI	Industry Name	Description
13992	Industries producing fabric for industrial use	This group includes the manufacture of fabrics coated/covered/impregnated with plastic or rubber and subsequently used for industrial purposes, such as tarpaulin, sailcloth, tent cloth, umbrella cloth, canvas for painting and synthetic leather from textile media. The synthetic leather industry with media other than textiles is included in group 15114.
14111	Textile apparel (confection) industry	This group includes the manufacture of apparel (confection) from textiles/fabric (woven or knitted) by cutting and sewing to manufacture the apparel, such as shirts, trousers, kebaya, blouses, skirts, baby clothes, dance clothes and sportswear, both from woven and knitted fabrics that are sewn.
14112	Leather apparel (confection) industry	This group includes the manufacture of apparel (confection) from leather or synthetic leather, by cutting and sewing to manufacture the apparel, such as jackets, coats, vests, pants and skirts, including the manufacture of leather clothing accessories, such as leather aprons for welders.

Source: [MoF Reg. 40/2017](#), processed by the Author.

## D.2 Special Requirements

The following are requirements to be fulfilled by employers with certain criteria.

- (i) Employing a minimum of 2,000 direct employees as filed in:
  - a. periodic Art. 21 and/or Art. 26 Income Tax return (for the July 2016 taxable period for the 2016 tax year; and
  - b. periodic Art. 21 and/or Art. 26 Income Tax return for the January 2017 taxable period for the 2017 tax year.
- (ii) Bearing Art. 21 Income Tax on their employees;
- (iii) Exporting a minimum of 50% of the total annual sales value in the previous year;
- (iv) Entering into a CLA;
- (v) Including their employees in the Employment Social Security Agency and Health Social Security Agency programs; and
- (vi) Not receiving or currently utilising:
  - a. income tax facilities pursuant to Art. 31A of the ITL; or
  - b. income tax facilities pursuant to Art. 29 of [Gov. Reg. No. 94/2010](#).

### **D.3 Application Forms and Reports**

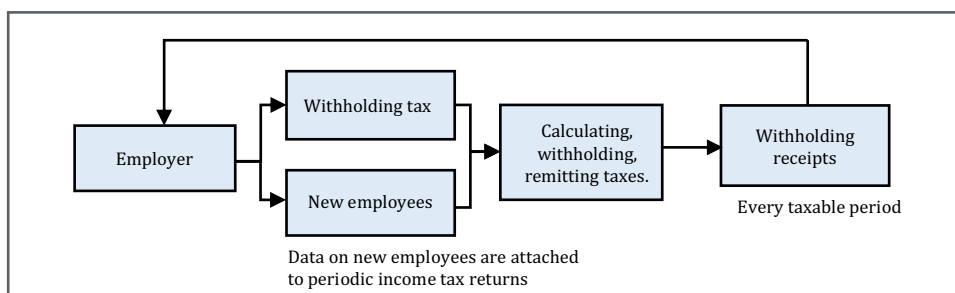
The forms and file required to utilise the final Art. 21 Income Tax facilities are the employee list report.

### **E. Application Scheme**

To utilise the final Art. 21 Income Tax incentive, employers are required to undertake the following steps.

- (i) Employers with certain criteria are required to calculate, withhold and file Art. 21 Income Tax for each calendar month;
- (ii) For the withholding and collection process, employers with certain criteria categorise employees based on the estimated derived income;
- (iii) Employers with certain criteria withhold final Art. 21 Income Tax at a rate of 2.5% for employees estimated to derive taxable income of a maximum of IDR50 million in one year;
- (iv) Employers that fulfil certain criteria withhold Art. 21 Income Tax at a rate of 15% for employees with income realisation of more than IDR50 million;
- (v) Employers with certain criteria are required to provide Art. 21 withholding receipts to employees subject to Art. 21 WHT each time withholding is performed;
- (vi) In the event of new employees, employers are required to attach the employee list report in periodic Art. 21 Income Tax returns in the month the new employees are hired.

### **F. Flow Chart**



Source: [MoF Reg. 40/2017](#), processed by the Author.

### **G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning the post-utilisation obligations in the provisions stipulating this incentive.

**H. Other Important Information**

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No other important information is available in the provisions stipulating this incentive.



# Chapter 16

## Income Tax Facilities for Fixed Asset Revaluation and Payment Instalments

### A. Brief Description

<b>Description</b>	Final income tax ( <i>Pajak Penghasilan</i> /PPH in Indonesian) is imposed at 10% on the excess difference of the revaluation of the company's fixed assets over the initial tax net book value performed on: (i) all tangible fixed assets, including land with ownership rights or right to build; or (ii) all tangible fixed assets, excluding land, located or are in Indonesia, held and used to derive, collect and maintain income constituting a taxable object.
<b>Incentive type</b>	Preferential rates
<b>Legal basis</b>	Minister of Finance Regulation Number 79/PMK.03/2008 concerning the Re-valuation of Company Fixed Assets for Tax Purposes ( <a href="#">MoF Reg. 79/2008</a> ).
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	13 August 1996

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 117.

### B. Incentive Benefits

A company may perform revaluation of the company's fixed assets for tax purposes. In the event of an excess difference in the revaluation of the company's fixed assets over the initial tax net book value, a final income tax of 10% will be imposed.

### **C. Parties Receiving the Incentives**

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Parties that may utilise the 10% final income tax are resident corporate taxpayers and permanent establishments (PEs or *Bentuk Usaha Tetap*/BUT in Indonesian). In this case, companies that have obtained the permit to maintain bookkeeping in English and United States Dollars (USD) are excluded.

### **D. Requirements**

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The 10% final income tax imposed on the excess difference in the revaluation of fixed assets may be utilised insofar as it fulfils the requirements below.

#### **D.1 General Requirements**

Companies that may utilise this incentive are those that:

- (i) constitute resident corporate taxpayers and PEs;
- (ii) maintain bookkeeping in the Indonesian language and Rupiah; and
- (iii) apply for revaluation to the Director General of Taxes.

#### **D.2 Special Requirements**

The revaluation of the company's fixed assets is conducted on:

- (i) all tangible fixed assets, including land with ownership rights or right to build; or
- (ii) all tangible fixed assets excluding land,

located or are in Indonesia, held and used to derive, collect and maintain income constituting a taxable object. In addition, the company's fixed assets cannot be revaluated before a period of 5 (five) years has elapsed since the last revaluation of the company's fixed assets.

#### **D.3 Application Forms and Reports**

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.

### **E. Application Scheme**

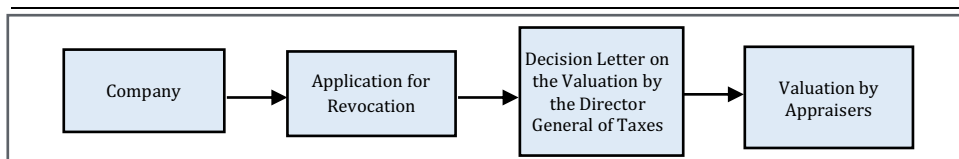
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To utilise the 10% final income tax incentive on the excess value of fixed assets, corporate taxpayers must carry out the following steps.

- (i) The company applies to the Director General of Taxes;

- (ii) The Director General of Taxes issues a decision letter on the revaluation of the company's fixed assets for the application submitted by the company;
- (iii) The fixed assets are revaluated by an appraisal service company or appraisers that have obtained a permit from the government;
- (iv) If the market value or fair value determined by the appraisal company or appraisers does not reflect the actual situation, the Director General of Taxes will re-determine the market value or fair value of the assets concerned;
- (v) The fixed assets are subject to revaluation no later than 1 (one) year from the date of the report by the appraisal company or appraisers;
- (vi) In the event of any discrepancy in the revaluation of the company's fixed assets, a final income tax of 10% is imposed.

#### **F. Flow Chart**



Source: [MoF Reg. 79/2008](#), processed by the Author.

#### **G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning the post-utilisation obligations in the provisions stipulating this incentive.

#### **H. Other Important Information**

If the company transfers fixed assets in the form of:

- (i) group 1 and group 2 fixed assets that have been approved for revaluation before the end of the new useful life; or
- (ii) group 3, group 4 fixed assets, buildings and land that have been approved for revaluation before the end of the ten-year period,

the excess difference of the revaluation over the initial tax net book value is subject to final income tax at a maximum rate of the applicable corporate income tax rate at the time of the revaluation minus 10%. This provision does not apply to the transfer of assets due to force majeure, in the context of approved restructuring or use due to irreparable severe damage.



**INCOME TAX OBJECT  
EXCLUSION**

# Chapter 17

## Scholarships Excluded from Income Tax Objects

### A. Brief Description

<b>Description</b>	Income in the form of scholarships of tax subjects and/or non-tax subjects that fulfil certain requirements, including scholarships received by: <ul style="list-style-type: none"> <li>(i) scholarship recipients constituting Indonesian citizens (<i>Warga Negara Indonesia</i>/WNI in Indonesian); and</li> <li>(ii) to attend formal education and non-formal education organised domestically and/or overseas,</li> </ul> is excluded from income tax objects. On the other hand, scholarship expenses constitute deductible expenses to calculate the taxable income of the party providing the scholarship.
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 7 of 1983 concerning Income Tax as amended several times, last amended by Law Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into a Law (<a href="#">Income Tax Law</a>);</li> <li>2. Minister of Finance Regulation Number 68/PMK.03/2020 concerning the Income Tax Treatment of Scholarships That Fulfil Certain Requirements and Surplus Received or Accrued by Non-Profit Bodies or Institutions Engaged in the Fields of Education and/or Research and Development (<a href="#">MoF Reg. 68/2020</a>).</li> </ol>
<b>Economic sectors</b>	Educational services
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2008

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 130.

## **B. Incentive Benefits**

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Income in the form of scholarships of tax subjects and/or non-tax subjects that fulfil certain requirements is excluded from income tax objects. The components of these scholarships consist of:

- (i) tuition fees paid to schools, educational or training institutions;
- (ii) examination fees;
- (iii) research expenses in respect of the field of study;
- (iv) book expenses;
- (v) transportation expenses; and/or
- (vi) reasonable living expenses according to the location of study.

## **C. Parties Receiving the Incentives**

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Basically, scholarships are tuition fee support. This tuition fee support may be given to:

- (i) students;
- (ii) university students;
- (iii) employees/personnel of scholarship providers; or
- (iv) other parties,

intended to attend and/or complete their education based on the main considerations of achievements, academic potentials and/or limited economic capacity.

Based on the above definition, the party entitled to the exclusion for income from a scholarship is the party receiving the scholarship.

## **D. Requirements**

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The following are the requirements to be considered to utilise the income tax object exclusion facility.

### **D.1 General Requirements**

General requirements that need to be fulfilled include the scholarships received by:

- (i) scholarships received by scholarship recipients constituting Indonesian citizens; and
- (ii) scholarships intended for attending formal and non-formal education organised domestically and/or overseas.

There are 2 (two) criteria in respect of education, namely formal and non-formal education. *First*, formal education refers to a structured and tiered educational path consisting of primary education, secondary education and higher education. *Second*, non-formal education refers to an educational path outside formal education that may be implemented in a structured and tiered manner.

### **D.2 Special Requirements**

There are special provisions that include the exclusions that are to be considered, i.e., those related to the relationship between the scholarship provider and the scholarship recipient. The exclusion of scholarships from income tax objects does not apply if:

- (i) the corporate taxpayer providing the scholarship has a business relationship, ownership relationship or control relationship;
- (ii) the owner, commissioner, director, or manager of the corporate taxpayer providing the scholarship has a family relationship either by blood or marriage in a vertical and/or horizontal lineage of one degree; or
- (iii) the individual taxpayer providing the scholarship has a business relationship,

with the scholarship recipient.

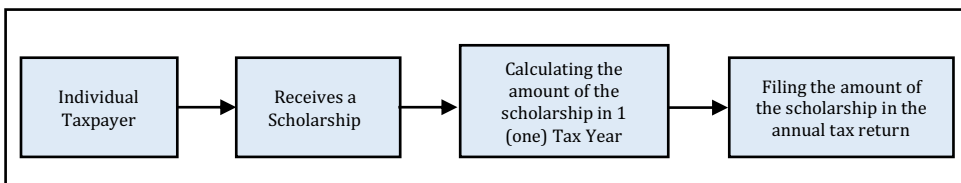
### **D.3 Application Forms and Reports**

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.

## **E. Application Scheme**

No sufficient information is available concerning the application scheme in the provisions stipulating this incentive.

## **F. Flow Chart**



Source: processed by the Author.

### **G. Post-Incentive-Utilisation Obligations**

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In the context of scholarship recipients receiving income in the form of scholarships. Although the income is not included in income tax objects, scholarship recipients must report the amount of scholarship income. The scholarship may be reported in the following manners.

- (i) The taxpayer must file income from scholarships in the “Income Not Included in Taxable Objects” section;
- (ii) Taxpayers must calculate the scholarships received in one tax year and fill in the amount in the “Scholarship” column.

### **H. Other Important Information**

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Business relationships, ownership or assignments excluded from the scholarship provisions are the relationships referred to in the statutory provisions in the field of taxation.



# Chapter 18

## Surplus Received or Accrued by Non-Profit Bodies or Institutions Engaged in the Field of Education and/or Research and Development

### A. Brief Description

<b>Description</b>	The surplus received or accrued by a body or institution may be excluded from income tax ( <i>Pajak Penghasilan</i> /PPh in Indonesian) objects. This applies if the amount of the surplus is used for the development and/or procurement of means and infrastructure for educational and/or research and development activities. In addition, these activities must be conducted within a maximum of 4 (four) years since the surplus is received or accrued.
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 7 of 1983 concerning Income Tax as amended several times, last amended by Law Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 Regarding Job Creation into Law (<a href="#">Income Tax Law</a>);</li> <li>2. Minister of Finance Regulation Number 68/PMK.03/2020 concerning the Income Tax Treatment of Scholarships That Fulfil Certain Requirements and Surplus Received or Accrued by Non-Profit Bodies or Institutions Engaged in the Fields of Education and/or Research and Development (<a href="#">MoF Reg. 68/2020</a>).</li> </ol>
<b>Economic sectors</b>	Educational services
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2008

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 125.

## **B. Incentive Benefits**

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Please note that the surplus refers to the excess difference in the calculation of all received or accrued income. The surplus refers to income other than that subject to final income tax and/or non-income tax, after deducted by the expenses to derive, collect and maintain (3M expenses) the income. This facility refers to the exclusion from income tax objects. On the other hand, the 3M expenses that constitute deductible expenses include:

- (i) aid, donations or gifts;
- (ii) operating expenses for organising education and/or research and development;
- (iii) expenses for the procurement of goods and/or services used to support the operation of education and/or research and development; and/or
- (iv) expenses to increase the capacity of quality and services of education and/or research and development as well as community services pursuant to statutory provisions concerning higher education.

## **C. Parties Receiving the Incentives**

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The surplus facility may be utilised by bodies or institutions that use the surplus for development and/or procurement of means and infrastructure for educational and/or research and development activities.

## **D. Requirements**

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Bodies or institutions may utilise the income tax object exclusion facility for the use of surplus insofar as they fulfil the requirements. The following are details of the general requirements, special requirements and forms to be considered to utilise this facility.

### **D.1 General Requirements**

The surplus received or accrued by a body or institution may be excluded as an object of income tax if the amount of the surplus is used for:

- (i) the construction and/or procurement of means and infrastructure for educational and/or research and development activities; and
- (ii) conducted within a maximum period of 4 (four) years since the surplus is received or accrued.

The categories for the procurement of means and infrastructure for educational and/or research and development activities are shown in Table 18.1 below.

**Table 18.1 Categories and Details of Means and Infrastructure for  
Education and/or Research and Development Activities**

Category	Details	
Procurement of means for educational and/or research and development activities	1.	Class equipment
	2.	Educational and/or research and development goods/equipment
	3.	Sports equipment
	4.	Computers
	5.	Buses
	6.	Minibuses
	7.	Similar vehicles used to pick up and drop off students
	8.	Vehicles owned or used by a body or institution for certain employees due to their position or work.
Construction and procurement of infrastructure for educational and/or research and development activities	1.	Buildings
	2.	Land
	3.	Laboratories
	4.	Libraries
	5.	Computer rooms
	6.	Offices
	7.	University student dormitories
	8.	Official residences for teachers, lecturers or employees
	9.	Allocated in the form of endowment funds

Source: [MoF Reg. 68/2020](#), processed by the Author.

## **D.2 Special Requirements**

The special requirement to be considered by the body or institution is that the use of the surplus is allocable in the form of an endowment fund. The endowment fund, in this case, refers to a permanent fund to ensure the sustainability of education and/or research and development programmes that cannot be used to finance operational activities. In respect of the allocation of the surplus to the endowment fund, it may be used as deductible expenses insofar as the following requirements are fulfilled.

- (i) The endowment fund is allocated by bodies or institutions that have been assigned the highest accreditation rating by the agency authorised to determine the accreditation;
- (ii) The allocation of the endowment fund is approved by:
  - a. the director of the higher education institution, the board of trustees and officials of related government agencies at the central level for state higher education institutions that constitute legal entities;

- b. the director of the higher education institution, the organising body and officials of related government agencies at the central level for private higher education institutions; or
  - c. the head of the educational agency or institution, the organising body, and officials of related government agencies at the provincial or regency/municipal level for educational agencies or institutions other than higher education institutions.
- (iii) The allocation of the endowment fund is approved by the head of the research and development body or institution and officials of the relevant government agencies at the central level for the research and development bodies or institutions.
- (iv) The allocation of the endowment fund has been regulated in terms of the endowment fund in bodies or institutions in the form of a presidential regulation at the central level for research and development bodies or institutions; and
- (v) The allocation of the endowment fund has been regulated in terms of the endowment fund in bodies or institutions in the form of a Regulation of the Minister in charge of education and/or research and development.

### **D.3 Application Forms and Reports**

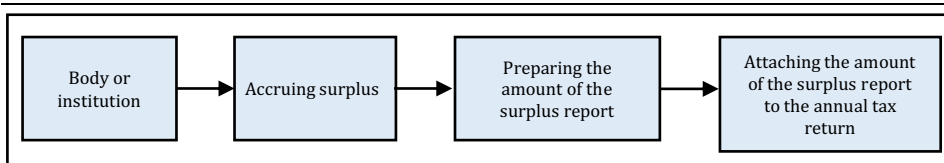
No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.

### **E. Application Scheme**

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No sufficient information is available concerning the application scheme in the provisions stipulating this incentive.

### **F. Flow Chart**



Source: processed by the Author.

### **G. Post-Incentive-Utilisation Obligations**

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In the context of income tax filing in terms of the use of the surplus, it needs to be filed in the annual income tax return (*Surat Pemberitahuan/SPT* in Indonesian). The following is the filing scheme.

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**CHAPTER 19:**  
**SURPLUS RECEIVED OR ACCRUED BY SOCIAL AND/OR RELIGIOUS BODIES OR**  
**INSTITUTIONS EXCLUDED FROM INCOME TAX OBJECTS**

- (i) The taxpayer must prepare a report on the amount of surplus used for the construction and/or procurement of means and infrastructure accompanied by details of the use of the surplus and supporting evidence;
- (ii) The taxpayer must file the report on the amount of surplus to the head of the tax office where the taxpayer is registered every year as an attachment to the annual income tax return.

**H. Other Important Information**

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Special provisions that need to be considered include 2 (two) things, namely those related to the relationship between the donor and donee of the aid/donations/grants and the amount of unused surplus.

- (i) Aid, donations or grants that are given based on a special relationship in the form of ownership and control relationships are excluded from the 3M expenses provisions.
- (ii) The amount of surplus not used for the development and/or procurement of means and infrastructure within a period of 4 (four) years is recognised as an income tax object. This income is recognised as a taxable object at the end of the tax year after the period of 4 (four) years ends.



# Chapter 19

## Surplus Received or Accrued by Social and/or Religious Bodies or Institutions Excluded from Income Tax Objects

### A. Brief Description

<b>Description</b>	The surplus received or accrued by social and/or religious bodies or institutions registered with the relevant agency is exempted from income tax ( <i>Pajak Penghasilan</i> /PPH in Indonesian). This provision applies if the surplus is used for the construction and/or procurement of social and/or religious means and infrastructure of a minimum of 25% of the surplus.
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 55 of 2022 concerning Adjustments to the Regulation in the Field of Income Tax (<a href="#">Gov. Reg. No. 55/2022</a>);</li> <li>2. Minister of Finance Regulation Number 18/PMK.03/2021 concerning the Implementation of Law Number 11 of 2020 concerning Job Creation in the Field of Income Tax, Value Added Tax and Sales Tax on Luxury Goods as Well as General Provisions and Tax Procedures (<a href="#">MoF Reg. 18/2021</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	2 November 2020

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 143.

### B. Incentive Benefits

The surplus received or accrued by social and/or religious bodies or institutions is excluded from income tax objects. The surplus refers to the excess difference in the calculation of all income received or accrued other than income subject to

final income tax and/or not an income tax object, deducted by the costs to derive, collect and maintain (3M expenses) the income. In the context of this facility, the 3M expenses include:

- (i) aid, donations or gifts;
- (ii) operating expenses for organising social and/or religious activities; and/or
- (iii) expenses for the procurement of goods and/or services used to support social and/or religious activities.

Aid, donations or gifts may constitute deductible expenses insofar as there is no special relationship as referred to in the Income Tax Law (ITL).

In the event of remaining surplus for the construction and/or procurement of social and/or religious means and infrastructure, it is deposited as an endowment fund. The construction and/or procurement of means and infrastructure as well as the allocation in the form of an endowment fund are carried out no later than within a period of 4 (four) years since the surplus is received or accrued.

### **C. Parties Receiving the Incentives**

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The exclusion from taxable objects for the surplus may only be utilised by social and/or religious bodies or institutions. The following are details of the criteria for social and/or religious bodies or institutions.

#### **C.1 Social Bodies or Institutions**

The social bodies or institutions are social welfare bodies or institutions with legal status as stipulated under statutory laws and regulations in the field of social welfare. In this case, the social bodies or institutions must be registered with the government agency at the central, provincial or regency/municipal level in charge of social affairs. The criteria for the social agencies or institutions are those that are non-profit and whose main activity is organising:

- (i) free healthcare;
- (ii) care for the elderly or nursing homes;
- (iii) care for fatherless and/or motherless orphans, children or people with disabilities;
- (iv) donations and/or assistance victims of natural disasters, accidents, poverty, remoteness, social disabilities and behavioural deviations acts of violence and the like;



- (v) scholarships; and/or
- (vi) environmental conservation.

## **C.2 Religious Bodies or Institutions**

The criteria for religious bodies or institutions are non-profit bodies whose main activity is managing places of worship and/or organising activities in the field of religion. In this case, religious bodies or institutions must be registered with government agencies at the central, provincial or regency/municipal levels in charge of religious affairs.

## **D. Requirements**

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To utilise the exclusion from income tax objects, several requirements are to be fulfilled by social and/or religious bodies or institutions. These requirements include the criteria for social and/or religious bodies or institutions in the category of detailed means and infrastructure. The following are details of general requirements, special requirements and forms to be taken into account.

### **D.1 General Requirements**

The stipulated general requirements are related to the procurement of means and infrastructure. The procurement of social and/or religious means and infrastructure includes the:

- (i) procurement of social and/or religious means;
- (ii) construction and procurement of social and/or religious infrastructure, including buildings, land, offices, houses of worship; and/or
- (iii) procurement of means and infrastructure for public facilities, located in the territory of the Unitary State of the Republic of Indonesia (*Negara Kesatuan Republik Indonesia/NKRI* in Indonesian).

### **D.2 Special Requirements**

Special requirements need to be considered regarding the use of the surplus allocated in the form of an endowment fund. The use of the surplus may be allocated in the form of endowment funds with the following conditions:

- (i) there is regulation concerning endowment funds in social and/or religious bodies or institutions in the form of a presidential regulations and/or a regulation of the minister in charge of social or religious affairs;
- (ii) approved by:
  - a. the head of social and/or religious body or institution; and

- b. the officials of government agencies at the central, provincial or regency/municipal levels in charge of social or religious affairs.

### **D.3 Application Forms and Reports**

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.

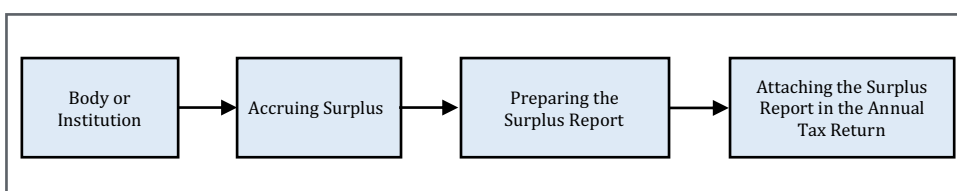
### **E. Application Scheme**

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No sufficient information is available concerning the application scheme in the provisions stipulating this incentive.

### **F. Flow Chart**

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Source: processed by the Author.

### **G. Post-Incentive-Utilisation Obligations**

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In the context of income tax filing in respect of the use of the surplus, filing in the annual income tax return is necessary. The following is the filing scheme.

- (i) Social and/or religious bodies or institutions must prepare the report on the amount of surplus used for the construction and/or procurement of means and infrastructure accompanied by details of the use of the surplus and supporting evidence;
- (ii) The social and/or religious bodies or institutions must submit the report on the amount of surplus to the head of the tax office where the taxpayer is registered every year as an attachment to the annual income tax return.

### **H. Other Important Information**

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The use of the surplus in the form of procurement of means and infrastructure does not constitute deductible expenses for the provision of social and/or religious bodies or institutions. Social and/or religious means and infrastructure with a useful life of more than 1 (one) year are expensed through depreciation or amortisation pursuant to the provisions of the ITL.

# Chapter 20

## Income Tax Exemption for Dividends Received by Resident Taxpayers

### A. Brief Description

<b>Description</b>	<b>The exclusion</b> from taxable objects for income in the form of dividends received by resident taxpayers ( <i>Wajib Pajak Dalam Negeri/WPDN</i> in Indonesian) sourced: (i) domestically insofar as they are invested in the territory of Unitary State of the Republic of Indonesia ( <i>Negara Kesatuan Republik Indonesia/NKRI</i> in Indonesian) in a certain period for individual taxpayers or received by corporate taxpayers; and/or (ii) overseas insofar as they are invested or used to support other business activities in Indonesia in a certain period.
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	1. Government Regulation Number 55 of 2022 concerning Adjustments to the Regulation in the Field of Income Tax ( <a href="#">Gov. Reg. No. 55/2022</a> ); 2. Minister of Finance Regulation Number 81 of 2024 concerning Tax Provisions in the Context of the Implementation of the Coretax Administration System ( <a href="#">MoF Reg. 81/2024</a> ).
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries and households
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	2 November 2020

Source: Fiscal Policy Agency, 2022 Tax Expenditure Report: Book II, (2023): 136, with adjustments to the latest developments.

### B. Incentive Benefits

The exclusion from income tax (*Pajak Penghasilan/PPH* in Indonesian) objects for dividends sourced:

- (i) domestically; or

(ii) overseas,  
received or accrued by resident taxpayers.

### **C. Parties Receiving the Incentives**

This dividend exemption facility may be utilised by resident taxpayers, either in the form of companies or individuals.

### **D. Requirements**

The dividend exemption facility may be utilised insofar as general and special requirements are fulfilled. The following are details of the general, special requirements and forms required for the application.

#### **D.1 General Requirements**

Several requirements are to be considered by resident taxpayers to exclude dividends from income tax objects. First, dividends that are excluded from income tax objects are dividends distributed based on:

- (i) general meeting of shareholders; or
- (ii) interim dividends pursuant to statutory provisions.

*Second*, the requirements that must be fulfilled for the dividends received by resident taxpayers to be excluded from income tax objects. These requirements are described based on the types of the dividends. The details concerning the requirements and types of dividends are shown in Table 20.1 below.

**Table 20.1 Special Requirements and Types of Dividends Received by Resident Taxpayers**

<b>No.</b>	<b>Types of Dividends</b>	<b>Received by Resident Taxpayers</b>	<b>Requirements</b>
1.	Domestically-sourced dividends	Individuals	Invested in the territory of the Unitary State of the Republic of Indonesia in a certain period
2.	Domestically-sourced dividends	Companies	There are no special requirements.
3.	Foreign-sourced dividends whose shares are traded on the stock exchange	Individuals or companies	Invested in the territory of the Unitary State of the Republic of Indonesia in a certain period

No.	Types of Dividends	Received by Resident Taxpayers	Requirements
4.	Foreign-sourced dividends whose shares are not traded on the stock exchange	Individuals or companies	(i) invested in the territory of the Unitary State of the Republic of Indonesia in a certain period of a minimum of 30% of the net income after tax; (ii) invested before the Director General of Taxes issues a notice of tax assessment for the dividends.

Source: [MoF Reg. 81/2024](#), processed by the Author.

## D.2 Special Requirements

Special requirements to be considered by resident taxpayers are requirements concerning investment criteria and period to be fulfilled. *First*, in respect of investment criteria that are closely related to the form of investments and investment instruments. These criteria are shown in Table 20.2 below.

**Table 20.2 Investment Forms and Instruments**

Forms of Investment	Investment Instruments	
	Financial Markets	Non-Financial Markets
a. Government securities ( <i>Surat Berharga Negara</i> /SBN in Indonesian) of the Republic of Indonesia and sharia securities of the Republic of Indonesia; b. Bonds or sharia bonds of state-owned enterprises whose trading is supervised by the Financial Services Authority ( <i>Otoritas Jasa Keuangan</i> /OJK in Indonesian); c. Bonds or sharia bonds of government-owned financing institutions whose trading is supervised by the	<ul style="list-style-type: none"> <li>- Debt securities;</li> <li>- Sharia bonds;</li> <li>- Shares;</li> <li>- Participating units of mutual funds;</li> <li>- Asset-backed securities;</li> <li>- Participating units of real estate investment trusts;</li> <li>- Deposits;</li> <li>- Savings accounts;</li> <li>- Current accounts;</li> <li>- Futures contracts traded on the stock exchange in Indonesia; and/or</li> <li>- Other financial market investment instruments, including investment-linked insurance products, financing companies, pension funds or venture capital that have been approved</li> </ul>	

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

Forms of Investment	Investment Instruments	
	Financial Markets	Non-Financial Markets
<p>Financial Services Authority;</p> <p>d. Financial investments in tax payment banks, including sharia banks;</p> <p>e. Bonds or sharia bonds of private companies whose trading is supervised by the Financial Services Authority.</p>	<p>by the Financial Services Authority.</p>	
<p>f. Infrastructure investments through the government with business entities;</p> <p>g. Real sector investments based on priorities determined by the government;</p> <p>h. Capital participation in a newly incorporated company and domiciled in Indonesia as a shareholder;</p> <p>i. Capital participation in a company that has been incorporated and domiciled in Indonesia as a shareholder;</p> <p>j. Cooperation with the Indonesia investment authority;</p> <p>k. Use to support other business activities in the form of distributing micro and small business loans in the territory of the Unitary State of the Republic of Indonesia pursuant to statutory laws and regulations in the field of Micro, Small and Medium Enterprises (MSMEs or <i>Usaha Mikro, Kecil,</i></p>	-	<ul style="list-style-type: none"> <li>- Infrastructure investments through the cooperation between the government and business entities;</li> <li>- Real sector investments based on priorities determined by the government;</li> <li>- Investments in property on land and/or buildings built thereon;</li> <li>- Direct investments in companies in the territory of the Unitary State of the Republic of Indonesia;</li> <li>- Investments in precious metals in the form of gold bars or bullion;</li> <li>- Cooperation with the Indonesia investment authority;</li> <li>- Used to support other business activities in the form of distributing loans for micro and small businesses within the territory of the Unitary State of the Republic of Indonesia;</li> <li>- Other forms of investments other than in legitimate financial markets.</li> </ul>

Forms of Investment	Investment Instruments	
	Financial Markets	Non-Financial Markets
<i>dan Menengah/UMKM</i> in Indonesian); l. Other legitimate forms of investments pursuant to statutory provisions.		

Source: [Gov. Reg. No. 55/2022](#), processed by the Author.

*Second*, the investment period needs to be considered by resident taxpayers for the dividends to be excluded from income tax objects. The following is the regulation of the provisions concerning the investment period.

- (i) The investment is performed no later than:
  - a. the end of the third month after the tax year in which dividends are received or accrued for individual taxpayers;
  - b. the end of the fourth month after the tax year in which dividends are received or accrued for corporate taxpayers.
- (ii) The investment must be performed within a minimum of 3 (three) tax years from the tax year in which the dividends are received.

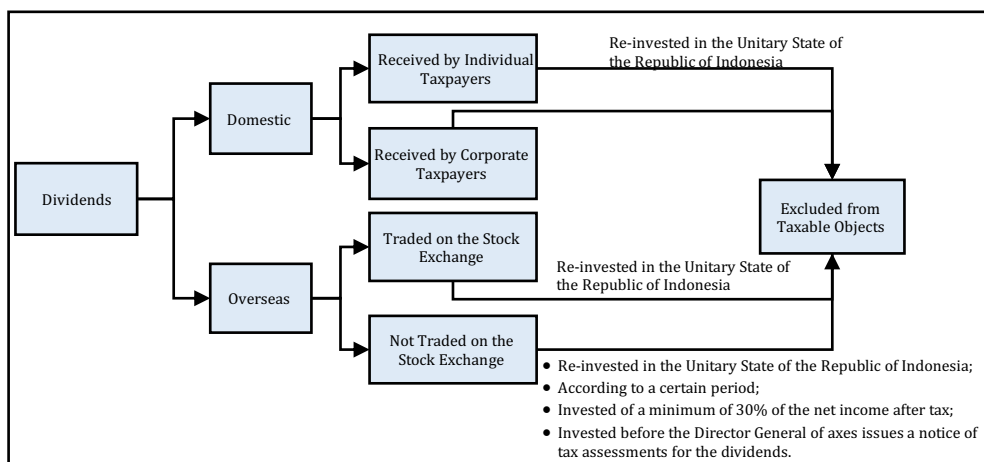
### **D.3 Application Forms and Reports**

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.

### **E. Application Scheme**

No sufficient information is available concerning the application scheme in the provisions stipulating this incentive.

## F. Flow Chart



Source: [MoF Reg. 81/2024](#), processed by the Author.

## G. Post-Incentive-Utilisation Obligations

The obligation after the utilisation of the income tax object exclusion facility is that the resident taxpayer is required to submit an investment realisation report. This report must be submitted electronically through the taxpayer portal. The taxpayer is required to file the report:

- (i) periodically, no later than the end of the third month for individual taxpayers or the end of the fourth month for corporate taxpayers after the tax year ends; and
- (ii) filed until the third year from the tax year the dividends or other income is received.

## H. Other Important Information

The provisions concerning dividend thresholds may be amended if necessary. The amendments to dividend thresholds will be regulated by a minister of finance regulation.



# Chapter 21

## Income Tax Exclusion for Branch Profit Tax

### A. Brief Description

<b>Description</b>	The exclusion from additional income tax ( <i>Pajak Penghasilan/PPH</i> in Indonesian) on net income after tax accrued by permanent establishments (PEs or <i>Bentuk Usaha Tetap/BUT</i> in Indonesian). This exemption is given if all taxable income after deducted by income tax of a PE is reinvested in Indonesia.
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 7 of 1983 concerning Income Tax as amended several times, last amended by Law Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into a Law (<a href="#">Income Tax Law</a>);</li> <li>2. Minister of Finance Regulation Number 14/PMK.03/2011 concerning the Tax Treatment of Taxable Income After Deducted by Taxes of a Permanent Establishment (<a href="#">MoF Reg. 14/2011</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	In 1994

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 142.

### B. Incentive Benefits

The exclusion from income tax objects for taxable income after deducted by income tax of a PE.

### C. Parties Receiving the Incentives

The exclusion from income tax objects may be utilised by PEs.

## D. Requirements

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The exclusion from income tax objects for taxable income after deducted by income tax may be utilised by PEs insofar as they fulfil general and special requirements. The following is the description of the general and special requirements and the forms that may be used to apply for the facility.

### D.1 General Requirements

Basically, a PE may utilise the income tax object exclusion for taxable income after deducted by income tax if it is reinvested in Indonesia. The following are general requirements concerning the reinvestment that must be fulfilled.

- (i) The reinvestment in Indonesia must be performed no later than the end of the following tax year, after the tax year in which the income is accrued for the PE concerned; and
- (ii) The PE concerned submits written notification concerning the form of the investment, the realisation of the reinvestment that has been performed and/or the start of commercial production for the newly incorporated company to the Head of the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the taxpayer is registered.

### D.2 Special Requirements

Basically, a PE may utilise the income tax object exclusion for taxable income after deducted by income tax if it is reinvested in Indonesia. However, the following are 4 (four) permitted forms of reinvestments.

- (i) Capital participation in a newly incorporated company and domiciled in Indonesia as a founder or co-founder with the following criteria:
  - a. the new company incorporated and domiciled in Indonesia has actively conducted business activities according to its deed of establishment, no later than 1 (one) year since the company was incorporated; and
  - b. the PE concerned may not transfer capital participation for a minimum of 2 (two) years since the new company concerned started commercial production.
- (ii) Capital participation in a company that has been incorporated and is domiciled in Indonesia as a shareholder with the following criteria:
  - a. the company that has been incorporated and domiciled in Indonesia has active business activities in Indonesia; and
  - b. the PE concerned may not transfer capital participation for a minimum of 3 (three) years from the capital participation.

- (iii) Purchases of fixed assets used by the PE to conduct the PE's business or activities in Indonesia. The PE concerned may not transfer the purchase of fixed assets for a minimum of 3 (three) years from the acquisition of the fixed assets.
- (iv) Investment in the form of intangible assets by a to conduct the PE's business or activities in Indonesia. The PE concerned may not transfer the investment in intangible assets for a minimum of 3 (three) years from the acquisition of the intangible assets.

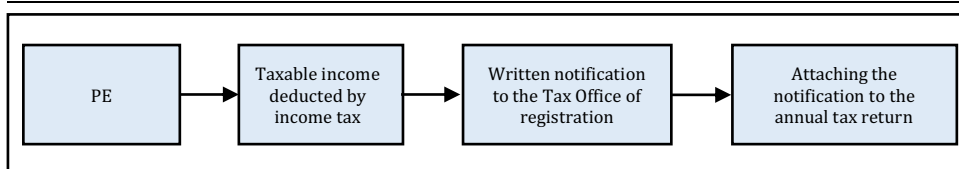
### **D.3 Application Forms and Reports**

The application form or report for this facility only includes written notification concerning the form of the investment.

### **E. Application Scheme**

A PE that will apply for this facility is required to submit written notification concerning the form of the investment. The notification is submitted to the Head of the Tax Office where the taxpayer is registered by attaching the annual tax return (*Surat Pemberitahuan/SPT* in Indonesian) for the tax year in which the income is received.

### **F. Flow Chart**



Source: processed by the Author.

### **G. Post-Incentive-Utilisation Obligations**

The post-facility-utilisation obligation is the written notification concerning the realisation of the reinvestment that has been performed to the Head of the Tax Office where the taxpayer is registered. The written notification must at least contain the following:

- (i) the amount of taxable income after deducted by income tax of a PE and the tax year concerned; and
- (ii) the form of the reinvestment, the amount of investment realisation and the tax year in which the reinvestment is realised.

This written notification must be attached to the annual tax return for the tax year in which the reinvestment is realised.

#### **H. Other Important Information**

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In the event that the general requirements and special requirements are not fulfilled, the taxable income after deducted by income tax of a related PE is subject to income tax. The income tax is calculated from the time the taxable income concerned is accrued and subject to penalties pursuant to applicable statutory tax provisions.

# Chapter 22

## Tax Facilities for Venture Capital Companies

### A. Brief Description

<b>Description</b>	Exclusion from income tax ( <i>Pajak Penghasilan</i> /PPH in Indonesian) objects for income received or accrued by venture capital companies in the form of the distribution of profits from investee companies.
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 4 of 1995 concerning Income Tax on the Income of Venture Capital Companies from Sales of Shares or Transfers of Capital participation in Investee Companies (<a href="#">Gov. Reg. No. 4/1995</a>);</li> <li>2. Minister of Finance Regulation Number 18/PMK.010/2012 concerning Venture Capital Companies (MoF Reg. 18/2012);</li> <li>3. Minister of Finance Regulation Number 48/PMK.010/2018 concerning the Tax Treatment of Capital Participation of Venture Capital Companies in Micro, Small and Medium Companies (<a href="#">MoF Reg. 48/2018</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	11 May 2018

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 146.

### B. Incentive Benefits

The exclusion from income tax objects for income accrued by venture capital companies from investments in investee companies constituting micro, small and medium companies.

### **C. Parties Receiving the Incentives**

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The parties that may utilise this incentive are venture capital companies that invest in micro, small and medium enterprises. A venture capital company refers to a business entity conducting financing business/capital participation in a company that receives financing assistance for a certain period. The financing/capital participation may be in the form of capital participation, participation through the purchase of convertible bonds and/or financing based on the distribution of profits.

### **D. Requirements**

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The exclusion from taxable object facility may be utilised insofar as general and special requirements are fulfilled. The following is the description of the required descriptions.

#### **D.1 General Requirements**

In general, the requirements to be fulfilled are as follows:

- (i) the company constituting the investee company of a venture capital company is a micro, small and medium company;
- (ii) the company constituting the investee company of the venture capital company is a company whose shares are not traded on the stock exchange in Indonesia;
- (iii) the venture capital company holds a business permit from the Financial Services Authority (*Otoritas Jasa Keuangan/OJK* in Indonesian).

#### **D.2 Special Requirements**

The following are special requirements that must be fulfilled to utilise the exclusion from income tax object facility.

- (i) A company whose annual net sales do not exceed IDR50 billion in the tax year before the capital participation;
- (ii) The capital participation of the venture capital company in each investee company is performed insofar as the investee company has not sold shares on the stock exchange for a period not exceeding 10 (ten) years.

#### **D.3 Application Forms and Reports**

No sufficient information is available concerning the application forms or reports in the provisions stipulating this incentive.

### **E. Application Scheme**

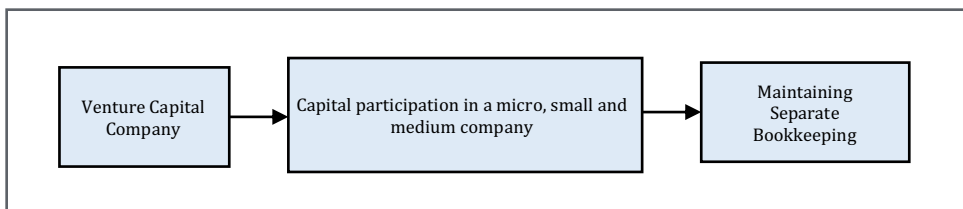
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The application for the exclusion from income tax objects is described as follows:

- (i) the venture capital company invests in the investee company according to the requirements;
- (ii) the venture capital company is required to separately maintain bookkeeping for income constituting an income tax object and income not constituting an income tax object.

### **F. Flow Chart**

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Source: processed by the Author.

### **G. Post-Incentive-Utilisation Obligations**

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The post-incentive-utilisation obligation to be fulfilled by venture capital companies is separate bookkeeping for income constituting an income tax object and income not constituting an income tax object.

### **H. Other Important Information**

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No other important information is available in the provisions stipulating this incentive.





## Chapter 23

# Subject to Import Article 22 Income Tax but Not Collected for Imports for Upstream Oil and Gas Business Activities in the Context of Oil Operations Based on Cooperation Contracts in the Form of Gross Split Profit Sharing Contracts

### A. Brief Description

<b>Description</b>	Import Art. 22 Income Tax ( <i>Pajak Penghasilan</i> /PPH in Indonesian) is not collected on imports for upstream oil and gas business activity purposes in the context of oil operations based on cooperation contracts in the form of gross split contracts.
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 22 of 2001 concerning Oil and Gas (Law 22/2001);</li> <li>2. Government Regulation Number 79 of 2010 concerning Recoverable Operating Costs and Income Tax Treatment in the Upstream Oil and Gas Business Sector (<a href="#">Gov. Reg. No. 79/2010</a>);</li> <li>3. Government Regulation Number 27 of 2017 concerning the Amendment to Government Regulation Number 79 of 2010 concerning Recoverable Operating Costs and Income Tax Treatment in the Upstream Oil and Gas Business Sector (<a href="#">Gov. Reg. No. 27/2017</a>);</li> <li>4. Government Regulation Number 53 of 2017 concerning the Tax Treatment of Upstream Oil and Gas Business with Gross Split Production Sharing Contracts (<a href="#">Gov. Reg. No. 53/2017</a>); and</li> <li>5. Minister of Finance Regulation Number 217/PMK.04/2019 concerning the Exemption from Import Duty and Subject to Taxes on Imports but</li> </ol>

	Not Collected for Imports of Goods for Upstream Oil and Gas Businesses ( <a href="#">MoF Reg. 217/2019</a> ).
<b>Economic sectors</b>	Oil and gas mining sector
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2005

Source: processed by the Author.

## B. Incentive Benefits

The granting of the exemption from taxes on imports (*Pajak Dalam Rangka Impor*/PDRI in Indonesian) facility. One component of taxes on imports is Import Art. 22 Income Tax. Further, this facility only applies to goods with certain criteria used in upstream oil and gas business activities.

## C. Parties Receiving the Incentives

Parties that may utilise the Import Art. 22 Income Tax facility are suppliers of goods (hereinafter referred to as vendors) and contractors in the form of business entities or Permanent Establishments (PEs or *Bentuk Usaha Tetap*/BUT in Indonesian) that have entered into cooperation contracts with:

- (i) work units tasked with managing upstream oil and gas business activities; or
- (ii) state-owned companies engaged in the oil and gas energy sector.

## D. Requirements

The Import Art. 22 Income Tax exemption facility is based on the fulfilment of requirements. The requirements consist of general and special requirements. The details are as follows.

### D.1 General Requirements

The exemption from Import Art. 22 Income Tax facility may be utilised insofar as the oil operations are based on cooperation contracts in the form of production sharing contracts. This facility is provided in upstream oil business activities which include the exploration and exploitation stages. The exemption from Import Art. 22 Income Tax facility may be provided insofar as:

**SUBJECT TO ART. 22 IMPORT INCOME TAX BUT NOT COLLECTED FOR IMPORTS FOR  
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BASED ON COOPERATION CONTRACTS IN THE FORM OF GROSS SPLIT PROFIT  
SHARING CONTRACTS**

- (i) the goods cannot yet be produced domestically;
- (ii) the goods have been produced domestically but have not fulfilled the required specifications; or
- (iii) the goods have been produced domestically but the quantity is insufficient to fulfil the needs of the industry.

## D.2 Special Requirements

There are criteria for the exemption from Import Art. 22 Income Tax at the exploitation stage. The criteria are based on the signing of the cooperation contract. The following are details of the exemption from Import Art. 22 Income Tax based on the criteria of the cooperation contract.

**Table 23.1 Criteria of Cooperation Contracts and the Granting of the  
Exemption from Import Article 22 Income Tax**

No.	Cooperation Contract Criteria	The Exemption from Import Art. 22 Income Tax
1.	a. signed before the enactment of Law 22/2001; b. choose to adjust the contract in its entirety pursuant to <a href="#">Gov. Reg. No. 27/2017</a> .	Granted based on project economic considerations from the minister in the field of energy and mineral resources
2.	a. signed after the enactment of Law 22/2001; b. signed before the enactment of <a href="#">Gov. Reg. No. 79/2010</a> ; c. choose to adjust the contract in its entirety pursuant to <a href="#">Gov. Reg. No. 27/2017</a> .	
3.	a. signed after the enactment of <a href="#">Gov. Reg. No. 79/2010</a> ; b. the contract has been adjusted to <a href="#">Gov. Reg. No. 27/2017</a> .	
4.	Signed after the enactment of <a href="#">Gov. Reg. No. 27/2017</a> .	
5.	The contract complies with <a href="#">Gov. Reg. No. 53/2017</a> .	Granted until the start of commercial production
6.	The contract is not adjusted to <a href="#">Gov. Reg. No. 27/2017</a> .	Granted according to the contract until the contract period expires

Source: [MoF Reg. 217/2019](#), processed by the Author.

The above-mentioned economic considerations are only given to contractors that cannot achieve the Internal Rate of Return (IRR). Further, the IRR is

calculated based on the results of economic calculations in production sharing contracts and includes the following working areas:

- (i) constituting a working area located in deep sea;
- (ii) constituting a working area located at a reservoir depth characterised by high pressure/high temperature/high impurities and having hydrocarbon potential;
- (iii) constituting a working area located in an area with limited existence of supporting oil and gas infrastructure;
- (iv) constituting the development of secondary and tertiary fields;
- (v) constituting the development of unconventional fields.

### **D.3 Application Forms and Reports**

The forms or reports to utilise this incentive are:

- (i) the application letter document;
- (ii) the document of the list of the details of the goods;
- (iii) a scan of the original document of the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
- (iv) scans of the original documents of the cooperation contract or production sharing contract and the amendments thereto; and
- (v) the letter of recommendation concerning the economic considerations of the project; and
- (vi) the certificate stating that the exploitation stage has not reached the start of commercial production.

### **E. Application Scheme**

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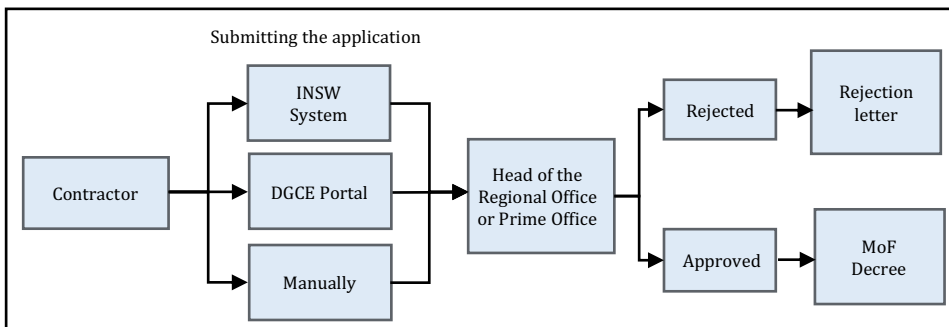
The following is the application scheme for the exemption from import Art. 22 Income Tax facility.

- (i) The contractor applies to the minister through the Head of the Regional Office (*Kantor wilayah/Kanwil* in Indonesian) or the Head of the Prime Office that oversees the working area;
- (ii) The contractor applies electronically through the Indonesia National Single Window (INSW) System by attaching:
  - a. the application letter document;
  - b. the scan of the original document of the TIN;

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- c. scans of the original documents of the cooperation contract or production sharing contract and the amendments thereto; and
  - d. the masterlist (*Rencana Impor Barang/RIB* in Indonesian).
- (iii) If the application cannot be submitted via the INSW System, the application may be submitted electronically via the Directorate General of Customs and Excise (DGCE) portal by attaching:
  - a. the scan of the original document of the TIN;
  - b. scans of the original documents of the cooperation contract or production sharing contract and the amendments thereto; and
  - c. scans of the original document for an example or specimen of the signatures of the company director/manager or officials authorised to sign the masterlist; and
  - d. the original masterlist signed by the authorised company director or appointed officials.
- (iv) If the INSW System and the DGCE Portal cannot be operated or experience operational disruptions, the application is submitted manually, and attachment documents are submitted in the form of hard copy or physical documents;
- (v) Specifically for the exploitation stage, the application must also be attached with:
  - a. a recommendation letter concerning the economic considerations of the project from the minister who administers government affairs in the field of oil and gas for cooperation contracts in number 1 to 4 in Table 23.1;
  - b. a certificate stating that the exploitation stage has not reached the start of commercial production from the minister who administers government affairs in the field of oil and gas for the cooperation contract in number 5 in Table 23.1.
- (vi) If the import is performed by a vendor, the application must include the name of the vendor that will perform the import or attach proof of the procurement contract between the contractor and the vendor;
- (vii) If the application is approved, a minister of finance decree concerning the granting of the exemption from import duty and subject to taxes on imports but not collected for import of goods for upstream oil and gas business activities will be issued;
- (viii) If the application is rejected, a notice of rejection will be issued stating the reason for the rejection;
- (ix) The minister of finance decree is valid for a maximum period of 12 (twelve) months from the date of enactment.

## F. Flow Chart



Source: processed by the Author.

## G. Post-Incentive-Utilisation Obligations

A contractor has post-incentive-utilisation obligations. The following are the obligations that need to be fulfilled.

- (i) The import realisation report of goods granted the exemption from import duty and subject to taxes on imports but not collected; and/or
- (ii) The export realisation report of goods for upstream oil and gas business activities that are rented by contractors and have been approved.

Both documents are submitted electronically through the INSW System or the DGCE Portal. In the event of operational disruptions, the documents may be submitted manually in the form of hard copy or via electronic mail in the form of soft copy.

## H. Other Important Information

In the realisation of the exemption from import Art. 22 Income Tax, an examination and audit will be conducted. The examination is conducted of the import realisation report document and the export realisation report by the Head of the Regional Office or the Head of the Prime Office. In contrast, the audit is conducted of contractors that receive the facilities and vendors conducting import activities. The audit will be conducted by the DGCE or the Directorate General of Taxes (DGT).

# Chapter 24

## Income Tax Object Exclusion Facility for In-Kind and/or Fringe Benefits in Certain Regions

### A. Brief Description

<b>Description</b>	The granting of remunerations in the form of in-kind and/or fringe benefits provided in certain regions is excluded from income tax ( <i>Pajak Penghasilan/PPH</i> in Indonesian) objects. The in-kind and/or fringe benefits provided in certain regions include means, infrastructure and/or facilities at the workplace for employees and their families in the form of: <ul style="list-style-type: none"> <li>(i) residence, including housing;</li> <li>(ii) healthcare services;</li> <li>(iii) education;</li> <li>(iv) worship;</li> <li>(v) transportation; and/or</li> <li>(vi) sports, excluding golf, power boating, horse racing, gliding or motorsports,</li> </ul> insofar as the employer's business location obtains a certain regional determination from the Director General of Taxes.
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 55 of 2022 concerning Adjustments to the Regulation in the Field of Income Tax (<a href="#">Gov. Reg. No. 55/2022</a>);</li> <li>2. Minister of Finance Regulation Number 66 of 2023 concerning the Income Tax Treatment of Reimbursements or Remunerations in Respect of Employment or Services Received or Accrued in the Form of In-Kind and/or Fringe Benefits (<a href="#">MoF Reg. 66/2023</a>).</li> </ol>
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 1 July 2023

<b>Implementation</b>	Effective from 1 July 2023
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Source: processed by the Author.

## **B. Incentive Benefits**

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Remunerations in the form of in-kind and/or fringe benefits provided by employers in certain regions may be excluded from income tax. In-kind and/or fringe benefits provided in certain regions include means, infrastructure, and/or facilities at the workplace. The means, infrastructure and/or facilities at the workplace are provided for employees and their families in the form of:

- (i) residence, including housing;
- (ii) healthcare services;
- (iii) education;
- (iv) worship;
- (v) transportation; and/or
- (vi) sports, excluding golf, power boating, horse racing, gliding or motorsports, insofar as the employer's business location obtains a certain regional determination from the Director General of Taxes.

## **C. Parties Receiving the Incentives**

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The parties that may utilise the income tax object exemption facility for the granting of remunerations in the form of in-kind and/or fringe benefits in certain regions are employees and their families.

## **D. Requirements**

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In general, the specific regions, in this case, refer to regions that economically have the potential to be developed but their economic infrastructure is inadequate. The regions are also difficult to reach by public transportation, whether by land, sea or air. These certain regions include remote areas in sea waters that are more than 50 (fifty) metres deep and whose sea beds contain mineral reserves. Therefore, to change the available economic potentials into real economic strength, investors assume relatively high risks and relatively long period of yield.

Further, remunerations in the form of in-kind and/or fringe benefits granted in certain regions have several provisions to be considered. The following are details of the general requirements that must be fulfilled by employers for the



remunerations in the form of in-kind and/or fringe benefits in certain regions to be excluded from income tax objects.

### **D.1 General Requirements**

The following are general requirements to be considered.

- (i) The employer has filed the annual income tax returns (*Surat Pemberitahuan/SPT* in Indonesian) for the last 2 (two) tax years; and/or
- (ii) The employer has filed periodic VAT returns for the last 3 (three) taxable periods;
- (iii) The employer does not have tax liabilities or has tax liabilities but for the entire tax liabilities, a permit to defer or pay tax in instalments has been obtained;
- (iv) The employer is not currently in the process of handling a tax crime and/or a money laundering crime whose predicate crime is a tax crime in the form of a public preliminary investigation, investigation or prosecution.

In contrast, because the facilities are granted based on certain regional criteria, there are provisions concerning the determination of business locations as certain regions. The business locations may be determined based on the ownership of certain mining permits and other than the ownership of certain mining permits.

These certain mining permits include Contracts of Work (CoWs), coal mining concession agreements (*Perjanjian Karya Pengusahaan Pertambangan Batu Bara/ PKP2B* in Indonesian) or permits in the field of mining pursuant to statutory provisions in the field of mineral and coal mining. The following are the period and the determination of the business locations, i.e., if the employer:

- (i) is other than the holder of a specific mining permit, determined gradually every 5 (five) year period;
- (ii) if the specific mining permit expires in up to 5 (five) years, immediately determined until the validity period of a certain mining permit;
- (iii) if the specific mining permit expires in more than 5 (five) years, determined gradually every 5 (five) year period until the specific mining permit expires.

### **D.2 Special Requirements**

Special requirements that need to be considered to utilise this facility are related to the criteria for business locations as certain regions. It should be noted that business locations designated as certain regions are determined by the types of

economic infrastructure and public transportation. The following are details of economic infrastructure and public transportation that need to be considered.

**Table 24.1 Details of Economic Infrastructure and Public Transportation**

No.	Criteria of Certain Regions	Types
1.	Economic infrastructure	a. electricity; b. clean water; c. housing that may be rented by employees; d. hospitals and/or polyclinics; e. schools; f. permanent sports and/or entertainment venues; g. places of worship; and h. markets.
2.	Public transportation infrastructure	a. roads and/or bridges; b. seaports or docks, river ports or docks, airports; c. public transportation by land, sea, or air.

Source: processed by the Author.

Based on table 24.1 above, it is evident that economic infrastructure consists of 8 (eight) types, whereas public transportation infrastructure consists of 3 (three) types. The indicators of an employer's business location designated as a certain region are determined by:

- (i) the unavailability or inadequacy of a minimum of 6 (six) of 11 (eleven) types of economic infrastructure and public transportation infrastructure;
- (ii) a minimum of 1 (one) type of unavailable or inadequate infrastructure of the types of public transportation infrastructure; and
- (iii) if the economic and public transportation infrastructure has been constructed independently by the employer, the said economic and public transportation infrastructure shall be considered unavailable infrastructure in determining the unavailability or inadequacy.

Based on the above requirements, the determination of a business location as a certain region is determined by the Director General of Taxes.

### **D.3 Application Forms and Reports**

For the income tax object exemption facility to be utilised, employers are required to prepare the following application forms and documents.

- (i) The application letter for the determination and extension of the determination of a business location in certain regions which at least contains the information concerning:
  - a. the name of the employer of head office status;
  - b. the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak*/NPWP in Indonesian) of the employer of head office status;
  - c. the office address of the employer of head office status;
  - d. the tax identity of the business location for which the determination of a business location in a certain region is applied;
  - e. the address of the business location for which the determination of a business location in a certain region is applied; and
  - f. the coordinate points of the business location for which the determination of a business location in a certain region is applied.
- (ii) The format of the statement on the condition of economic infrastructure and public transportation at the business location which at least contains:
  - a. the address of the business location for which the determination of a business location in a certain region is applied;
  - b. the coordinate points of the business location for which the determination of a business location in a certain region is applied;
  - c. the availability of economic infrastructure and public transportation at the business location;
  - d. the condition of economic infrastructure and public transportation at the business location; and
  - e. the date of the determination of the availability and the condition of economic infrastructure and public transportation.
- (iii) The business identification number issued by the Online Single Submission (OSS) institution; and
- (iv) The location map;
- (v) Employers holding certain mining permits are required to attach a copy of:
  - a. the contract of work;
  - b. the coal mining concession employment agreement; or
  - c. permits in the field of mining pursuant to statutory provisions in the field of mineral and coal mining.

### **E. Application Scheme**

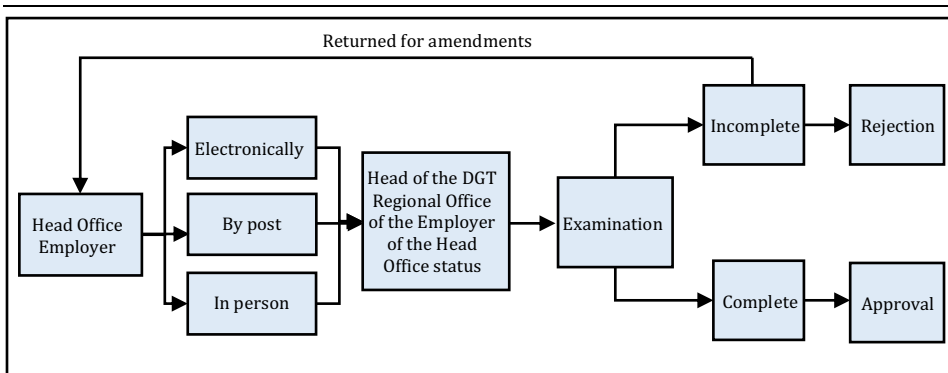
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The following is the application scheme to utilise this facility.

- (i) Employers of head office status with business locations in certain regions may apply for the determination of business location in certain regions to

- the Head of the DGT Regional Office (*Kantor Wilayah/Kanwil* in Indonesian) of the employer of head office status;
- (ii) This application is submitted for each business location that fulfils the criteria for certain regions;
  - (iii) The application is submitted by attaching the forms required for the application mentioned in Subchapter D.3;
  - (iv) The application may be submitted in person, by post and electronically;
  - (v) The Head of the DGT Regional Office of the employer of head office status examines the completeness;
  - (vi) If the application is found to be incomplete, the Head of the DGT Regional Office of the employer of head office status will submit a request letter for the completeness of the documents no later than 15 (fifteen) business days from the receipt of the application;
  - (vii) The employer of head office status must complete the documents in the request letter no later than 10 (ten) days from the time the request letter for the completeness of the documents is received;
  - (viii) If the time limit has elapsed and the employer cannot complete the requested documents, the Head of the DGT Regional Office of the employer of head office status will notify that the application cannot be considered;
  - (ix) If the application is complete based on the examination, the Head of the Regional Office will conduct an audit at the place of business or ask for assistance from the Head of the DGT Regional Office of the place of business; and
  - (x) The decision on approval and rejection will be issued based on the findings of the audit no later than 4 (four) months after the application is complete.

**F. Flow Chart**



Source: [MoF Reg. 66/2023](#), processed by the Author.

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**G. Post-Incentive-Utilisation Obligations**

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The post-incentive-utilisation obligation that needs to be considered is related to the extension of the determination of the business location in a certain region. In this case, an application for an extension is required for the business location to be declared as a certain region. This extension must include documents in the form of copies of:

- (i) the business identification number issued by the OSS institution or other equivalent documents issued by other competent agencies pursuant to statutory provisions;
- (ii) the location map;
- (iii) the statement on the condition of economic infrastructure and public transportation at the business location; and
- (iv) the decision on the approval of the determination of the business location in a certain region owned by the employer of head office status.

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**H. Other Important Information**

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In the event that the application period has elapsed but the Head of the DGT Regional Office of the employer of head office status does not decide:

- (i) the application by the employer of head office status is deemed approved starting from the taxable period in 4 (four) months from the time the application is submitted; and
- (ii) the Head of the DGT Regional Office of the employer of head office status issues a decision on the approval within a maximum period of 5 (five) business days after the 4 (four) month period ends.



# Chapter 25

## The Exclusion of Income in the Form of In-Kind and/or Fringe Benefits from Income Tax Objects

### A. Brief Description

<b>Description</b>	Excluded from income tax ( <i>Pajak Penghasilan/PPH</i> in Indonesian) objects for reimbursements or remunerations in the form of in-kind and/or fringe benefits are: <ul style="list-style-type: none"> <li>(i) food, foodstuff, beverage ingredients and/or beverages for all employees;</li> <li>(ii) in-kind and/or fringe benefits that must be provided by the employer in carrying out work;</li> <li>(iii) in-kind and/or fringe benefits sourced or financed by the state budget (<i>Anggaran Penerimaan dan Belanja Negara/APBN</i> in Indonesian), local government budget (<i>Anggaran Penerimaan dan Belanja Negara/APBD</i> in Indonesian) and/or village budget (<i>Anggaran Pendapatan dan Belanja Desa/APBDesa</i> in Indonesian); or</li> <li>(iv) in-kind and/or fringe benefits of certain types and/or thresholds.</li> </ul>
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 55 of 2022 concerning Adjustments to the Regulation in the Field of Income Tax (<a href="#">Gov. Reg. No. 55/2022</a>);</li> <li>2. Minister of Finance Regulation Number 66 of 2023 concerning the Income Tax Treatment of Reimbursements or Remunerations in Respect of Employment or Services Received or Accrued in the Form of In-Kind and/or Fringe Benefits (<a href="#">MoF Reg. 66/2023</a>).</li> </ol>
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare

<b>Implementation</b>	Effective from 1 July 2023
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Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 128-129.

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## **B. Incentive Benefits**

Income tax object exclusion for reimbursements or remunerations in the form of in-kind and/or fringe benefits.

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## **C. Parties Receiving the Incentives**

Parties that may utilise the taxable object exemption facility for the granting of remunerations in the form of in-kind and/or fringe benefits are employees. On the other hand, from the payer's perspective, the remunerations may be used as deductible expenses for the granting of remunerations in the form of in-kind and/or fringe benefits.

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## **D. Requirements**

There are requirements for remunerations in the form of in-kind and/or fringe benefits to be utilised by taxpayers. These requirements apply both generally and specifically. The following are details of the general and special requirements.

### **D.1 General Requirements**

The following are general requirements for in-kind and/or fringe benefits that may be excluded from income tax objects.

- (i) In-kind and/or fringe benefits of certain types and/or thresholds.
- (ii) Food, foodstuff, beverage ingredients and/or beverages for all employees;
- (iii) In-kind and/or fringe benefits that must be provided by the employer in the conduct of work;
- (iv) In-kind and/or fringe benefits sourced or financed by the state budget/local government budget/village budget; or
- (v) In-kind and/or fringe benefits of certain types and/or thresholds.

### **D.2 Special Requirements**

The stipulated special requirements are related to the thresholds and types of in-kind and/or fringe benefits. The following are the types of in-kind and/or fringe benefits that are excluded from income tax objects.



**CHAPTER 25:**  
**THE EXCLUSION OF INCOME IN THE FORM OF IN-KIND AND/OR FRINGE BENEFITS  
FROM INCOME TAX OBJECTS**

- (i) The provision of food, beverages, foodstuff and/or beverage ingredients:
  - a. food and/or beverages provided by the employer at the workplace;
  - b. food and/or beverage vouchers for certain employees;
  - c. foodstuff and/or beverage ingredients for all employees with a certain value threshold;
- (ii) In-kind and/or fringe benefits in certain regions as listed in Chapter 24;
- (iii) In-kind and/or fringe benefits required by work:
  - a. uniform;
  - b. equipment for employment safety;
  - c. employee shuttle service;
  - d. lodging for crew members and the like; and/or
  - e. in-kind and/or fringe benefits received in the context of handling endemic, pandemic or national disasters;
- (iv) In-kind and/or fringe benefits sourced or financed by the state budget/local government budget/village budget;
- (v) In-kind and/or fringe benefits of certain types and/or thresholds.

There are several thresholds for the values and types of certain in-kind and/or fringe benefits excluded from income tax objects, as follows.

**Table 25.1 Details of Thresholds and Types of In-Kind and/or Fringe Benefits**

No	Types of In-Kind and/or Fringe Benefits	Criteria
1.	Food and/or beverage vouchers for employees who due to the nature of their work cannot take advantage of the food and/or beverages provided at the workplace	(i) Not exceeding IDR2 million/employee for each month; (ii) Amount of expenses for the provision of food and/or beverage provided by the employer at the workplace if the value of the expenses by the employer exceeds IDR2 million/employee for each month.
2.	Gifts from the employer in the form of foodstuff, beverage ingredients, food and/or beverages in the context of religious holidays	Received or accrued by employees
3.	Gifts from employers that are given other than in the context of religious celebrations	(i) Received or accrued by employees; and (ii) In total not more than IDR3 million/employee/tax year.

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No	Types of In-Kind and/or Fringe Benefits	Criteria
4.	Work equipment and facilities from employers for the implementation of work, including computers, laptops or cellular phones and their related costs such as mobile phone credit or internet connection for example: a. computers; b. laptops; or c. cellular phones as well as mobile phone credit or internet connection.	(i) Received or accrued by employees; and (ii) Supporting employees' work.
5.	Health and medical treatment facilities from the employer	(i) Received or accrued by employees; and (ii) Provided for handling: a. work-related accidents; b. occupational diseases; c. life-saving emergencies; or d. follow-up care and treatment due to work-related accidents or occupational diseases.
6.	Employer's sports facilities other than golf, horse racing, motorboat racing, hang gliding and/or motor sports facilities.	(i) Received or accrued by employees; and (ii) In total not more than IDR1.5 million/employee/tax year.
7.	Communal residence from the employer, including employee housing, dormitories, lodgings or barracks.	Received or accrued by employees.
8.	Residential facilities from employers whose utilisation rights are held by individuals, such as apartments or landed houses	(i) Received or accrued by employees; and (ii) In total not more than IDR2 million/employee/tax year.
9.	Vehicle facilities from the employer	Received or accrued by employees who: (i) do not have capital participation in the employer; and (ii) have an average gross income in the last 12 (twelve) months of up to IDR100 million per month from the employer.

**CHAPTER 25:**  
**THE EXCLUSION OF INCOME IN THE FORM OF IN-KIND AND/OR FRINGE BENEFITS  
FROM INCOME TAX OBJECTS**

No	Types of In-Kind and/or Fringe Benefits	Criteria
10.	Contributions to pension funds whose incorporation is authorised by the Financial Services Authority borne by the employer	Received or accrued by employees
11.	Religious facilities, for example, musalla, mosques, chapels or temples	Intended solely for religious activities
12.	All in-kind and/or fringe benefits received throughout 2022	Received or accrued by employees or service providers

Source: [MoF Reg. 66/2023](#), processed by the Author.

### **D.3 Application Forms and Reports**

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.

### **E. Application Scheme**

No sufficient information is available concerning the application scheme in the provisions stipulating this incentive.

### **F. Flow Chart**

No sufficient information is available concerning the flow of the application in the provisions stipulating this incentive.

### **G. Post-Incentive-Utilisation Obligations**

The post-incentive-utilisation obligation is related to the assessment and calculation of income in the form of in-kind and/or fringe benefits and the filing of in-kind and/or fringe benefits.

#### **G.1 Assessment and Calculation of In-Kind and/or Fringe Benefits**

Income in the form of reimbursements or remunerations in-kind and/or fringe benefits is assessed pursuant to the following provisions:

- (i) the market value for reimbursements or remunerations in the form of in-kind including in-kind given in the form of land and/or buildings originally intended for sale;

- (ii) the amount of expenses incurred or should be incurred by the provider for reimbursements or remunerations in the form of fringe benefits; and/or
- (iii) the Cost of Goods Sold (COGS or *Harga Pokok Penjualan/HPP* in Indonesian) for reimbursements or remunerations in the form of in-kind goods originally intended for sale in the form other than land and/or buildings.

In contrast, the following are other provisions related to the assessment of fringe benefits.

- (i) Fringe benefits with utilisation period of more than 1 (one) month.  
The assessment is conducted every month during the fringe benefit utilisation period.
- (ii) Fringe benefits given to more than 1 (one) recipient  
The assessment is in the form of the amount of expenses incurred or should be incurred which are allocated proportionally to each recipient of the reimbursements or remunerations. This assessment is based on the recording of the utilisation of fringe benefits.

## **G.2 The Filing of In-Kind and/or Fringe Benefits**

The employer or provider of remunerations or reimbursement files the expenses for the reimbursements or remunerations provided in the form of in-kind and/or fringe benefits in the annual income tax return (*Surat Pemberitahuan/SPT* in Indonesian). The filing is also ensued by filing by employees and/or recipients of remunerations in the annual income tax return.

## **H. Other Important Information**

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Reimbursements or remunerations in the form of in-kind and/or fringe benefits received from 1 January 2023 to 30 June 2023 that have not been subject to withholding tax by the employer, must be calculated and self-paid and remitted by the recipient in the income tax return.

## Chapter 26

### Aid or Donations as Well as Gifts Excluded from Income Tax Objects

#### A. Brief Description

<b>Description</b>	<p>Donations and/or expenses are deductible up to a certain amount from gross income. This is related to the calculation of taxable income for taxpayers giving the donations, which are:</p> <ul style="list-style-type: none"> <li>(i) donations in the context of national disaster management, which constitute donations for victims of national disasters submitted directly through disaster management agencies or submitted indirectly through institutions or parties approved by the competent agencies/institutions to raise disaster management funds;</li> <li>(ii) donations for research and development, which constitute donations for research and development carried out in the territory of the Republic of Indonesia submitted through research and development institutions;</li> <li>(iii) education facility donations, which constitute donations in the form of educational facilities provided through educational institutions;</li> <li>(iv) donations in the context of sports coaching which constitute donations to coach, develop and coordinate one or a group of organisations of branches/types of professional sports submitted through sports coaching; and</li> <li>(v) social infrastructure construction expenses which constitute expenses incurred to construct means and infrastructure that are intended for public interest and non-profit.</li> </ul> <p>On the other hand, in the donee's perspective, certain donations do not constitute taxable objects insofar as there is no business, work, ownership or control relationship between the parties concerned.</p>
<b>Incentive type</b>	Income tax object exclusion

<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 55 of 2022 concerning Adjustments to the Regulation in the Field of Income Tax (<a href="#">Gov. Reg. No. 55/2022</a>);</li> <li>2. Minister of Finance Regulation Number 76/PMK.03/2011 concerning Procedures for the Recording and Reporting of National Disaster Management Donations, Research and Development Donations, Education Facility Donations, Sports Coaching Donations and Social Infrastructure Construction Expenses Constituting Deductible Expenses (<a href="#">MoF Reg. 76/2011</a>);</li> <li>3. Minister of Finance Regulation Number 90/PMK.03/2020 concerning Aid or Donations as Well as Gifts Excluded from Income Tax Objects (<a href="#">MoF Reg. 90/2020</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	The 2010 tax year

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 132.

## B. Incentive Benefits

### B.1 Provisions for the Donors

Donations and/or expenses are deductible up to a certain amount from gross income. This is related to the calculation of taxable income for the donor taxpayers, where the donations may be in the form of:

- (i) donations in the context of national disaster management, which constitute donations for victims of national disasters donated directly through disaster management agencies or donated indirectly through institutions or parties approved by the competent agencies/institutions to raise disaster management funds;
- (ii) donations for research and development, which constitute donations for research and development carried out in the territory of the Republic of Indonesia donated through research and development institutions;
- (iii) education facility donations, which constitute donations in the form of educational facilities provided through educational institutions;
- (iv) donations in the context of sports coaching which constitute donations to coach, develop and coordinate one or a group of organisations of

branches/types of professional sports donated through sports coaching institutions; and

- (v) social infrastructure construction expenses which constitute expenses incurred to construct means and infrastructure that are intended for public interest and non-profit.

## B.2 Provisions for the Donees

Aid or donations are excluded from income tax (*Pajak Penghasilan*/PPh in Indonesian) objects insofar as there is no business, work, ownership or control relationship between the parties concerned.

## C. Parties Receiving the Incentives

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The income tax object exemption facility may be utilised by the donor or donee of gifts, aid or donations. In this case, the donor of the gifts, aid or donations may deduct the amount of gifts, aid or donations from gross income.

On the other hand, in the donee's perspective, the certain donations do not constitute taxable objects insofar as there is no business, work, ownership or control relationship between the parties concerned.

## D. Requirements

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There are requirements for the donors and donees to utilise this incentive. The following are details of the general and certain requirements to be taken into account.

### D.1 General Requirements

Donations and/or costs constitute deductible expenses for the donor, provided that:

- (i) the taxpayer has net fiscal income based on the income tax return (*Surat Pemberitahuan*/SPT in Indonesian) for the preceding tax year;
- (ii) the granting of the donations and/or costs does not cause a loss in the tax year the donations are granted;
- (iii) supported by valid evidence;
- (iv) the institution receiving the donations and/or expenses has a Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak*/NPWP in Indonesian), except for bodies that are excluded from tax subjects;

- (v) the amount of donations and/or social infrastructure development expenses constituting deductible expenses for 1 (one) year is capped at a maximum of 5% of the net income of the preceding tax year; and
- (vi) granted to:
  - a. relatives within a lineage of one degree;
  - b. religious bodies;
  - c. educational bodies;
  - d. social bodies, including foundations;
  - e. cooperatives; or
  - f. individuals conducting micro and small businesses;
 and
- (vii) there is no business, employment, ownership or control relationship between the parties concerned.

## **D.2 Special Requirements**

The special requirements that are regulated are related to the determination of the value of donations. The value of donations in the form of goods is determined based on:

- (i) the acquisition value if the donated good have not been depreciated;
- (ii) the tax book value if the donated goods have been depreciated;
- (iii) the cost of goods sold if the donated good are self-produced goods; or
- (iv) the actual amount if the donations are in the form of social infrastructure development expenses.

On the other hand, the provisions on the expensing of gross income are stipulated in detail in Table 26.1 below.

**Table 26.1 The Provisions on the Expensing of Donations and/or Costs**

<b>No.</b>	<b>Type of Donations</b>	<b>Expensing</b>
1.	Donations for natural disaster management	Deducted from gross income in the tax year the donation is given
2.	Donations for research and development	
3.	Education facility donations	
4.	Donations for sports coaching	
5.	Infrastructure construction expenses (with a duration of up to 1 year of construction)	Deducted from gross income in the tax year the social infrastructure may be utilised



No.	Type of Donations	Expensing
6.	Infrastructure construction expenses (with a duration of more than 1 year of construction)	Expensed at once as deductible expenses in the tax year the social infrastructure may be utilised
7.	Infrastructure construction expenses (financed by more than one taxpayer)	Deducted from gross income based on the expenses actually incurred by each taxpayer

Source: [MoF Reg. 76/2011](#), processed by the Author.

### **D.3 Application Forms and Reports**

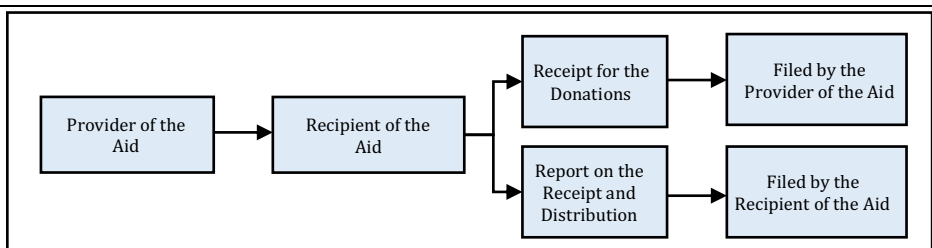
To expense donations and/or costs, taxpayers as donors are required to attach the receipt of donations and/or expenses. In the perspective of the donees, they are required to submit a report on the receipt and distribution of the donations to the Director General of Taxes.

### **E. Application Scheme**

The following is the application scheme for the exclusion facility for aid or donations.

- (i) The donor donates the aid to:
  - a. disaster management agencies;
  - b. institutions or parties receiving the donation; or
  - c. institutions receiving the donation and/or expenses;
- (ii) The granting of the aid must be accompanied by the receipt of the donations and/or expenses;
- (iii) In the perspective of the recipient of the aid, a report must be prepared for the receipt and distribution of the donations;
- (iv) The report on the receipt and distribution of the donations must be submitted to the Director General of Taxes every quarter for the disaster management agency and the institution or party receiving the donation;
- (v) The report on the receipt and distribution of the donations must be submitted no later than the end of the tax year in which the donations and/or expenses are received for institutions receiving the donations and/or expenses;
- (vi) The receipt of donations and/or expenses must be attached by the donor of the aid to the annual income tax return.

## F. Flow Chart



Source: [MoF Reg. 90/2020](#), processed by the Author.

## G. Post-Incentive-Utilisation Obligations

No sufficient information is available concerning the post-utilisation obligations in the provisions stipulating this incentive.

## H. Other Important Information

The capital gains in the form of grants, aid or donations constitute an income tax object for the donor. The capital gains are the difference between the market price and:

- (i) the tax net book value if the donor is required to maintain bookkeeping; or
- (ii) the acquisition value if the donor is not required to maintain bookkeeping.

The imposition of income tax on the transfer of assets in the form of grants, aid, or donations in the form of land and/or buildings complies with the provisions under the government regulation concerning Income Tax on Income from the Transfers of the Right to Land and/or Building and Land and/or Building Sale and Purchase Agreements.

# Chapter 27

## Imposition of Income Tax on Foreign Citizens with Certain Skills

### A. Brief Description

<b>Description</b>	The exclusion from income tax on income received by foreign citizens ( <i>Warga Negara Asing/WNA</i> in Indonesian) who have become tax residents ( <i>Subjek Pajak Dalam Negeri/SPDN</i> in Indonesian) from overseas. Foreign citizens who have become tax residents are subject to income tax only on income received or accrued by from Indonesia with the following provisions: (i) having certain expertise; and (ii) valid for 4 (four) tax years from the time they become tax residents.
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	1. Government Regulation Number 55 of 2022 concerning Adjustments to the Regulation in the Field of Income Tax ( <a href="#">Gov. Reg. No. 55/2022</a> ); 2. Minister of Finance Regulation Number 81 of 2024 concerning Tax Provisions in the Context of the Implementation of the Coretax Administration System ( <a href="#">MoF Reg. 81/2024</a> ).
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from 2021

Source: processed by the Author, with adjustments to the latest developments.

### B. Incentive Benefits

Basically, foreign citizens may choose to be subject to income tax only on income received or accrued in Indonesia or utilise tax treaties (*Persetujuan Penghindaran Pajak Berganda/P3B* in Indonesian). However, foreign citizens who choose to be subject to income tax only on income received or accrued in Indonesia must fulfil the applicable requirements and provisions.

### **C. Parties Receiving the Incentives**

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The income tax object exclusion facility may be utilised by a foreign citizen who has become a tax resident. Further, the facility may be utilised if the foreign citizens:

- (i) has certain skills pursuant to statutory provisions; and
- (ii) is valid for 4 (four) tax years since he/she becomes a tax resident.
- (iii) does not constitute a foreign citizen taking advantage of a tax treaty between the Government of Indonesia and the government of the tax treaty partner where the foreign citizen derives income overseas.

The period of 4 (four) tax years is calculated from the time a foreign citizen becomes a tax resident. If within this period of 4 (four) tax years, the foreign citizen leaves Indonesia, the end of that period continues to be calculated from the time the foreign citizen first constitutes a tax resident.

### **D. Requirements**

---

There are requirements for foreign citizens who have become tax residents to be able to use this facility. These requirements include the criteria for the employer for foreign citizens and certain skill criteria. The following are general requirements, special requirements and required forms.

#### **D.1 General Requirements**

The foreign citizens' employer must fulfil the requirements concerning:

- (i) the employment of foreign workers who can occupy certain positions as stipulated by the minister in charge of governmental affairs in the field of manpower; or
- (ii) foreign researchers appointed by the minister in charge of governmental affairs in the field of research.

In this case, the details of these certain occupations refer to Table 27.1 below.

**Table 27.1 Details of Certain Occupations of Foreign Citizens**

No.	International Standard Classification of Occupations (ISCO)/ <i>Klasifikasi Baku Jabatan Indonesia (KBJI) Codes</i>	Occupations
1.	2113	Chemists
2.	2114	Geologists and geophysicists
3.	2131	Biologists, botanists, zoologists and related professionals
4.	2133	Environmental protection professionals
5.	2141	Industrial and production engineers
6.	2142	Civil engineers
7.	2143	Environmental engineers
8.	2144	Mechanical engineers
9.	2145	Chemical engineers
10.	2146	Mining engineers, metallurgists and related professionals
11.	2149	Engineering professionals not elsewhere classified
12.	2151	Electrical engineers
13.	2152	Electronics engineers
14.	2153	Telecommunications engineers
15.	2163	Product and garment designers
16.	2164	Town and traffic planners
17.	2166	Graphic and multimedia designers
18.	2310	University and Higher Education teachers
19.	2511	System analysts
20.	2512	Software developers
21.	2513	Web and multimedia developers
22.	2514	Application programmers
23.	3121	Mining supervisors
24.	3139	Process control technicians not elsewhere classified
25.	3155	Air traffic safety electronics technicians

Source: Appendix DDDD of : [MoF Reg. 81/2024](#).

## **D.2 Special Requirements**

Certain skill criteria in this facility include:

- (i) foreign citizenship;
- (ii) having expertise in the fields of science, technology and/or mathematics, as evidenced by:

- a. certificate of expertise issued by an institution appointed by the Government of Indonesia or the government of the foreign worker's country of origin;
  - b. education diploma; and/or
  - c. 5 (five) years of work experience at the minimum, in the field of science or field of work as per the field of expertise; and
- (iii) having the obligation to transfer knowledge.

In addition, a foreigner citizen who applies must fulfil the provision on having filed the annual income tax returns (*Surat Pemberitahuan/SPT* in Indonesian) for the last 2 (two) tax years, as his/her obligation.

### **D.3 Application Forms and Reports**

The forms or reports required in the application process for this facility are as follows:

- (i) the application letter for the imposition of income tax only on income received or accrued from Indonesia;
- (ii) a certificate of expertise, education diploma and/or statement letter with proof of 5 (five) years of work experience at the minimum.

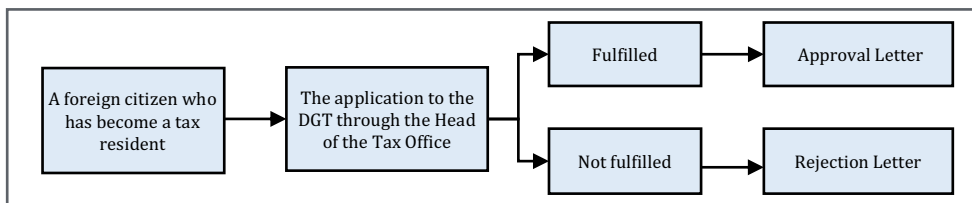
### **E. Application Scheme**

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The following is the application scheme for foreign nationals who choose to be subject to income tax only on income received or accrued from Indonesia.

- (i) A foreign citizen applies to the Director General of Taxes;
- (ii) The application is submitted electronically through the taxpayer portal, webpage or other applications integrated with the administration system of the Directorate General of Taxes (DGT) and/or the contact center;
- (iii) The head of the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) on behalf of the Director General of Taxes examines and may issue:
  - a. the approval letter for the application for the imposition of income tax only on income received or accrued from Indonesia if the requirements are fulfilled; or
  - b. the rejection letter for the application for the imposition of income tax only on income received or accrued from Indonesia if the requirements are not fulfilled.
- (iv) The approval letter or rejection letter must be issued within 10 (ten) business days from the time the application is completely received.

## F. Flow Chart



Source: [MoF Reg. 81/2024](#), processed by the Author.

## G. Post-Incentive-Utilisation Obligations

The obligation that needs to be considered by foreign nationals who have been approved to be taxed only on income from Indonesia is income filing. Foreign nationals are required to file income through the annual tax return for income received or accrued from Indonesia. Before filing the income, foreign nationals may calculate income pursuant to statutory provisions.

## H. Other Important Information

No other important information is available in the provisions stipulating this incentive.





## Chapter 28

# Withholding Tax Exclusion for Interests on Deposits and Savings Accounts as Well as Discounts on Bank Indonesia Certificates

### A. Brief Description

<b>Description</b>	<p>Final Withholding Tax (WHT) on interest on deposits, savings accounts and discounts on Bank Indonesia Certificates (<i>Sertifikat Bank Indonesia/SBI</i> in Indonesia) is not performed:</p> <ul style="list-style-type: none"> <li>(i) interest on deposits and savings accounts as well as discounts on Bank Indonesia Certificates insofar as the amount does not exceed IDR7,500,000.00;</li> <li>(ii) interest and discounts received or accrued by banks incorporated in Indonesia or branches of foreign banks in Indonesia;</li> <li>(iii) interest on deposits and savings accounts and discounts on Bank Indonesia Certificates received or accrued by pension funds whose incorporation has been approved by the Minister of Finance insofar as the funds are accrued from sources of income referred to in Article 29 of Law Number 11 of 1992 concerning Pension Funds; and</li> <li>(iv) interest on savings accounts at banks appointed by the government in the context of the ownership of simple and very simple houses, build-ready plots of land for simple and very simple houses, build-ready plots of land for simple and very simple houses or simple flats pursuant to applicable regulations, for residence.</li> </ul>
<b>Incentive type</b>	Income tax object exclusion
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 131 of 2000 concerning Income Tax on Interest on Deposits and Savings Accounts and Discounts on Bank Indonesia Certificates (<a href="#">Gov. Reg. No. 131/2000</a>);</li> <li>2. Government Regulation Number 123 of 2015 concerning the Amendment to Government</li> </ol>

	<p>Regulation Number 131 of 2000 concerning Income Tax on Interest on Deposits and Savings Accounts and Discounts on Bank Indonesia Certificates (<a href="#">Gov. Reg. No. 123/2015</a>);</p> <p>3. Minister of Finance Regulation Number 212/PMK.03/2018 concerning Withholding Tax on Interest on Deposits and Savings Accounts and Discounts on Bank Indonesia Certificates(<a href="#">MoF Reg. 212/2018</a>);</p> <p>4. Director General of Taxes Regulation Number PER-03/PJ/2020 concerning Procedures for the Issuance of Exemption Certificates for Withholding Tax on Interest on Deposits and Savings Accounts and Discounts on Bank Indonesia Certificates Received or Accrued by Pension Funds Whose Establishment Has Been Approved by the Minister of Finance or Has Obtained Permits from the Financial Services Authority (<a href="#">PER-03/2020</a>).</p>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people’s welfare
<b>Implementation</b>	Effective from 2001

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 144-145.

## B. Incentive Benefits

The exclusion from final Art. 4 paragraph (2) of the Income Tax Law (ITL) income tax objects includes income in the form of:

- (i) interest on deposits and savings accounts and discounts on Bank Indonesia Certificates of a certain amount;
- (ii) interest and discounts received or accrued by banks incorporated in Indonesia or branches of foreign banks in Indonesia;
- (iii) interest on deposits and savings accounts and discounts on Bank Indonesia Certificates received or accrued by pension funds;
- (iv) interest on savings accounts at banks appointed by the government in the context of the ownership of houses for residence.

### C. Parties Receiving the Incentives

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The exclusion from WHT facility on interest on deposits and savings accounts and discounts on Bank Indonesia Certificates may be utilised by:

- (i) individual or corporate taxpayers;
- (ii) banks incorporated in Indonesia;
- (iii) branches of foreign banks in Indonesia; and/or
- (iv) pension funds.

### D. Requirements

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There are requirements for this facility to be utilised by the parties entitled to receive the facility. These requirements consist of general requirements and special requirements.

#### D.1 General Requirements

The following are general requirements to utilise this incentive.

- (i) The criteria of certain amount for interest on deposits and savings accounts as well as discounts on Bank Indonesia Certificates is not exceeding IDR7,500,000.00;
- (ii) The criteria for permitted pension funds are the incorporation has been approved by the Minister of Finance or has received a permit from the Financial Services Authority (*Otoritas Jasa Keuangan/OJK* in Indonesian) and the funds are acquired from income sources;
- (iii) The criteria for permitted banks include:
  - a. incorporated in Indonesia, for interests and discounts on Bank Indonesia Certificates; or
  - b. appointed by the government in the context of the ownership of simple and very simple houses, build-ready plots of land for simple and very simple houses, build-ready plots of land for simple and very simple houses or simple flats pursuant to applicable regulations, for interest on savings accounts in the context of the ownership of houses; and/or
- (iv) The criteria for foreign bank branches are those domiciled in Indonesia.

#### D.2 Special Requirements

The stipulated special requirements are related to the issuance of exemption certificates (*Surat Keterangan Bebas/SKB* in Indonesian) on interest on deposits and savings accounts and discounts on Bank Indonesia Certificates received by pension funds. The pension funds that may be given exemption certificates are:

- (i) pension funds that have submitted periodic reports as their obligation;
- (ii) pension funds that are registered at the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesia) and have a Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian) with the last 3 (three) digits code 000.

### **D.3 Application Forms and Reports**

Specifically for pension funds, it is necessary to submit the withholding tax exemption certificate for interest on deposits and savings accounts and discounts on Bank Indonesia Certificates. The application for the exemption certificate requires an application form submitted through the Directorate General of Taxes (DGT) webpage.

## **E. Application Scheme**

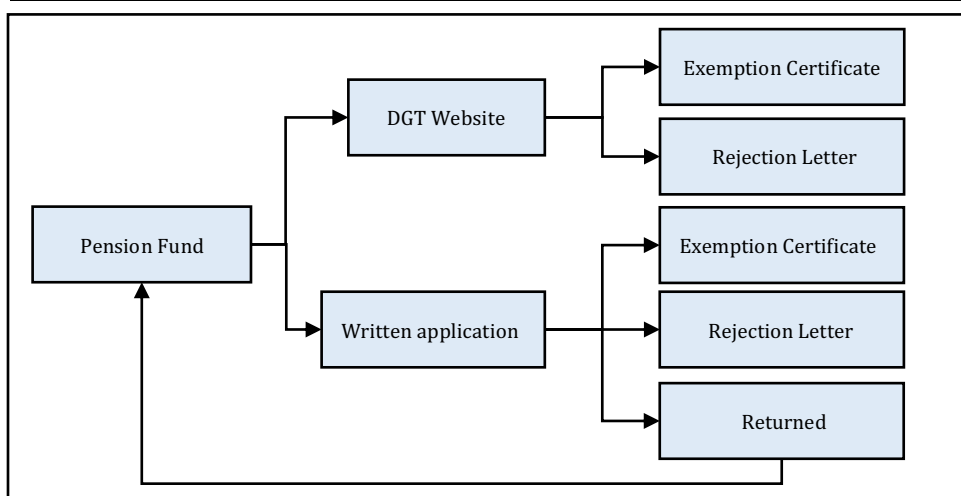
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There is no detailed regulation concerning the application scheme for the exemption from income tax objects from each of the above income. However, there is 1 (one) application scheme related to the withholding tax exemption certificate for interest on deposits and savings accounts and discounts on Bank Indonesia Certificates received by pension funds. The following are the stages of the application for the exemption certificate by pension funds.

- (i) The pension fund applies through the DGT webpage by attaching an application form;
- (ii) If the pension fund does not access the DGT webpage, the pension fund may apply in writing directly to the Tax Office where the pension fund is registered as a taxpayer of head office status;
- (iii) The written application must be signed by:
  - a. the management of the pension fund concerned; or
  - b. the attorney appointed by the pension funds as evidenced by a special power of attorney pursuant to statutory provisions in the field of taxation.
- (iv) The written application may be submitted by the pension fund management or through an attorney/appointed party pursuant to statutory provisions in the field of taxation;
- (v) If submitted through the DGT webpage, the DGT will issue:
  - a. an exemption certificate if the requirements are fulfilled; or
  - b. a rejection letter if the requirements are not fulfilled, automatically via the system after the application is received.
- (vi) If submitted in writing, the Head of the Tax Office:

- a. issues the exemption certificate within a maximum period of 3 (three) business days from the time the application is received and fulfils the requirements;
  - b. returns the application if the application by the pension fund is not signed by the pension fund's management or the attorney/appointed party and proven by a special power of attorney;
  - c. issues rejection letter within a maximum period of 3 (three) business days from the time the application is received, and the pension fund does not fulfil the requirements for pension funds.
- (vii) If the above period has elapsed, the application is deemed accepted, and the head of the Tax Office issues the exemption certificate within 2 (two) business days after the period has elapsed.

#### F. Flow Chart



Source: [MoF Reg. 212/2018](#), processed by the Author.

#### G. Post-Incentive-Utilisation Obligations

No sufficient information is available concerning the post-utilisation obligations in the provisions stipulating this incentive.

#### H. Other Important Information

Other important information that needs to be considered is the provisions concerning the exemption certificate for pension funds:

- (i) the exemption certificate that has been issued has a validity period of 1 (one) year from the date of issuance;

## **GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

- (ii) the exemption certificate is issued for each bank and applies to all interests on deposits and savings accounts and discounts on Bank Indonesia Certificates deposited in or issued by a bank and its branches; and
- (iii) a copy of the exemption certificate must be given to the bank or withholding agent, thereby, the bank/withholding agent does not withhold income tax in the event that the pension fund invests in the bank concerned.

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**CHAPTER 28:  
WITHHOLDING TAX EXCLUSION FOR INTERESTS ON DEPOSITS AND SAVINGS  
ACCOUNTS AS WELL AS DISCOUNTS ON BANK INDONESIA CERTIFICATES**



**GOVERNMENT-BORNE  
INCOME TAX**



# Chapter 29

## Government-Borne Income Tax for Geothermal Resources

### A. Brief Description

<b>Description</b>	Geothermal entrepreneurs are required to remit a government's share of 34% of the business's net income. The government's share of 34% is applied as a government-borne income tax remittance.
<b>Incentive type</b>	Government-borne income tax
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 7 of 1983 concerning Income Tax as amended several times, last amended by Law Number 6 of 2023 concerning the Enactment of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into a Law (<a href="#">Income Tax Law</a>);</li> <li>2. Minister of Finance Regulation Number 179/PMK.011/2013 concerning Government-Borne Income Tax and the Calculation of Non-Tax State Revenues for Proceeds from the Exploitation of Geothermal Resources for Energy/Electricity Generation (<a href="#">MoF Reg. 179/2013</a>);</li> <li>3. Minister of Finance Decree Number 766/KMK.04/1992 concerning Procedures for the Calculation, Remittance and Filing of the Government's Share, Income Tax, Value Added Tax and Other Levies on Geothermal Resource Concession for Energy/Electricity Generation (<a href="#">MoF Decree 766/1992</a>).</li> <li>4. Minister of Finance Decree Number 209/KMK.04/1998 concerning the Amendment to Minister of Finance Decree Number 766/KMK.04/1992 concerning Procedures for the Calculation, Remittance and Filing of the Government's Share, Income Tax, Value Added Tax and Other Levies on Geothermal Resource Concession for Energy/Electricity Generation (<a href="#">MoF Decree 209/1998</a>);</li> <li>5. Minister of Finance Regulation Number 90/PMK.02/2017 concerning the Second Amendment to the Minister of Finance Decree</li> </ol>

	Number 766/KMK.04/1992 concerning Procedures for the Calculation, Remittance and Filing of the Government's Share, Income Tax, Value Added Tax and Other Levies on Geothermal Resource Concession for Energy/Electricity Generation ( <a href="#">MoF Reg. 90/2017</a> );
<b>Economic sectors</b>	Mining and quarrying
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	1 Januari 2013

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 159.

## B. Incentive Benefits

The government's share of 34% of the net revenues from geothermal concession business activities for energy/electricity generation is applied as income tax remittance for the fiscal year concerned. Thus, the benefit of this incentive is the government-borne income tax for the government's share of 34% of the net revenues from geothermal resource products.

## C. Parties Receiving the Incentives

The government-borne income tax facility may be utilised by geothermal entrepreneurs that have remitted the government's share.

## D. Requirements

This government-borne income tax facility for geothermal resources may be utilised insofar as the requirements are fulfilled. The following are general and special requirements that need to be fulfilled.

### D.1 General Requirements

In general, the requirement that needs to be fulfilled by geothermal entrepreneurs to utilise this facility is that the geothermal entrepreneurs constitute:

- (i) holders of geothermal resource concessions;
- (ii) joint operation contract contractors;
- (iii) holders of geothermal resource concession permits, conducting exploration, exploitation and indirect utilisation of geothermal resources to produce geothermal steam for energy/electricity generation and/or

in an integrated manner to produce geothermal steam and generate energy/electricity (total project).

## **D.2 Special Requirements**

The special requirement that must be fulfilled by geothermal entrepreneurs is having exercised the obligation to remit the government's share. The government's share must be remitted into the geothermal revenue account every quarter.

## **D.3 Application Forms and Reports**

No sufficient information is available concerning the application forms or reports in the provisions stipulating this incentive.

## **E. Application Scheme**

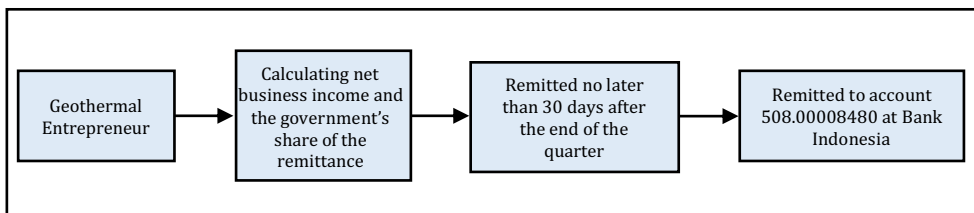
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Geothermal entrepreneurs may utilise the government-borne income tax facility using the following scheme:

- (i) the government's share of the remittance must be paid quarterly at 34% of the net business revenue payable;
- (ii) the government's share of the remittance must be remitted no later than 30 (thirty) days after the end of the quarter concerned accompanied by the calculation; and
- (iii) the government's share of the remittance must be remitted to the geothermal account with account 508.000084980 at Bank Indonesia.

## **F. Flow Chart**

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Source: processed by the Author.

## **G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning the post-utilisation obligations in the provisions stipulating this incentive.

## **H. Other Important Information**

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In the event that the government's share of the remittance is late in being remitted in part or in full to the geothermal account, administrative penalties will be imposed. Administrative penalties will be imposed on the amount of the government's share of the remittance that is late in being remitted, an administrative penalty of 2% per month will be imposed for a maximum of 24 (twenty-four) months from the maturity date to the day of remitted and a fraction of a month is treated as 1 (one) full month.

## Chapter 30

# Government-Borne Income Tax on Interest or Yield on Government Securities Issued in the International Market and Third-Party Income from Services Provided to the Government in the Issuance and/or Buy-Back/Exchange of Government Securities in the International Market

### A. Brief Description

<b>Description</b>	Income tax ( <i>Pajak Penghasilan</i> /PPH in Indonesian) payable on income in the form of interest or yield from government securities ( <i>Surat Berharga Negara</i> /SBN in Indonesian) issued on the international market, third-party income from services provided to the government in the issuance and/or buy-back or exchange of government securities on the international market is borne by the government.
<b>Incentive type</b>	Government-borne income tax
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Minister of Finance Regulation Number 91/PMK.010/2016 concerning Government-Borne Income Tax on Interest or Yield from Government Securities Issued in the international Market and Third-Party Income from Services Rendered to the Government in the Issuance and/or Buy-Back/Exchange of Government Securities in the International Market in the 2016 Fiscal Year (<a href="#">MoF Reg. 91/2016</a>);</li> <li>2. Minister of Finance Regulation Number 126/PMK.010/2017 concerning Government-Borne Income Tax on Interest or Yield from Government Securities Issued in the International</li> </ol>

	<p>Market and Third-Party Income from Services Rendered to the Government in the Issuance and/or Buy-Back/Exchange of Government Securities in the International Market in the 2017 Fiscal Year (<a href="#">MoF Reg. 126/2017</a>);</p> <p>3. Minister of Finance Regulation Number 213/PMK.010/2021 concerning Government-Borne Income Tax on Interest or Yield from Government Securities Issued in the International Market and Third-Party Income from for Services Rendered to the Government or Other Parties Assigned in the Context of the Issuance and/or Buy-Back of Government Securities in the International Market (<a href="#">MoF Reg. 213/2021</a>).</p>
<b>Economic sectors</b>	Financial and insurance services
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2008

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 155.

## B. Incentive Benefits

Income tax is borne by the government on income received in the form of:

- (i) interest income or yield from government securities, including discounts on government securities issued on the international market; and
- (ii) third-party income from services rendered to the government or other parties assigned pursuant to statutory provisions in the context of the issuance and/or buy-back of government securities in the international market

## C. Parties Receiving the Incentives

The parties that may utilise the government-borne income tax facility are:

- (i) taxpayers investing in the form of government securities;
- (ii) third parties that at least include:
  - a. selling agents;
  - b. buyers/exchange agents;
  - c. foreign stock exchanges;

**GOVERNMENT-BORNE INCOME TAX ON INTEREST OR YIELD ON GOVERNMENT SECURITIES ISSUED IN THE INTERNATIONAL MARKET AND THIRD-PARTY INCOME FROM SERVICES PROVIDED TO THE GOVERNMENT IN THE ISSUANCE AND/OR BUY-BACK/EXCHANGE OF GOVERNMENT SECURITIES IN THE INTERNATIONAL MARKET**

- d. trustees;
- e. business management agents;
- f. paying agents;
- g. rating agencies; and
- h. international legal consultants.

Please note that the above third parties exclude local legal consultants.

**D. Requirements**

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The government-borne income facility tax may be utilised insofar as the requirements are fulfilled. Details of the general and special requirements are explained below.

**D.1 General Requirements**

In general, the following are requirements that need to be fulfilled.

- (i) Government securities referred to in this facility consist of government securities and government sharia securities.
- (ii) The issuance in the international market is the activity of offering and selling government securities in a foreign currency outside the territory of Indonesia;
- (iii) The buy-back of government securities in the international market is the buy-back of government securities in a foreign currency in the international market by the government using cash buy-back and/or exchange offer; and
- (iv) Third-party income includes fees for the third-party services and payments for costs incurred in the implementation of the issuance and/or buy-back of government securities in the international market.

**D.2 Special Requirements**

The special requirement to be fulfilled to utilise this facility is the follow-up from the proxy of budget user (*Kuasa Pengguna Anggaran/KPA* in Indonesian). The proxy of budget user, i.e., the Director of Tax Potential, Compliance and Revenue of the Directorate General of Taxes (DGT), must pay government-borne income tax subsidies.

### D.3 Application Forms and Reports

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive. However, several documents are to be fulfilled by the proxy of budget user to pay government-borne income tax subsidies. The documents are as follows:

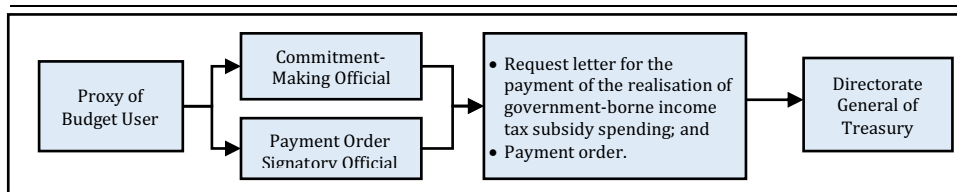
- (i) request letter for payment; and
- (ii) payment order.

### E. Application Scheme

No sufficient information is available concerning the application scheme to be submitted by the parties obtaining income in the provisions stipulating this incentive. However, there is a scheme for implementing the payment of government-borne income tax subsidies. The proxy of budget user instructs the commitment-making officials and payment order signatory officials to:

- (i) prepare a request letter for payment for the realisation of government-borne income tax subsidy expenditures;
- (ii) prepare a payment order; and
- (iii) submit the payment order to the State Treasury Office (*Kantor Pelayanan Perbendaharaan Negara/KPPN* in Indonesian), Directorate General of Treasury, to obtain a fund disbursement order as the implementation of the state budget expenditure for government-borne income tax subsidies.

### F. Flow Chart



Source: processed by the Author.

### G. Post-Incentive-Utilisation Obligations

No sufficient information is available concerning the post-utilisation obligations in the provisions stipulating this incentive. However, there are reports and responsibilities that must be carried out by the Directorate of Potential, Compliance, and Revenue of the DGT.



**GOVERNMENT-BORNE INCOME TAX ON INTEREST OR YIELD ON GOVERNMENT SECURITIES ISSUED IN THE INTERNATIONAL MARKET AND THIRD-PARTY INCOME FROM SERVICES PROVIDED TO THE GOVERNMENT IN THE ISSUANCE AND/OR BUY-BACK/EXCHANGE OF GOVERNMENT SECURITIES IN THE INTERNATIONAL MARKET**

**H. Other Important Information**

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No important information is available in the provisions stipulating this incentive.



# Chapter 31

## Government-Borne Income Tax on Grants and Foreign Loans

### A. Brief Description

<b>Description</b>	Government-borne income tax on the granting of foreign grants and loans
<b>Incentive type</b>	Government-borne income tax
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 42 of 1995 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Grants or Foreign Loans (<a href="#">Gov. Reg. No. 42/1995</a>);</li> <li>2. Government Regulation Number 63 of 1998 concerning the Amendment to Government Regulation Number 42 of 1995 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Foreign Grants or Loans (<a href="#">Gov. Reg. No. 63/1998</a>);</li> <li>3. Government Regulation Number 43 of 2000 concerning the Second Amendment to Government Regulation Number 42 of 1995 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Foreign Grants or Loans (<a href="#">Gov. Reg. No. 43/2000</a>);</li> <li>4. Government Regulation Number 25 of 2001 concerning the Third Amendment to Government Regulation Number 42 of 1995 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Foreign Grants or Loans (<a href="#">Gov. Reg. No. 25/2001</a>);</li> <li>5. Minister of Finance Decree Number 239/KMK.01/1996 concerning the Implementation</li> </ol>

	<p>of Government Regulation Number 42 of 1995 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Grants or Foreign Loans (<a href="#">MoF Decree 239/1996</a>);</p> <p>6. Minister of Finance Decree Number 463/KMK.01/1998 concerning the Amendment to the Minister of Finance Decree Number 239/KMK.01/1996 concerning the Implementation of Government Regulation Number 42 of 1995 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Grants or Foreign Loans (<a href="#">MoF Decree 463/1998</a>);</p> <p>7. Minister of Finance Decree Number 486/KMK.04/2000 concerning the Second Amendment to the Minister of Finance Decree Number 239/KMK.01/1996 concerning the Implementation of Government Regulation Number 42 of 1995 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Grants or Foreign Loans (<a href="#">MoF Decree 486/2000</a>).</p> <p>8. Director General of Taxes Decree Number KEP-526/PJ./2000 concerning the Implementation of the Minister of Finance Decree Number 239/KMK.01/1996 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Grants or Foreign Loans as Last Amended by the Minister of Finance Decree Number 486/KMK.04/2000 (<a href="#">KEP-526/2000</a>).</p>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2001

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 153.

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## **B. Incentive Benefits**

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Government-borne income tax is imposed on income from work conducted in the context of implementing government projects financed by foreign grants and/or loans.

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## **C. Parties Receiving the Incentives**

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The following are parties that may utilise the government-borne income tax facility.

- (i) Contractors;
- (ii) Consultants; and
- (iii) Main suppliers.

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## **D. Requirements**

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The government-borne income tax facility applies if the party receiving the incentive fulfils the requirements. The details are as follows.

### **D.1 General Requirements**

In general, this facility may be utilised throughout the implementation of government projects listed in:

- (i) the project document (*Daftar Isian Proyek/DIP* in Indonesian);
- (ii) the annual project budget plan document contained in:
  - a. project financing document;
  - b. project budget approval letter;
  - c. annual financing plan;
  - d. plantation project financing details letter;
  - e. budget estimate plan;
  - f. foreign subsidiary loan document;
  - g. authorisation decree; and
  - h. other documents stipulated by the Minister of Finance.

### **D.2 Special Requirements**

The special requirement that needs to be fulfilled to utilise this facility is that the government project is financed by:

- (i) foreign loans; or
- (ii) foreign grants.

### D.3 Application Forms and Reports

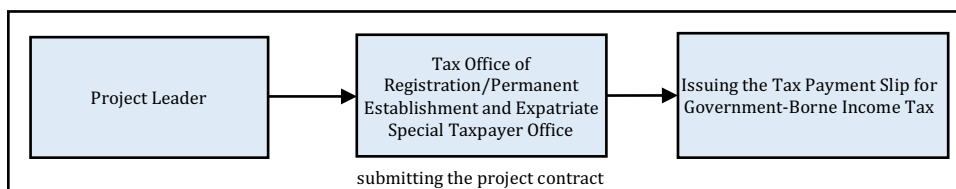
The form or report to utilise this incentive is one copy of the contract signed by the project leader or competent authority and the main contractor.

### E. Application Scheme

The application scheme for the government-borne income tax facility to utilise the foreign grants and loans consists of the following stages:

- (i) one copy of the signed contract is submitted to the local Tax Office where the main contractor is registered as a taxpayer; and
- (ii) if the contractor does not yet have a Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian), the contract must be submitted to the Permanent Establishment and Expatriate Special Taxpayer Office.

### F. Flow Chart



Source: processed by the Author.

### G. Post-Incentive-Utilisation Obligations

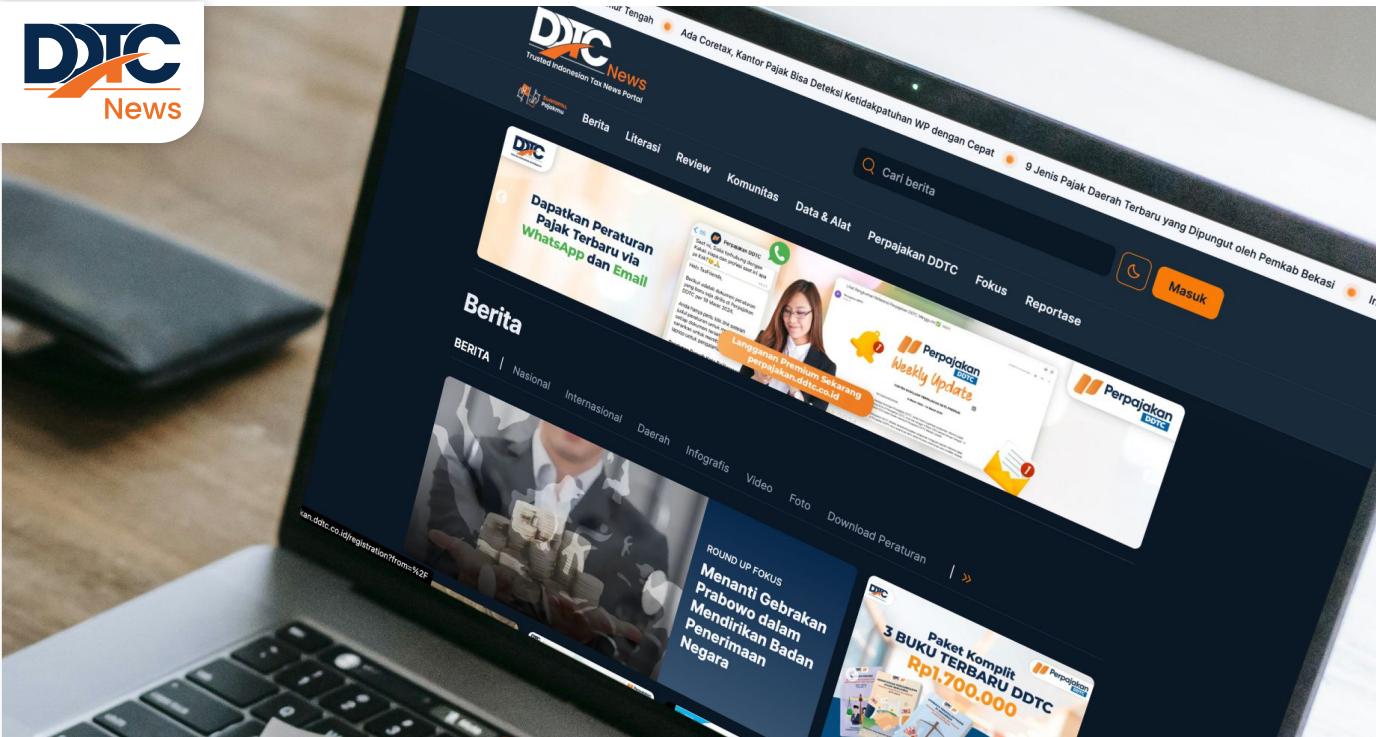
The post-incentive-utilisation obligation is the issuance of a tax payment slip (*Surat Setoran Pajak/SSP* in Indonesian). The tax payment slip, or collection receipt must be stamped "GOVERNMENT-BORNE INCOME TAX".

### H. Other Important Information

If income tax payable is already paid by the contractor, consultant and main supplier, it may be refunded by applying for refunds. The application for refunds is addressed to the Head of the Tax Office. This refund may be approved insofar as it can be proven that the income has been filed in the annual income tax return for the tax year concerned.

# SECTION II

## VAT AND STLGS



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**SUBJECT TO VAT AND STLGS  
BUT NOT COLLECTED**



## Chapter 32

### Subject to VAT and SLTGS but Not Collected for Imports for Upstream Oil and Gas Business Activities

#### A. Brief Description

<b>Description</b>	Subject to Value Added Tax (VAT) and Sales Tax on Luxury Goods (STLGs) but not collected facility for imports of taxable goods ( <i>Barang Kena Pajak/BKP</i> in Indonesian) for upstream oil and gas business activities.
<b>Incentive type</b>	Subject to VAT but not collected
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 22 of 2001 concerning Oil and Gas (Law 22/2001);</li> <li>2. Government Regulation Number 79 of 2010 concerning Recoverable Operating Costs and Income Tax Treatment in the Upstream Oil and Gas Business Sector (<a href="#">Gov. Reg. No. 79/2010</a>);</li> <li>3. Government Regulation Number 27 of 2017 concerning the Amendment to Government Regulation Number 79 of 2010 concerning Recoverable Operating Costs and Income Tax Treatment in the Upstream Oil and Gas Business Sector (<a href="#">Gov. Reg. No. 27/2017</a>);</li> <li>4. Government Regulation Number 53 of 2017 concerning the Tax Treatment of Upstream Oil and Gas Business with Gross Split Production Sharing Contracts (<a href="#">Gov. Reg. No. 53/2017</a>);</li> <li>5. Minister of Finance Regulation Number 217/PMK.04/2019 concerning the Exemption from Import Duty and Subject to Taxes on Imports but Not Collected for Imports of Goods for Upstream Oil and Gas Businesses (<a href="#">MoF Reg. 217/2019</a>).</li> </ol>
<b>Economic sectors</b>	Oil and gas mining
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate

<b>Implementation</b>	Effective from 2005
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Source: processed by the Author.

## **B. Incentive Benefits**

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The taxes on imports (*Pajak Dalam Rangka Impor*/PDRI in Indonesian) facilities for upstream oil and gas business activities include VAT and STLGs, which constitute part of taxes on imports. These facilities only apply to imports of certain taxable goods used in upstream oil and gas business activities.

## **C. Parties Receiving the Incentives**

---

The parties that may utilise the subject to VAT and STLGs but not collected facility are vendors and contractors in the form of business entities or Permanent Establishments (*PEs or Bentuk Usaha Tetap*/BUT in Indonesian) that have entered into cooperation contracts with:

- (i) the work unit tasked with managing upstream oil and gas businesses; or
- (ii) state-owned companies engaged in the oil and gas energy sector.

## **D. Requirements**

---

The subject to VAT and STLGs but not collected incentive for imports of taxable goods for upstream oil and gas business activities may be utilised insofar as the following general and special requirements are fulfilled.

### **D.1 General Requirements**

This facility may be utilised during oil operations based on a cooperation contract in the form of a production sharing contract. The subject to VAT and STLGs but not collected facility may be utilised insofar as the imported taxable goods fulfil the following provisions:

- (i) the goods cannot yet be produced domestically;
- (ii) the goods have been produced domestically but have not fulfilled the required specifications; or
- (iii) the goods have been produced domestically but the quantity is insufficient for industrial needs.

### **D.2 Special Requirements**

There is a difference in the utilisation period of subject to VAT and STLGs but not collected facility on imports of taxable goods for upstream oil and gas business

purposes. The difference is based on the implemented cooperation contract. The following is a table related to the utilisation period of this facility.

**Table 32.1 Details of the Period of the Granting of the Facility Based on the Types of Cooperation Contracts**

No	Cooperation Contract	Facility Period
1.	a. Signed before the entry of force of Law 22/2001; b. Choosing to perform overall contract adjustments pursuant to <a href="#">Gov. Reg. No. 27/2017</a> .	The subject to VAT and STLGS but not collected facility is granted based on the project's economic considerations from the Minister of Energy and Mineral Resources.
2.	a. Signed after the entry of force of Law 22/2001; b. Signed before the entry of force of <a href="#">Gov. Reg. No. 79/2010</a> ; c. Choosing to perform overall contract adjustments pursuant to <a href="#">Gov. Reg. No. 27/2017</a> .	
3.	a. Signed after the entry of force of <a href="#">Gov. Reg. No. 79/2010</a> ; b. The contract has been adjusted to <a href="#">Gov. Reg. No. 27/2017</a> .	
4.	Signed after the entry of force of Gov. Reg. No. 27/2017	
5.	The contracts comply with <a href="#">Gov. Reg. No. 53/2017</a> .	Subject to VAT and STLGS but not collected facility is granted until the start of commercial production
6.	Contracts that are not adjusted to <a href="#">Gov. Reg. No. 27/2017</a> .	Subject to VAT and STLGS but not collected facility is granted according to the contract until the end of the contract term.

Source: [MoF Reg. 217/2019](#), processed by the Author.

Project economic considerations listed in Table 32.1 in the period column numbers 1 to 4, are only given to contractors that fail to achieve the Internal Rate of Return (IRR) based on the results of economic calculations in a profit sharing contract period and have the following working areas:

- (i) located in the deep sea;
- (ii) having hydrocarbon potential at reservoir depths characterised by high pressure/high temperature/high impurities;
- (iii) located in an area where the existence of oil and gas supporting infrastructure is limited;

- (iv) constituting the development of secondary fields and tertiary fields; and/or
- (v) constituting the development of unconventional fields.

### **D.3 Application Forms and Reports**

The forms or reports to utilise this incentive are:

- (i) the application letter document;
- (ii) goods details list document;
- (iii) the scan of the original Taxpayer Identification Number (*Nomor Pokok Wajib Pajak/NPWP* in Indonesian) document;
- (iv) the scan of the original documents for the cooperation contract or production sharing contract and the amendments thereto;
- (v) a letter of recommendation concerning the economic considerations of the project; and
- (vi) a certificate stating that the exploitation stage has not yet reached the start of commercial production.

## **E. Application Scheme**

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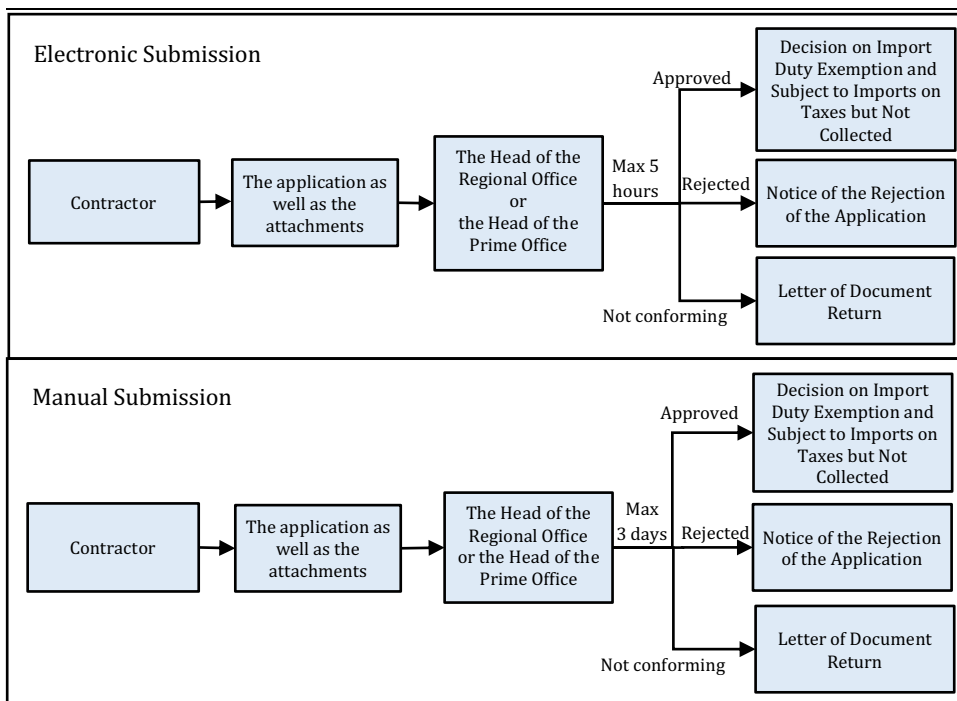
This incentive may be utilised after a contractor obtains approval to utilise the incentive. The following are the stages for the contractor to utilise this incentive.

- (i) The contractor applies to the Minister of Finance through the Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office that supervises the working area.
- (ii) Based on the application, the Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office will issue a decision on the approval or rejection.
- (iii) The application submitted via the Indonesia National Single Window (INSW) System will be given a decision within a maximum of 5 (five) hours after the application is completely received.
- (iv) In contrast, the application submitted other than via the INSW System will be given a decision within a maximum period of 3 (three) business days after the application is completely received.
- (v) The Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office will decide on the application. The following are several decisions issued by the Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office:

**SUBJECT TO VAT AND STLGS BUT NOT COLLECTED FOR IMPORTS FOR UPSTREAM OIL  
AND GAS BUSINESS ACTIVITIES**

- a. in the event of non-conformity in the documents or data, the Head of Customs and Excise Facilities will issue a letter of document return stating the reasons for the return;
- b. the application is rejected, the Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office issues a notice of rejection stating the reason for the rejection; or
- c. the application is approved, the Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office issues a minister of finance decree concerning the granting of the facility.

### F. Flow Chart



Source: [MoF Reg. 217/2019](#), processed by the Author.

### G. Post-Incentive-Utilisation Obligations

Contractors or vendors have post-incentive-utilisation obligations. The following are obligations that need to be fulfilled.

- (i) The report on the realisation of imports of goods granted the import duty exemption and subject to taxes on imports but not collected; and/or

- (ii) The report on the realisation of exports of goods for upstream oil and gas business activities that are rented by contractors and have been approved.

These documents are submitted electronically through the INSW System or the Directorate General of Customs and Excise (DGCE) Portal. If there is an operational disruption in the electronic system, it can be submitted manually in the form of a hard copy or via electronic mail in the form of hard copy. However, the exemption facility received remains subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

## **H. Other Important Information**

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### **H.1 Provisions on Prohibitions and Restrictions**

To imported taxable goods that receive the subject to VAT and STLGs but not collected facility, the provisions on prohibitions and restrictions continue to apply pursuant to statutory provisions concerning prohibitions and restrictions.

### **H.2 Procedures for the Amendment to the Minister of Finance Decree Concerning the Granting of the Incentive**

The minister of finance decree concerning the granting of this incentive may be amended before the import declaration is submitted for the imported goods and receive a registration number. The amendments may be performed insofar as they relate to the following:

- (i) changes to the Customs Office in charge of the port of entry of the imported goods;
- (ii) changes in the quantity and/or type of goods; and/or
- (iii) changes due to obvious and human errors, in the form of:
  - a. miscalculations; and/or
  - b. data misspellings.

To amend the minister of finance decree, several stages are to be undertaken by the contractor. The following is the application scheme for the amendment.

- (i) The contractor applies to the Minister through the Head of the Regional Office or the Head of the Prime Office that issues the minister of finance decree.
- (ii) The application is attached with the following documents:
  - a. copies of supporting documents and data that underlie changes to the Customs Office in charge of the port of entry of imported goods,

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**CHAPTER 32:**

**SUBJECT TO VAT AND STLGS BUT NOT COLLECTED FOR IMPORTS FOR UPSTREAM OIL  
AND GAS BUSINESS ACTIVITIES**

- including Bill of Lading (B/L), Airway Bill (AWB) or other documents that may prove changes to the Customs Office;
- b. revision of the masterlist (*Rencana Impor Barang/RIB* in Indonesian) that has been approved by the agency in the field of oil and gas in the event of an application for the changes in the quantity and/or type of goods; or
  - c. supporting documents as evidence of errors if the application for the amendment to the minister of finance decree is submitted due to actual and human errors.
- (iii) For the application for the amendment, the Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office will decide on the approval or rejection.
- (iv) For the application for the amendment submitted through the INSW System, a decision will be issued within a maximum period of 5 (five) hours after the application is completely received.
- (v) In contrast, for the application for the amendment submitted other than through the INSW System, a decision will be issued within a maximum period of 3 (three) business days after the application is completely received.
- (vi) The Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office will issue a decision concerning the application for the amendment. Several decisions issued by the Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office are as follows:
- a. in the event of non-conformity in the documents or data, the Head of Customs and Excise Facilities will issue a letter of document return stating the reasons for the return;
  - b. the application for the amendment is rejected, the Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office issues a notice of rejection stating the reason for the rejection; or
  - c. the application for the amendment is approved, the Head of the Customs and Excise Regional Office or the Head of the Prime Customs and Excise Office issues a minister of finance decree concerning the granting of the facility.





## Chapter 33

### Subject to VAT and SLTGS but Not Collected for Imports of Gifts for Public Worship, Charitable, Social or Cultural Purposes

#### A. Brief Description

<b>Description</b>	Subject to Value Added Tax (VAT) and Sales Tax on Luxury Goods (STLGs) but not collected facility for imports of gifts for general worship, charity, social or cultural purposes
<b>Incentive Type</b>	Subject to VAT and STLGS but not collected
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>);</li> <li>2. Minister of Finance Regulation Number 70/PMK.04/2012 concerning the Exemption from Import Duty and/or Excise on Imports of Gifts/Grants for Public Worship, Charity, Social or Cultural Purposes (<a href="#">MoF Reg. 70/2012</a>);</li> <li>3. Minister of Finance Regulation Number 198/PMK.010/2019 concerning the Seventh Amendment to the Minister of Finance Decree Number 231/KMK.03/2001 concerning the Value Added Tax and Sales Tax on Luxury Goods Treatment of Imports of Taxable Goods Exemption from Import Duty (<a href="#">MoF Reg. 198/2019</a>).</li> </ol>
<b>Economic sectors</b>	Health services and social activities
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare

<b>Implementation</b>	Effective from 2001
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Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 173.

## **B. Incentive Benefits**

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This subject to VAT and STLGs but not collected facility for imports of gifts/grants for public, charity, social or cultural purposes. Further, the following are the gifts/grants concerned.

- (i) Goods required to construct or repair houses of worship, hospitals, polyclinics and/or schools as well as goods that will constitute their fixed asset inventory;
- (ii) Clinic cars, means of transport for the sick, means of transport for mobile libraries or the like or means of transport for health workers;
- (iii) Goods required for permanent use by associations and/or bodies for cultural purposes;
- (iv) Goods required for public worship, such as prayer mats, rugs or cups for holy communions as well as gifts in celebration of religious holidays;
- (v) Operational equipment or medical equipment used for social bodies;
- (vi) Food, medicine and/or clothing to be given to people in need; and/or
- (vii) Teaching and learning equipment for educational institutions intended to increase the people's intelligence.

## **C. Parties Receiving the Incentives**

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The subject to VAT and STLGs but not collected incentive for imports of gifts/grants for public, charitable, social or cultural purposes may be utilised by bodies or institutions engaged in the fields of public worship, charity, social or culture.

## **D. Requirements**

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### **D.1 Requirements for Bodies or Institutions that May Utilise the Incentive**

The application to obtain the subject to VAT and STLGs but not collected facility for imports of gifts/grants may be submitted by a body or institution that fulfils the following requirements:

- (i) the agency or institution is a legal entity domiciled in the territory of the Unitary State of the Republic of Indonesia (*Negara Kesatuan Republik Indonesia/NKRI* in Indonesian);

- (ii) the legal entity is incorporated pursuant to statutory laws and regulations evidenced by a notarial document; and
- (iii) the body or institution is non-profit.

### **D.2 Attachment Documents for the Application for the Utilisation of the Incentive**

When the application is submitted through the Director General of Customs and Excise, the application letter must be attached with:

- (i) details of the quantity and types of goods for which the import duty and/or excise is requested as well as their customs value;
- (ii) the gift certificate from the gifter/grantor overseas whose procurement does not use Indonesian foreign exchange and there is a statement that the goods are gifts/grants; and
- (iii) recommendations from the relevant technical agencies.

### **D.3 Application Forms and Reports**

In the application for this incentive, taxpayers need to have an application letter to apply for the utilisation of this incentive. However, no sufficient information is available concerning the format of the application letter in the provisions stipulating this incentive.

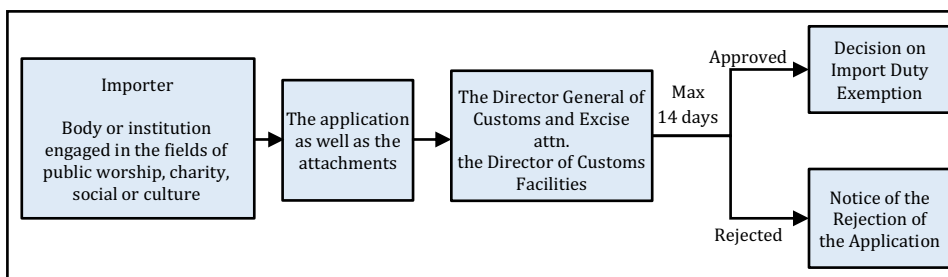
## **E. Application Scheme**

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Importers may utilise this incentive with the following scheme:

- (i) submitting the application attached with several supporting documents to the Minister through the Director General of Customs and Excise;
- (ii) based on the application, the Director General of Customs and Excise on behalf of the Minister will approve or reject the application for the import duty exemption within 14 (fourteen) business days from the date the application is completely received;
- (iii) if the application is approved, the Director General of Customs on behalf of the Minister will issue a decision concerning the import duty; and
- (iv) if the application is rejected, the Director General of Customs will issue a notice concerning the rejection of the application to the importer stating the reasons for the rejection.

## F. Flow Chart



Source: [MoF Reg. 198/2019](#), processed by the Author.

## G. Post-Incentive-Utilisation Obligations

No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive. However, the received exemption facility remains subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

## H. Other Important Information

In the event that the gifts/grants for religious purposes are goods subject to provisions on prohibitions and/or restrictions of imported goods, the application must be attached with the recommendations from the relevant technical agency authorised to determine the regulation concerning Tent may be utilised by parties frequently involved in scientific Research and Development (R&D) activities, namely:

- (i) higher education institutions;
- (ii) ministries/institutions; or
- (iii) business entities.

## I. Requirements

The subject to VAT and STLGs but not collected facility for imports of goods for scientific R&D may be utilised insofar as the importer fulfils the existing requirements. The general requirements for this incentive contain the criteria for imported goods eligible for this facility. The special requirements contain the administrative requirements for importers importing goods for scientific research and development. The following are the requirements that must be fulfilled.

# Chapter 34

## Subject to VAT and STLGS but Not Collected for Imports of Goods for Scientific Research and Development

### A. Brief Description

<b>Description</b>	Subject to Value Added Tax (VAT) and Sales Tax on Luxury Goods (STLGS) but not collected for imports of goods for scientific Research and Development (R&D)
<b>Incentive Type</b>	Subject to VAT and STLGS but not collected
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>);</li> <li>2. Minister of Finance Regulation Number 198/PMK.010/2019 concerning the Seventh Amendment to the Minister of Finance Decree Number 231/KMK.03/2001 concerning the Value Added Tax and Sales Tax on Luxury Goods Treatment of Imports of Taxable Goods Exemption from Import Duty (<a href="#">MoF Reg. 198/2019</a>);</li> <li>3. Minister of Finance Regulation Number 200/PMK.04/2019 concerning Import Duty and Excise Exemption for Imports of Goods for Scientific Research and Development (<a href="#">MoF Reg. 200/2019</a>).</li> </ol>
<b>Economic sectors</b>	Educational services
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2001

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 28.

## **B. Incentive Benefits**

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Subject to VAT and STLGs but not collected facility is granted for imports of goods and/or tools that are actually used to advance science, including for R&D activities to improve or develop science and technology. The following are the details.

- (i) Imports of goods for scientific R&D;
- (ii) Imports of goods through bonded storage (*Tempat Penimbunan Berikat/TPB* in Indonesian), Special Economic Zones (SEZs or *Kawasan Ekonomi Berikat/KEK* in Indonesian) or Free Trade Zones (FTZs); or
- (iii) Transfers of imported goods that have received import duty exemption from the recipient of import duty exemption.

## **C. Parties Receiving the Incentives**

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Subject to VAT and STLGs but not collected facility for imports of goods for scientific R&D may be utilised by parties that frequently deal with scientific R&D activities, as follows:

- (i) higher education institutions;
- (ii) ministries/institutions; or
- (iii) business entities.

## **D. Requirements**

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Subject to VAT and STLGs but not collected facility for imports of goods for scientific R&D may be utilised insofar as the importer fulfils the existing requirements. The general requirements for this incentive contain the criteria for imported goods eligible for this facility. The special requirements contain the administrative requirements of importers importing goods for scientific R&D. The following are the requirements that must be fulfilled.

### **D.1 General Requirements**

Goods imported by business entities must fulfil the following provisions:

- (i) the imported goods have not been produced domestically;
- (ii) the imported goods have been produced domestically but have not fulfilled the required specifications; or
- (iii) the imported goods have been produced domestically but the quantity is insufficient,

according to the recommendations from the relevant technical ministries/institutions.

## **D.2 Special Requirements**

The utilisation of the subject to VAT and STLGs but not collected facility for imports of goods for scientific R&D must also fulfil administrative requirements. The administrative requirements for higher education institutions, ministries/institutions and business entities differ from one another.

### **D.2.1 Higher education institutions**

The following is the list of administrative requirements to utilise the subject to VAT and STLGs but not collected facility by higher education institutions.

- (i) The application is submitted to the Minister of Finance through the Head of the Prime Customs and Excise Service Office or the Head of the Customs and Excise Office at the place of entry of the goods, signed by an official at the minimum level of a dean.
- (ii) Recommendations to obtain the import duty exemption. The differences in parties that may provide the recommendations for the import duty exemption depend on the form of the higher education institutions:
  - a. state higher education institutions, the recommendations are given by the head of the higher education institution, or the lowest echelon II official appointed by the director of the higher education institution;
  - b. private higher education institutions, the recommendations are given by the head of the higher education service institution; and
  - c. civil service higher education institutions, official at the minimum level of echelon II officials or primary executive officials of the ministry/institution that supervises civil service higher education institutions.
- (iii) Documents for the acquisition of goods for the scientific R&D purposes in the form of:
  - a. a photocopy of the gift certificate from the grantor/aid provider or cooperation agreement if the goods for scientific R&D purposes are sourced from a grant/aid or cooperation; or
  - b. a photocopy of the purchase document if the goods for scientific R&D purposes are sourced from a purchase. The purchase document must also be complemented with 2 (two) additional documents if the application for the facility is submitted by a state higher education institution:
    - a photocopy of the budget execution document or documents equivalent to the budget execution document if the purchase uses

the state budget (*Anggaran Pendapatan dan Belanja Negara/APBN* in Indonesian) or local government budget (*Anggaran Pendapatan dan Belanja Daerah/APBD* in Indonesian); and

- a photocopy of the letter of agreement or contract for the procurement of goods stating that the price in the agreement or contract for the procurement of goods does not include the payment of import duty, excise and/or taxes on imports (*Pajak Dalam Rangka Impor/PDRI* in Indonesian) if the purchase and/or import of goods for scientific R&D purposes is conducted by a third party.

### D.2.2 Ministries/Institutions

The following is the list of administrative requirements in the context of the utilisation of the subject to VAT and STLGs but not collected facility by ministries/agencies.

- (i) The application is submitted to the Minister of Finance through the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office at the place of entry of the goods, signed by officials at a minimum level of echelon II or primary executive officials.
- (ii) Documents for the acquisition of goods for scientific R&D purposes in the form of:
  - a. a photocopy of the gift certificate from the grantor/aid provider or cooperation agreement if the goods for scientific R&D purposes are sourced from a grant/aid or cooperation; or
  - b. a photocopy of the purchase document if the goods for scientific R&D purposes are sourced from a purchase. The purchase document must also be complemented with 2 (two) additional documents if the application for the facility is submitted by a state university:
    - a photocopy of the budget execution document or a document equivalent to the budget execution document if the purchase uses the state budget or local government budget; and
    - a photocopy of the letter of agreement or contract for the procurement of goods stating that the price in the agreement or contract for the procurement of goods does not include the payment of import duty, excise and/or taxes on imports (*Pajak Dalam Rangka Impor/PDRI* in Indonesian) if the purchase and/or import of goods for scientific R&D purposes is conducted by a third party.



### **D.2.3 Business Entities**

The following is the list of administrative requirements in the context of the utilisation of the subject to VAT and STLGS but not collected facility by business entities.

- (i) The application is submitted to the Minister of Finance through the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office at the place of entry of the goods, signed by officials at a minimum level of echelon II or primary executive officials.
- (ii) Recommendations to obtain the import duty exemption from officials at a minimum level of echelon II or primary executive officials of the ministry that administers governmental affairs in the industrial sector or the ministry/institution that supervises relevant business entities.
- (iii) Documents for the acquisition of goods for scientific R&D purposes in the form of:
  - a. a photocopy of the gift certificate from the grantor/aid provider or cooperation agreement if the goods for scientific R&D purposes are sourced from a grant/aid or cooperation; or
  - b. a photocopy of the purchase document if the goods for scientific R&D purposes are sourced from a purchase. The purchase document must also be complemented with 2 (two) additional documents if the application for the facility is submitted by a state higher education institution.

### **D.3 Application Forms and Reports**

The following are required letters and forms upon the application for the utilisation of the subject to VAT and STLGS but not collected facility for imports of goods for scientific R&D.

- (i) The application letter for the import duty exemption for imports of goods for scientific R&D purposes; and
- (ii) Details of goods for scientific R&D purposes for which the application for import duty is submitted.

### **E. Application Scheme**

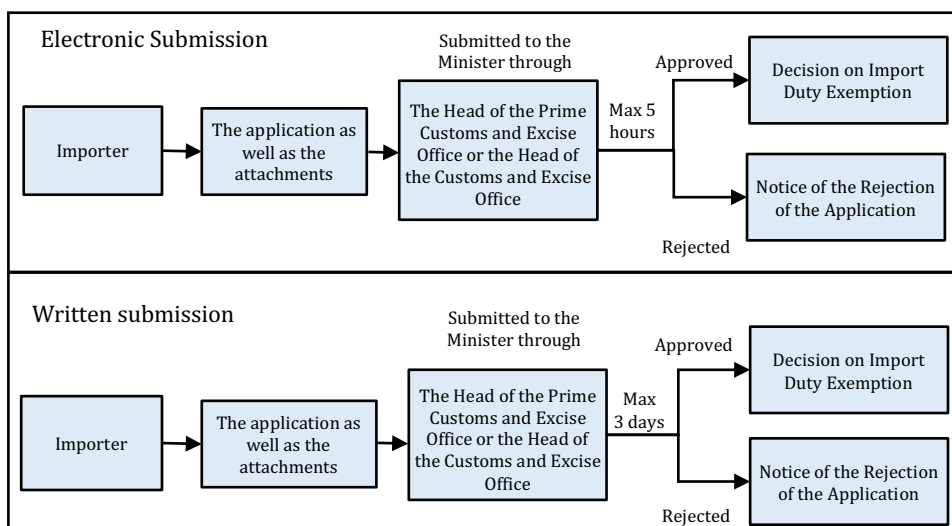
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This incentive may be utilised after the application for the import duty exemption for imports of goods for scientific R&D purposes is approved. Therefore, the application scheme for this facility complies with the application scheme for the import duty incentive for imports of goods for scientific R&D

purposes. Importers may utilise the subject to VAT but not collected incentive with the following scheme:

- (i) the importer applies electronically via the Directorate General of Customs and Excise (DGCE) Portal or the Indonesia National Single Window (INSW) System by attaching scans and supporting documents;
- (ii) the importer may also submit a written application if the DGCE Portal and INSW System experience operational disruptions by attaching the application attachment in hardcopy and a scan of the original document in electronic storage media in the form of softcopy;
- (iii) for the application, the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office will conduct an examination related to the fulfilment of the requirements and will approve or reject the application for the import duty exemption;
- (iv) the approval or rejection will be performed no later than:
  - a. for electronic submission, 5 (five) working hours after the application is completely and correctly received.
  - b. for written submission, 3 (three) business days after the application is completely and correctly received.
- (v) if the application is approved, the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office on behalf of the Minister will issue a minister of finance decree concerning the import duty exemption for imports of goods for scientific R&D purposes; and
- (vi) if the application is rejected, the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office on behalf of the Minister prepares a notice concerning the rejection of the application to the importer stating the reason for the rejection.

**F. Flow Chart**



Source: MoF Reg. 200/2019, processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive. However, the received exemption facility remains subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

**H. Other Important Information**

No other information is available concerning the regulation of this incentive other than that has been mentioned in the above description.



## Chapter 35

### Subject to VAT and STLGS but Not Collected for Imports of Personal Effects

#### A. Brief Description

<b>Description</b>	Subject to Value Added Tax (VAT) and Sales Tax on Luxury Goods (STLGS) but not collected for imports of personal effects of Indonesian workers ( <i>Tenaga Kerja Indonesia</i> /TKI in Indonesian) working overseas, students studying overseas, civil servants ( <i>Pegawai Negeri Sipil</i> /PNS in Indonesian), members of the Indonesian National Armed Forces ( <i>Tentara Nasional Indonesia</i> /TNI in Indonesian) or members of the Indonesian National Police ( <i>Kepolisian Republik Indonesia</i> /POLRI in Indonesian) who have served overseas for a minimum of 1 (one) year.
<b>Incentive Type</b>	Subject to VAT and STLGS but not collected
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>);</li> <li>2. Minister of Finance Regulation Number 198/PMK.010/2019 concerning the Seventh Amendment to the Minister of Finance Decree Number 231/KMK.03/2001 concerning the Value Added Tax and Sales Tax on Luxury Goods Treatment of Imports of Taxable Goods Exemption from Import Duty (<a href="#">MoF Reg. 198/2019</a>);</li> <li>3. Minister of Finance Regulation Number 28/PMK.04/2008 concerning the Exemption from Import Duty for Imports of Personal Effects (<a href="#">MoF Reg. 28/2008</a>).</li> </ol>
<b>Economic sectors</b>	Transportation and warehousing
<b>Beneficiary subjects</b>	Households

<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2001

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 32.

## **B. Incentive Benefits**

This incentive provides the subject to VAT and STLGs but not collected facility for household goods of Indonesian workers working overseas, students studying overseas, civil servants, members of the Indonesian National Armed Forces or members of the Indonesian National Police serving overseas formerly domiciled overseas, the goods are subsequently brought into the country. However, this provision does not apply to personal effects categorised as merchandise or motor vehicles.

## **C. Parties Receiving the Incentives**

This incentive may only be utilised by the following several parties.

- (i) Civil servants, members of the Indonesian National Armed Forces or members of the Indonesian National Police with the following criteria:
  - a. conducting overseas assignments for a minimum of 1 (one) year, with or without their family, as evidenced by the decision letter on overseas placement and the decision letter on the recall to Indonesia from the relevant agency;
  - b. conducting overseas study assignments for a minimum of 1 (one) year, with or without their family, as evidenced by an overseas education certificate from the relevant agency.
- (ii) Students, university students or people who study overseas for a minimum of 1 (one) year as evidenced by a certificate of completion of study.
- (iii) Indonesian workers who are placed at Indonesian embassies overseas for a minimum of 1 (one) year continuously, based on a work agreement with the Ministry of Foreign Affairs as evidenced by a certificate from the Republic of Indonesia embassies where they work and a work agreement with the Ministry of Foreign Affairs.
- (iv) Indonesian citizens (*Warga Negara Indonesia/WNI* in Indonesian) who due to their work move and reside overseas for a minimum of 1 (one) year continuously, as evidenced by a certificate of transfer and details of goods that have been legalised by the Republic of Indonesia embassies in the countries concerned.

- (v) Foreign nationals (*Warga Negara Asing/WNA* in Indonesian) who due to their work move into the Indonesian customs territory with their families after obtaining:
  - a. a limited stay permits from the Directorate General of Immigration as evidenced by a limited stay permit card for a minimum of 1 (one) year; and
  - b. a temporary work permit from the ministry in charge of manpower as evidenced by a temporary foreign worker work permit card for a minimum of 1 (one) year.

#### **D. Requirements**

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The subject to VAT and STLGS but not collected incentive for personal effects may be enjoyed insofar as an importer's personal effects fulfil several requirements. The importer must fulfil the general requirements that contain the administrative requirements for imports of personal effects. In addition, the importer must also fulfil the special requirements that contain the requirements for imported goods and the provisions on the arrival time of the goods.

##### **D.1 General Requirements**

To obtain the import incentive for personal effects, the owner of the goods or his/her attorney submits a customs declaration to the customs office of the entry of the personal effects, by attaching:

- (i) a list of the details of the quantity, type and estimated customs value of the goods for which the application for import duty is submitted that has been legalised;
- (ii) a certificate and/or related documents referred to in the Parties Receiving the Incentives subchapter; and
- (iii) a photocopy of the passport.

##### **D.2 Special Requirements**

This incentive provides facilities for personal effects in the form of household goods owned by people formerly domiciled overseas and subsequently brought into the country. However, this facility does not apply to personal effects categorised as merchandise or motor vehicles.

Imported personal effects and given the import duty exemption must arrive together with the owner concerned or no later than 3 (three) months after or before the owner of the goods concerned arrives in Indonesia.

### D.3 Application Forms and Reports

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.

### E. Application Scheme

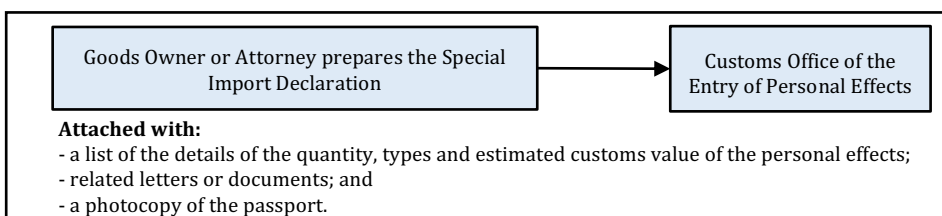
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Pursuant to the provisions under Article 28 of [Gov. Reg. No. 49/2022](#), the subject to VAT and STLGs but not collected facility for imports of personal effects is granted without using a certificate of subject to VAT but not collected. To utilise this facility, the owner of the goods may undertake the following stages.

- (i) The owner of the goods or his/her attorney submits the Special Import Declaration (*Pemberitahuan Impor Barang Khusus*/PIBK in Indonesian) to the Customs Office of the entry of the personal effects.
- (ii) The declaration is attached with several documents, namely:
  - a. a list of the details of the quantity, types and estimated customs value of the goods for which the application for import duty is submitted that has been legalised;
  - b. a certificate and/or related documents; and
  - c. a photocopy of the passport.

### F. Flow Chart

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Source: [MoF Reg. 28/2008](#), processed by the Author.

### G. Post-Incentive-Utilisation Obligations

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After the import declaration is submitted to the Head of the Customs Office of the entry of the goods, the goods will be subject to a physical inspection. If the goods are declared safe and there are no prohibited or restricted goods, the customs will issue an Approval Letter for Release of Goods (*Surat Persetujuan Pengeluaran Barang*/SPPB in Indonesian) where the customs process for the goods has been completed.



**H. Other Important Information**

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No other information is available concerning the regulation of this incentive other than that has been mentioned in the above description.



## Chapter 36

# Subject to VAT and STLGS but Not Collected for Imports of Goods for the Needs of the Blind and Other Disabled People

### A. Brief Description

<b>Description</b>	Subject to Value Added Tax (VAT) and Sales Tax on Luxury Goods (STLGS) but not collected for imports of goods for the special needs of the blind and other disabled people
<b>Incentive Type</b>	Subject to VAT and STLGS but not collected
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>);</li> <li>2. Minister of Finance Regulation Number 198/PMK.010/2019 concerning the Seventh Amendment to the Minister of Finance Decree Number 231/KMK.03/2001 concerning the Value Added Tax and Sales Tax on Luxury Goods Treatment of Imports of Taxable Goods Exemption from Import Duty (<a href="#">MoF Reg. 198/2019</a>);</li> <li>3. Minister of Finance Decree Number 142/KMK.05/1997 concerning Import Duty and Excise Exemption for Imports of Goods for the Special Needs of the Blind and Other Disabled People (<a href="#">MoF Decree 142/1997</a>).</li> </ol>
<b>Economic sectors</b>	Health services and social activities
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare

<b>Implementation</b>	Effective from 2001
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Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 30.

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**B. Incentive Benefits**

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Subject to VAT and STLGs but not collected for imports of goods or equipment specifically used to assist the blind and other disabled persons.

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**C. Parties Receiving the Incentives**

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This subject to VAT and STLGs but not collected incentive may be utilised by social agencies that take care of the blind and other disabled people.

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**D. Requirements**

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This incentive may be utilised insofar as the importing social agencies apply to the Minister of Finance through the Director General of Customs and Excise. The application must be attached with several additional documents, as detailed below.

**D.1 Attachment Documents**

When the application is submitted to the Director General of Customs and Excise, the application letter must be attached with:

- (i) details of the quantity and type of goods for which the application for import duty is submitted as well with their customs value; and
- (ii) recommendations from the relevant technical department.

**D.2 Application Forms and Reports**

When applying for this incentive, importers need to have an application letter to apply for the utilisation of this incentive. However, no sufficient information is available concerning the format of the application letter in the provisions stipulating this incentive.

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**E. Application Scheme**

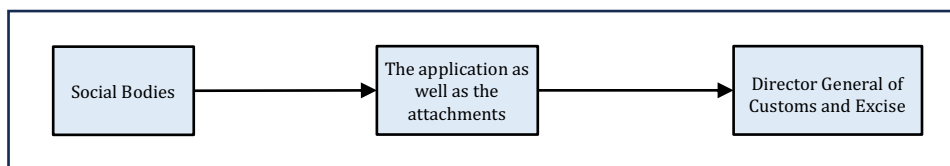
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Importers may utilise this facility with the following scheme:

- (i) Submitting an application attached with several supporting documents to the Minister through the Director General of Customs and Excise; and

- (ii) Based on the application, the Director General of Customs and Excise on behalf of the Minister will approve or reject the application for import duty exemption.

#### **F. Flow Chart**



Source: [MoF Decree 142/1997](#), processed by the Author.

#### **G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive.

#### **H. Other Important Information**

No other information is available concerning the regulation of this incentive other than that has been mentioned in the above description.

# **VAT EXEMPTION**

# Chapter 37

## VAT Exemption for Imports and/or Supplies of Several Goods Formerly Not Subject to VAT

### A. Brief Description

<b>Description</b>	<p>The Value Added Tax (VAT) exemption facility is granted to imports and/or supplies of several goods that were formerly included in the VAT negative list and are now subject to VAT and receive the exemption facility. The following are the goods concerned and receive the VAT exemption facility.</p> <ul style="list-style-type: none"> <li>(i) Certain goods in the basic necessity that are highly needed by the people;</li> <li>(ii) Goods from mining or drilling that are extracted directly from the source, excluding coal mining products; and</li> <li>(iii) Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG).</li> </ul>
<b>Incentive Type</b>	VAT exemption
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 11 of 2020 concerning Job Creation (Law 11/2020);</li> <li>2. Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations (<a href="#">Law 7/2021</a>);</li> <li>3. Government Regulation Number 36 of 2004 concerning Oil and Gas Downstream Businesses (Gov. Reg. No. 36/2004);</li> <li>4. Government Regulation Number 30 of 2009 concerning the Amendment to Government Regulation Number 36 of 2004 concerning Oil and Gas Downstream Businesses (Gov. Reg. No. 30/2009);</li> <li>5. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or</li> </ol>

	Utilisation of Certain Taxable Services from Outside the Customs Territory ( <a href="#">Gov. Reg. No. 49/2022</a> ); 6. Presidential Regulation Number 64 of 2012 concerning the Provision, Distribution and Pricing of Gas Fuel for Road Transportation ( <a href="#">Pres. Reg. 64/2012</a> ); 7. Minister of Finance Regulation Number 252/PMK.011/2012 concerning Natural Gas Included in the Types of Goods Not Subject to Value Added Tax ( <a href="#">MoF Reg. 252/2012</a> ).
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Households and industries
<b>Tax policy objective</b>	Improving the people's welfare and improving businesses
<b>Implementation</b>	Effective from 2022

Source: processed by the Author.

## B. Brief Description

The VAT exemption facility is given for imports and/or supplies of several goods that were formerly included in the VAT negative list and are now subject to VAT and receive the exemption facility. The following are the goods referred to in the above explanation.

- (i) Certain goods in the basic necessity group that are highly needed by the people, including:
  - a. rice;
  - b. grains;
  - c. corn;
  - d. sago;
  - e. soybeans;
  - f. salt;
  - g. meat;
  - h. eggs;
  - i. milk;
  - j. fruits; and
  - k. vegetables.

More detailed information on basic necessities that are exempt from VAT can be found in Table 37.1 in Subchapter H of this chapter;

- (ii) Mining or drilling products extracted directly from the source, excluding coal mining products, including:



- a. crude oil;
  - b. natural gas, in the form of natural gas flowing through pipes, excluding natural gas such as LPG which is ready for direct consumption by the public;
  - c. geothermal;
  - d. asbestos, slate, semi-precious stones, limestones, pumice, gemstones, bentonite, dolomite, feldspar, rock salt (halite), graphite, granite/andesite, gypsum, calcite, kaolin, leucite, magnesite, mica, marble, nitrate, obsidian, ochre, sand and gravel, quartz sand, pearlite, phosphate, talc, fullers earth, diatomaceous earth, clay, alum, trass, jarosite, zeolite, basalt, trachyte and sulphur, the threshold and criteria of which may be regulated by a ministerial regulation; and
  - e. iron ore, tin ore, gold ore, copper ore, nickel ore, silver ore and bauxite ore.
- (iii) Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG), where these two taxable goods are further defined as:
- a. LNG  
LNG is natural gas that mainly consists of methane that is liquefied at very low temperatures (around -160°C) and maintained in a liquid state to facilitate transportation and storage (Article 1 number 5 of Gov. Reg. No. 36/2004 as amended by Gov. Reg. No. 30/2009).
  - b. CNG  
CNG is gas fuel derived from natural gas whose main element is methane (C1) which has been compressed and maintained and stored in special pressure vessels to facilitate transportation and storage which may be used as fuel for vehicles (Article 1 number 2 of [Pres. Reg. 64/2012](#)).

### **C. Parties Receiving the Incentives**

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The exemption incentive for several goods classified as basic necessities may be utilised by households. In contrast, imports and/or supplies of mining or drilling products extracted directly from the source, except for coal mining products and LNG and CNG, may be utilised by industrial entrepreneurs.

### **D. Requirements**

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For the utilisation of this incentive, the following are general requirements relating to imported and/or supplied goods.

#### **D.1 General Requirements**

Imported and/or supplied taxable goods must fulfil the criteria for exempt taxable goods (*Barang Kena Pajak/BKP* in Indonesian), the following are the criteria that may be used by taxpayers.

(i) Basic necessities

Taxpayers may refer to Table 37.1 in Subchapter H of this chapter to discover the types of basic necessities that are exempt from VAT for their imports and/or supplies.

(ii) Mining or drilling products extracted directly from the source, except for coal mining products

Taxpayers may refer to the list of mining or drilling products listed in Subchapter B number (ii) of this chapter to discover the types of mining or drilling products extracted directly from the source that are exempt from VAT for their imports and/or supplies.

(iii) LNG and CNG

Taxpayers may refer to the definition contained in Subchapter B number (iii) of this chapter to discover the types of goods that are exempt from VAT for their imports and/or supplies.

## **D.2 Special Requirements**

No sufficient information is available concerning the special requirements in the context of the utilisation of this incentive in the provisions stipulating this incentive.

## **D.3 Application Forms and Reports**

No sufficient information is available concerning the forms or reports for the application for this incentive in the provisions stipulating this incentive.

## **E. Application Scheme**

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Pursuant to the provisions under Art. 9 of [Gov. Reg. No. 49/2022](#), the VAT exemption for imports and/or supplies of basic necessities, mining or drilling products extracted directly from the source, LNG and CNG is granted without using a VAT exemption certificate.

## **F. Flow Chart**

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No sufficient information is available concerning the flow chart for the application for the VAT incentive utilisation in the provisions stipulating this incentive.

### **G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive. However, the received exemption facility remains subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

### **H. Other Important Information**

VAT exemption is granted to the types of basic necessities listed in the table below.

**Table 37.1 Details of Types of Basic Necessities Whose Imports and/or Supplies Are Exempt from VAT**

No	Description of Goods	Criteria/Process	HS Code	Details
1	Rice and Paddy	with skins, skinned, half-ground or wholly ground, polished or polished or not, broken, crushed, other than those suitable for sowing	1006.10.90	
			1006.20.10	
			1006.20.90	
			1006.30.30	
			1006.30.40	
			1006.30.50	
			1006.30.60	
			1006.30.70	
			1006.30.91	
			1006.30.99	
			1006.40.90	
		HS Code	only groats	
		1103.19.20		
2	Corn	shucked or not shucked, including kernels, cracked corn, groats, excluding seedlings	1005.90.10	
			1005.90.91	
			1005.90.99	
			HS Code	only groats
			1103.13.00	
3	Sago	sago pith (sago starch), flour, coarse flour and powder	0714.90.11	
			0714.90.19	
			1106.20.20	
4	Soybeans	skinned, whole and broken, other than seeds	1201.90.00	
5	Table salt	iodised or not (including table salt and denatured salt) for consumption/basic needs of the community	2501.00.10	
			2501.00.91	

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No	Description of Goods	Criteria/Process	HS Code	Details
6	Meat	livestock and poultry with or without bones that are not processed, chilled, frozen, salted, limed, pickled or preserved in other ways	0201.10.00	
			0201.20.00	
			0201.30.00	
			0202.10.00	
			0202.20.04	
			0202.30.00	
			0203.11.00	
			0203.12.00	
			0203.19.00	
			0203.21.00	
			0203.22.00	
			0203.29.00	
			0204.10.00	
			0204.21.00	
			0204.22.00	
			0204.23.00	
			0204.30.00	
			0204.41.00	
			0204.42.00	
			0204.43.00	
			0204.50.00	
			0207.11.00	
			0207.12.00	
			HS Code 0207.13.00	cuts of meat other than leftovers
			0207.14.10	
			0207.14.20	
			0207.14.91	
			HS Code 0207.14.99	cuts of meat other than leftovers
			0207.24.00	
			0207.25.00	
HS Code 0207.26.00	cuts of meat other than leftovers			
0207.27.91				
HS Code 0207.27.99	cuts of meat other than leftovers			
0207.41.00				
0207.42.00				

**CHAPTER 37:**  
**VAT EXEMPTION FOR IMPORTS AND/OR SUPPLIES OF SEVERAL GOODS FORMERLY  
NOT SUBJECT TO VAT**

No	Description of Goods	Criteria/Process	HS Code	Details
			HS Code 0207.44.00	cuts of meat other than leftovers
			HS Code 0207.45.90	cuts of meat other than leftovers
			0207.51.00	
			0207.52.00	
			HS Code 0207.54.00	cuts of meat other than leftovers
			HS Code 0247.55.90	cuts of meat other than leftovers
			0207.60.10	
			0207.60.20	
			HS Code 0207.60.30	cuts of meat other than leftovers
			HS Code 0207.60.40	cuts of meat other than leftovers
			HS Code 0208.10.00	other than leftovers
			0210.11.00	
			0210.12.00	
			0210.19.30	
			0210.19.90	
0210.20.00				
0210.99.10				
7	Eggs	unprocessed, including eggs that are cleaned, salted or otherwise preserved, excluding seedlings	0407.21.00	
			0407.29.10	
			0407.29.90	
			HS Code 0407.90.10	other than those cooked
			HS Code 0407.90.20	other than those cooked
			HS Code 0407.90.90	other than those cooked
8	Milk	dairy milk, whether it has been cooled or heated (pasteurised), does not contain added sugar or other ingredients	HS Code 0401.10.10	other than cream
			HS Code 0401.10.90	other than cream
			HS Code 0401.20.10	other than cream

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No	Description of Goods	Criteria/Process	HS Code	Details
			HS Code 0401.20.90	other than cream
			0401.40.10	
			0401.44.20	
			HS Code 0401.40.90	other than cream
			HS Code 0401.50.10	other than cream
			HS Code 0401.50.90	other than cream
9	Fruits	picked fresh fruits, whether those that have been washed, sorted, peeled, cut, sliced, graded, other than those dried		
10	Vegetables	- fresh vegetables, picked, washed, drained and/or stored at low temperature or frozen, including chopped fresh vegetables; - fresh tubers, whether washed, sorted, peeled, cut, sliced, graded; - fresh spices, dried but not crushed or pounded	0701.90.10	
			0702.00.00	
			0703.10.19	
			0703.10.29	
			0703.20.90	
			0703.90.90	
			0704.10.10	
			0704.10.20	
			0704.10.90	
			0704.20.00	
			0704.90.10	
			0704.90.20	
			0704.90.30	
			0704.90.90	
			0705.11.00	
			0705.19.00	
			0705.21.00	
			0705.29.00	
			0746.10.10	
			0706.10.20	
			0706.90.00	
			0707.00.00	
			0708.10.00	
			0708.20.10	
			0708.20.20	
			0708.20.90	
			0708.90.00	
			0709.20.00	
			0709.30.00	

**CHAPTER 37:**  
**VAT EXEMPTION FOR IMPORTS AND/OR SUPPLIES OF SEVERAL GOODS FORMERLY  
 NOT SUBJECT TO VAT**

No	Description of Goods	Criteria/Process	HS Code	Details
			0709.40.00	
			0709.51.00	
			0709.52.00	
			0709.53.00	
			0709.54.00	
			0709.55.00	
			0709.56.00	
			0709.59.20	
			0709.59.90	
			0709.60.10	
			0709.60.90	
			0709.70.00	
			0709.91.00	
			0709.92.00	
			0709.93.00	
			0709.99.10	
			0709.99.20	
			0709.99.90	
			HS Code 0710.10.00	other than those cooked
			HS Code 0710.21.00	other than those cooked
			HS Code 0710.22.04	other than those cooked
			HS Code 0710.29.00	other than those cooked
			HS Code 0710.30.00	other than those cooked
			HS Code 0710.40.00	other than those cooked
			HS Code 0710.80.00	other than those cooked
			HS Code 0710.90.00	other than those cooked
			HS Code 0714.10.19	other than in the form of pellets and other than those dried
			0714.10.91	
			HS Code 0714.10.99	other than those dried
			0714.20.10	
			HS Code 0714.20.90	other than those dried

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No	Description of Goods	Criteria/Process	HS Code	Details
			0714.30.10	
			HS Code 0714.30.90	other than those dried
			0714.40.10	
			HS Code 0714.40.90	other than those dried
			0714.50.10	
			HS Code 0714.50.90	other than those dried
			0904.21.10	

Source: [Gov. Reg. No. 49/2022](#), processed by the Author.



## Chapter 38

# VAT Exemption for Supplies of Several Services Formerly Not Subject to VAT

### A. Brief Description

<b>Description</b>	<p>The Value Added Tax (VAT) exemption facility is granted for supplies of several services formerly included in the VAT negative list, now subject to VAT and receive the exemption facility. The following are the services and receive the VAT exemption facility.</p> <ul style="list-style-type: none"> <li>(i) Medical healthcare services;</li> <li>(ii) Social services;</li> <li>(iii) Mailing services using stamps;</li> <li>(iv) Financial services;</li> <li>(v) Insurance services;</li> <li>(vi) Educational services;</li> <li>(vii) Non-advertising broadcasting services;</li> <li>(viii) Public transport services on land and water and domestic air transport services which constitute an integral part of foreign transport services;</li> <li>(ix) Labour services;</li> <li>(x) Coin-operated public telephones services;</li> <li>(xi) Money transfer services by postal money order.</li> </ul>
<b>Incentive Type</b>	VAT exemption
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 11 of 2020 concerning Job Creation (Law 11/2020);</li> <li>2. Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations (<a href="#">Law 7/2021</a>);</li> <li>3. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>)</li> </ol>
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Households and industries

<b>Tax policy objective</b>	Prospering the people and improving businesses
<b>Implementation</b>	Effective from 2022

Source: [Gov. Reg. No. 49/2022](#), processed by the Author.

## B. Incentive Benefits

This VAT exemption facility is given for supplies of several services that were formerly included in the VAT negative list, now subject to VAT and receive the exemption facility. The following are details of the services and receive the VAT exemption facility.

- (i) Medical healthcare services, including:
  - a. individual healthcare services and community healthcare services include the services of:
    - healthcare services performed by medical personnel and other healthcare workers, including the services of:
      - 1) general practitioners, specialist doctors, dentists and dental specialists;
      - 2) health experts;
      - 3) midwives;
      - 4) nurses; and
      - 5) psychiatrists,
 as stipulated under statutory provisions in the healthcare worker sector;
    - healthcare services performed at healthcare facilities, including the services of:
      - 1) hospitals;
      - 2) maternity hospitals;
      - 3) health clinics;
      - 4) primary and advanced healthcare facilities;
      - 5) health laboratories; and
      - 6) sanatoriums,
 as stipulated under statutory provisions in the health sector;
    - services provided by non-healthcare workers include the services of:
      - 1) denturists;
      - 2) midwives;
      - 3) paramedics;
      - 4) psychologists; and

- 5) alternative medicine workers, including those performed by psychics;
- b. animal healthcare/veterinary services in the form of veterinary services stipulated under statutory provisions in the veterinary sector;
- (ii) Certain social services, including:
  - a. orphanage and nursing home services;
  - b. firefighters;
  - c. first aid;
  - d. rehabilitation institutions;
  - e. the provision of funeral homes or funeral services, including crematoriums; and
  - f. in the sports sector;
- (iii) Mailing services using stamps constituting mailing services using stamps or using other ways to replace stamps;
- (iv) Financial services, including:
  - a. raising funds from the public in the form of current accounts, time deposits, deposit certificates, savings accounts and/or other equivalent forms;
  - b. fund placement, fund borrowing or fund lending to other parties using letters, means of telecommunication or sight drafts, cheques or other means;
  - c. financing services, including financing based on sharia principles, in the form of:
    - financial leases;
    - factoring;
    - credit card business; and/or
    - consumer financing;
  - d. loan distribution services on the basis of pawn law, including sharia and fiduciary pawns
  - e. guarantee services;
- (v) Insurance services, including:
  - a. loss insurance;
  - b. life insurance; and
  - c. reinsurance;
- (vi) Educational services:
  - a. school education services, formal educational services and include the services of organising:
    - early childhood education programs;
    - basic education;

- middle education; and
  - higher education,
- by educational units that hold formal education permits from the central government or local governments according to their authority;
- b. out-of-school education services, non-formal educational services and include the services of organising:
- life skills education;
  - early childhood education programs;
  - youth education;
  - women’s empowerment education;
  - literacy education;
  - skills education and job training;
  - equality education; and
  - other education aimed at developing the learners’ abilities,
- by educational units that hold non-formal education permits from the central government or local governments according to their authority;
- (vii) Non-advertising broadcasting services whose supplies within the customs territory or utilisation from outside the customs territory within the customs territory are exempt from value added tax are activities of displaying public service messages or a series of public service messages in the form of sounds, pictures or sounds and pictures or in the form of graphics, characters, either interactive or not, which can be received through broadcast receivers and rendered by broadcasting institutions to the communicator or the communicator through advertising companies, production houses or other parties. The communicators include the government or broadcasting institutions;
- (viii) Public transport services, which include:
- a. public transport services on land, including:
- public road transport services, including:
    - 1) transportation of people in routes;
    - 2) transportation using taxis;
    - 3) shuttle transportation;
    - 4) residential areas transportation;
    - 5) employee transportation;
    - 6) school transportation;
    - 7) transportation of people in certain regions;
    - 8) public goods transport; and
    - 9) special freight,

- pursuant to statutory provisions in the road transport sector;
- public rail transport services, excluding transport services using rented or chartered trains;
- b. public transport services on water, including:
  - public transport services at sea  
Activities of transporting people and/or goods from one place to another using ships in 1 (one) trip or more than 1 (one) trip, from a port to another port, subject to charges.
  - public transport services on rivers and lakes  
Activities of transporting people and/or goods from one place to another using ships carried out on rivers, lakes, reservoirs, swamps, flood canals or canals, subject to charges.
  - public ferry transport services  
Activities of transporting people and/or goods from one place to another using ships that function as bridges connecting road networks and/or railway networks separated by waters, subject to charges;
- c. domestic air transport services which constitute an integral part of foreign transport services, including:
  - activities using airplanes to transport passengers, cargo and/or mail for 1 (one) trip or more than 1 (one) airport to another airport or several airports; and
  - foreign air transport services to several airports in Indonesia or vice versa insofar as the air transport services constitute an integral part of foreign air transport services.

Domestic air transport services constitute an integral part of foreign transport services if all of the flights are summarised in 1 (one) ticket.
- (ix) Labour services, including:
  - a. labour services  
services supplied by the workforce, workers/labourers or employees who accrue income bound by an employment relationship, excluding services related to independent personal services;
  - b. labour outsourcing/labour supply services  
services to provide labour by labour outsourcing entrepreneurs to labour service users may be in the form of recruitment, placement and/or distribution of the labour, where the activities are carried out in one unit with the supply of labour placement and distribution services, labour outsourcing/labour supply services must fulfil the following criteria:
    - the labour outsourcing entrepreneurs only supply labour outsourcing/labour supply services, which are not related to the

- provision of other taxable services (*Jasa Kena Pajak*/JKP in English), such as technical, management, consulting, company management, stevedoring services and/or other services;
- the labour outsourcing entrepreneurs do not pay salaries, wages, honoraria, allowances and/or the like to the workers they provide;
- the labour outsourcing entrepreneurs are not responsible for the labour's work results they provide after the labour has been supplied to the labour service user; and
- the outsourced labour is included in the labour service user's staffing structure;
- c. training services for workers  
training services for workers organised by job training institutions that have obtained permits from or are registered with the central government or local governments authorised in the manpower sector, the training may be in the form of an internship carried out in one unit with the supply of training services for workers;
- (x) Coin-operated public telephones services organised by the government or the private sector;
- (xi) Money transfer services by postal money order.

## **C. Parties Receiving the Incentives**

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The exemption incentive may be enjoyed by service users that are exempt from VAT.

## **D. Requirements**

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In the utilisation of this incentive, the following are general requirements relating to the supplied services.

### **D.1 General Requirements**

The supplied taxable services must fulfil the criteria stated in each number in Subchapter B which elucidates in detail the types of services that are exempt from VAT.

### **D.2 Special Requirements**

No sufficient information is available concerning the special requirements in the context of the utilisation of this incentive in the provisions stipulating this incentive.

### **D.3 Application Forms and Reports**

No sufficient information is available concerning application forms or reports for this incentive in the provisions stipulating this incentive.

### **E. Application Scheme**

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Pursuant to the provisions under Article 24 of [Gov. Reg. No. 49/2022](#), the VAT exemption facility for supplies of several services formerly not subject to VAT and are now exempt from VAT, are provided without using a VAT exemption certificate.

### **F. Flow Chart**

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No sufficient information is available concerning the flowchart for the application for the VAT incentive utilisation in the provisions stipulating this incentive.

### **G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive. However, the received exemption facility remains subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

### **H. Other Important Information**

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No sufficient information is available concerning other important information in the provisions stipulating this incentive.





## Chapter 39

### VAT Exemption for Imports and/or Supplies of Strategic Goods

#### A. Brief Description

<b>Description</b>	This facility provides exemption for imports and/or supplies of strategic goods pursuant to Gov. Reg. No. 49/2022.
<b>Incentive Type</b>	VAT exemption
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>);</li> <li>2. Minister of Finance Regulation Number 115/PMK.03/2021 concerning Procedures for the Granting of the Exemption from Value Added Tax Facility on Imports and/or Supplies of Certain Strategic Taxable Goods, Procedures for the Payment of Value Added Tax on Certain Strategic Taxable Goods That Have Been Exempt from Value Added Tax Used Not in Accordance with the Original Purpose or Transferred and the Imposition of Penalties for the Late Payment of Value Added Tax (<a href="#">MoF Reg. 115/2021</a>);</li> <li>3. Minister of Finance Regulation Number 198/PMK.010/2019 concerning the Seventh Amendment to the Minister of Finance Decree Number 231/KMK.03/2001 concerning the Value Added Tax and Sales Tax on Luxury Goods Treatment of Imports of Taxable Goods Exempt from Import Duty (<a href="#">MoF Reg. 198/2019</a>);</li> <li>4. Minister of Finance Regulation Number 90/PMK.04/2012 concerning Import Duty Exemption for Imports of Goods for Museums, Zoos and Other Similar Publicly Accessible Places</li> </ol>

	<p>as Well as Goods for Nature Conservation (<a href="#">MoF Reg. 90/2012</a>);</p> <p>5. Minister of Finance Regulation Number 267/PMK.010/2015 concerning the Criteria and/or Details of Livestock, Feed Ingredients for the Manufacture of Livestock Feed and Fish Feed Whose Imports and/or Supplies Are Exempt from Value Added Tax Whose Imports and/or Supplies Are Exempt from Value Added Tax (<a href="#">MoF Reg. 267/2015</a>);</p> <p>6. Minister of Finance Regulation Number 5/PMK.010/2016 concerning the Amendment to Minister of Finance Regulation Number 267/PMK.010/2015 concerning the Criteria and/or Details of Livestock, Feed Ingredients for the Manufacture of Livestock Feed and Fish Feed Whose Imports and/or Supplies Are Exempt from Value Added Tax (<a href="#">MoF Reg. 5/2016</a>);</p> <p>7. Minister of Finance Regulation Number 142/PMK.010/2017 concerning the Second Amendment to the Minister of Finance Regulation Number 267/PMK.010/2015 concerning the Criteria and/or Details of Livestock, Feed Ingredients for the Manufacture of Livestock Feed and Fish Feed Whose Imports and/or Supplies Are Exempt from Value Added Tax Whose Imports and/or Supplies Are Exempt from Value Added Tax (<a href="#">MoF Reg. 142/2017</a>);</p> <p>8. Minister of Agriculture Regulation Number 15 of 2021 concerning Business Activity Standards and Product Standards in the Administration of Risk-Based Business Licensing in the Agricultural Sector (<a href="#">Minister of Agriculture Reg. 15/2021</a>).</p>
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Industries and households
<b>Tax policy objective</b>	Improving businesses
<b>Implementation</b>	Effective from 2022

Source: processed by the Author.

## B. Incentive Benefits

The VAT exemption facility is granted for imports and/or supplies of goods included in the strategic goods category pursuant to [Gov. Reg. No. 49/2022](#). The following is a list, and details of goods included in the strategic goods category.

## VAT EXEMPTION FOR IMPORTS AND/OR SUPPLIES OF STRATEGIC GOODS

- (i) Imports and supplies of goods produced from businesses in the marine and fisheries sectors, both fishing and aquaculture

Details of these strategic goods are given in respect of the commodities, process criteria and/or details of types of marine and fishery products whose imports and/or supplies are exempt from VAT.

**Table 39.1 Details of Marine and Fisheries Commodities Exempt from VAT**

Commodity	Criteria/Process	Types of Goods
Shrimp	<ul style="list-style-type: none"> <li>- Harvested, collected with baskets/sacks</li> <li>- Washing, whole fish freezing/cooling, de-shelled and/or headless</li> <li>- Handling of shrimp by whole fish freezing, de-shelled and/or headless</li> <li>- Handling of shrimp with temporary packaging to protect the product from being easily damaged</li> </ul>	<ul style="list-style-type: none"> <li>- Live shrimp</li> <li>- Fresh shrimp</li> <li>- Chilled shrimp, with or without head</li> <li>- Frozen shrimp, with or without head</li> </ul>
Ornamental fish	<ul style="list-style-type: none"> <li>- Marketed live</li> <li>- Collection and transportation of whole fish in public waters or at sea in one business unit or not</li> <li>- Handling of live fish by administering oxygen and/or stunning (anaesthetised, lowering the temperature)</li> </ul>	<ul style="list-style-type: none"> <li>- Live ornamental fish</li> </ul>
Fish (excluding ornamental fish)	<ul style="list-style-type: none"> <li>- Marketed live</li> <li>- Collection and transportation of whole fish in public waters or at sea in one business unit or not</li> <li>- Handling of dead fish by washing, whole fish freezing/cooling, with or without head/bones/tail/ maws/ fins/skin</li> <li>- Handling of dead fish by whole freezing, with or without head and guts</li> <li>- Handling of dead fish by washing, freezing/cooling, cutting, without head/bones/tail/maws/fins/skin</li> <li>- Handling of fish with temporary packaging to protect the product from being easily damaged</li> </ul>	<ul style="list-style-type: none"> <li>- Live and/or frozen baitfish</li> <li>- Live fish for consumption</li> <li>- Fresh fish, chilled or frozen, with or without head</li> <li>- Dried fish</li> <li>- Fish heads, tails, maws, fins, skin, bones and livers</li> <li>- Fish fillets and other fish meat (minced or not minced) fresh, chilled or frozen</li> </ul>
Seaweed	<ul style="list-style-type: none"> <li>- Cut/harvested, collected</li> <li>- Soaking or drying</li> </ul>	<ul style="list-style-type: none"> <li>- Wet seaweed</li> <li>- Dry seaweed</li> </ul>

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<b>Commodity</b>	<b>Criteria/Process</b>	<b>Types of Goods</b>
Clams, Oysters, Mussels	<ul style="list-style-type: none"> <li>- Harvested, released, collected</li> <li>- Handling of dead oysters/mussels by washing/depuration, whole freezing/cooling, de-shelled</li> <li>- Handling of dead oysters/mussels by washing/depuration and whole freezing, de-shelled</li> </ul>	<ul style="list-style-type: none"> <li>- Live clams/oysters/mussels</li> <li>- Fresh clams oysters/ mussels chilled, whole and/or de-shelled</li> <li>- Clams/oysters/mussels Frozen, whole and/or de-shelled clams/oysters/mussels</li> </ul>
Live crabs, Swimming Crabs	<ul style="list-style-type: none"> <li>- Dip-netted/netted</li> <li>- Marketed live</li> <li>- Handling of crabs/swimming crabs by washing, whole crab freezing/cooling, de-shelled</li> <li>- Handling of dead crabs/swimming crabs by washing, whole crab freezing/cooling, de-shelled</li> </ul>	<ul style="list-style-type: none"> <li>- Live crabs/swimming crabs</li> <li>- Fresh crabs/swimming crabs</li> <li>- Chilled crabs/swimming crabs, whole and/or de-shelled</li> <li>- Frozen crabs/swimming crabs, whole and/or de-shelled</li> </ul>
Sea Cucumbers	<ul style="list-style-type: none"> <li>- dip-netted/collected</li> <li>- addition of oxygen and addition of ice</li> <li>- Handling of sea cucumbers by washing whole sea cucumber freezing</li> </ul>	<ul style="list-style-type: none"> <li>- Fresh sea cucumbers</li> <li>- Chilled sea cucumbers</li> <li>- Frozen sea cucumbers</li> </ul>
Lobstera	<ul style="list-style-type: none"> <li>- Harvested, collected using basket/sacks</li> <li>- Handling of live lobster by administering oxygen and/or stunning (anaesthetised, lowering the temperature)</li> <li>- Handling of dead lobster by washing whole lobster freezing/cooling</li> <li>- harvested, collected using basket/sacks</li> </ul>	<ul style="list-style-type: none"> <li>- Live lobsters</li> <li>- Fresh lobsters</li> <li>- Chilled lobsters</li> <li>- Frozen lobsters</li> </ul>
Squid, Cuttlefish, Octopus, Snails	<ul style="list-style-type: none"> <li>- Handling of dead squid/cuttlefish/octopus/snails by whole washing, freezing/cooling, with or without head and guts</li> <li>- Handling of dead squid/cuttlefish/octopus/snails by washing, whole freezing, with or without head and guts</li> </ul>	<ul style="list-style-type: none"> <li>- Fresh or chilled squid/cuttlefish/octopus/snails, with and/or without head</li> <li>- Frozen squid/cuttlefish/octopus/snails, with and/or without head</li> </ul>

Commodity	Criteria/Process	Types of Goods
Artemia (Brine Shrimp)	- Harvested and collected  - Handling by washing, cooling and/or freezing	- Chilled artemia  - Frozen artemia

Source: Appendix of [Gov. Reg. No. 49/2022](#), processed by the Author.

(ii) Imports and supplies of raw hides

Hide refers to the skin of large animals, such as cows, buffaloes and horses. Skin refers to the skin of small animals, such as goats, sheep and lambs. The following are hides and raw hides that may be entered into Indonesia.

**Table 39.2 List of Hides and Raw Hides That May Be Entered into Indonesia**

No	HS Code	Description
1	41.01	Raw hides of bovine (including buffalo) or equine animals (fresh or salted, dried, limed, pickled or otherwise preserved, but not tanned, not parchment-dressed or not further processed), dehaired or split or not
2	4101.20.00	Whole hides and skins, unsplit, each skin weighing not exceeding 8 kilograms (kg) if simply dried, 10 kg if dry salted or 16 kg if fresh, wet salted or otherwise preserved
3	4101.50.00	Whole hides and skins, weighing more than 16 kg
4	4101.90.10	- Others, including backs, folds and bellies : - - Pre-tanned.
5	4101.90.90	- Others, including backs, folds and bellies : - - Others
6	41.02	Raw hides of sheep or lamb (fresh or salted, dried, limed, pickled or otherwise preserved but not tanned, not parchment-dressed or further processed), with or wool or split or not
7	4102.10.10	- With wool
8	4102.21.00	-- Without wool – Pickled
9	4102.29.00	-- Without wool – Others
10	41.03	Other raw hides (fresh or salted, dried, limed, pickled or otherwise preserved, but not tanned, not parchment-dressed or further processed), dehaired or split or not
11	4103.90.00	-- Others

Source: [Minister of Agriculture Reg. 15/2021](#), processed by the Author.

(iii) Imports and supplies of livestock the criteria and/or details of which are regulated by a ministerial regulation after receiving considerations from the minister who administers governmental affairs in the agricultural sector. The livestock commodities referred to in this incentive consist of several groups, as listed in Table 39.3.

**Table 39.3 Details of Livestock Exempt from VAT**

Commodities	Process	Type of Goods
Cows, buffaloes, goats/sheep, pigs and other livestock - adult livestock  - tails, tongues, tendons, bones  - liver and other offal	- Unprocessed - Slaughtered, skinned, cut, chilled, frozen, packed/unpackaged  - Salted, boiled  - Salted, boiled	- Youngstock - Livestock - Carcasses and non-carcasses, fresh/chilled/frozen - Tails, tongues, tendons, fresh/dry/chilled/ frozen - Liver and offal, fresh/dried/chilled/frozen
Poultry (chickens, ducks, quail, and others) - poultry	- Unprocessed - Slaughtered, cleaned, whole/cut, fresh or frozen	- Live poultry - Carcasses and non-carcasses, fresh/chilled/frozen, including offal and bones

Source: [MoF Reg. 5/2016](#), processed by the Author.

- (iv) Imports and supplies of seedlings and/or seeds from agricultural, plantation, forestry, animal husbandry or fishery goods;
- (v) Imports and supplies of animal feed in the form of processed animal feed, animal feed grasses and animal feed legumes stipulated under statutory provisions in the animal husbandry and health sector, excluding pet food;
- (vi) Imports and supplies of that fulfil the general and special/technical requirements in Imports of fish feed stipulated under statutory provisions in the fisheries sector;
- (vii) Imports and supplies of raw materials for the manufacture of animal feed and fish feed, excluding feed additives and feed supplements, the criteria and/or details of which are regulated by a ministerial regulation after receiving considerations from the minister who administers governmental affairs in the agricultural sector and the minister who administers governmental affairs in the marine and fisheries sector. Details of livestock

**CHAPTER 39:**  
**VAT EXEMPTION FOR IMPORTS AND/OR SUPPLIES OF STRATEGIC GOODS**

feed ingredients and fish feed ingredients that receive facilities are listed in Table 39.4 and Table 39.5.

**Table 39.4 List of Details of Animal Feed Ingredients Exempt from VAT**

Description of Goods	HS Code
Hydrolysed feather meal, feather meal	Ex 0505.90.90
Blood meal from ruminants	Ex 0511.99.90
Corn	1005.90.90
Soybeans, cracked or uncracked	1201.90.00
Flour, coarse flour and pellets from ruminants and poultry	Ex 2301.10.00
Husks, bran and other residues, in the form of pellets or not, derived from the sieving, milling or other processing of cereals	2302.30.10 2302.30.90
Husks, bran and other residues, in the form of pellets or not, derived from the sieving, milling or other processing of canary grass	2302.40.90
Husks, bran and other residues, in the form of pellets or not, derived from the sieving, milling or other processing of legumes	2302.50.00
Residues from the manufacture of starch and similar residues from corn gluten	Ex 2303.10.90
Sediments and residues from brewing or distilling	2303.30.00
Meal and other solid residues, crushed or not or in the form of pellets, resulting from the extraction of soybean oil, other than non-edible defatted soybean flour	2304.00.90
Meal and other solid residues, crushed or not or in the form of pellets, resulting from the extraction of fat or vegetable oil from sunflower seeds	2306.30.00
Meal and other solid residues, crushed or not or in the form of pellets, resulting from the extraction of fat or vegetable oil from rapeseeds containing low erucic acid	2306.4 1.10
Vegetable materials and vegetable waste, vegetable residues and by-products thereof, in the form of pellets or not, of the type used for animal feed, not detailed or included in other HS Codes	2308.00.00
Soy lecithin	Ex 2923.20.10

Source: [MoF Reg. 142/2017](#), processed by the Author.

**Table 39. List of Details of Fish Feed Ingredients Exempt from VAT**

Description of Goods	HS Code
Chicken feather meal	Ex 0505.90.90
Artemia (brine shrimp) eggs	0511.91.20
Blood meal from ruminants	Ex 0511.99.90
Corn	1005.90.90
Soybeans, cracked or uncracked	1201.90.00

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<b>Description of Goods</b>	<b>HS Code</b>
Seaweed and algae of the type used for the feed industry, fresh, chilled or dried	1212.29.20
Refined or unrefined squid liver oil, but not chemically modified	Ex 1504.10.90
Refined or unrefined squid oil, but not chemically modified	Ex 1504.20.90
Inactive yeast, other dead single-celled microorganisms	2102.20.10
Flour, coarse flour and pellets from ruminants and poultry	2301.10.00
Flour, coarse flour and fish pellets	2301.20.10 2301.20.20
Flour, coarse flour and pellets, from crustaceans, molluscs or other aquatic invertebrates	2301.20.90
Husks, bran and other residues, in the form of pellets or not, derived from the sieving, milling or other processing of grains	2302.30.10 2302.30.90
Husks, bran and other residues, in the form of pellets or not, derived from the sieving, milling or other processing of rice	2302.40.10
Residues from the manufacture of starch and similar residues from corn gluten	Ex 2303.10.90
Sediments and residues from brewing or distilling	2303.30.00
Meal and other solid residues, crushed or not or in the form of pellets, resulting from the extraction of soybean oil, other than edible defatted soybean flour	2304.00.90
Meal and other solid residues, crushed or not or in the form of pellets, resulting from the extraction of fat or vegetable oil from rapeseeds containing low erucic acid	2306.41.10
Meal and other solid residues, crushed or not or in the form of pellets, resulting from the extraction of vegetable fats or oil from other rapeseeds	2306.49.10

Source: [MoF Reg. 142/2017](#), processed by the Author.

- (viii) Imports and supplies of raw materials for silver craft in the form of silver granules and/or silver bullions;
- (ix) Imports and supplies of weapons, ammunition, bulletproof helmets and jackets or bulletproof vests, special land vehicles, radars and spare parts thereof imported by:
  - a. the ministry or government agencies that administer governmental affairs in the defence or state security sector; or
  - b. non-ministerial government agencies that are under and responsible to the President through the coordination of the Head of the Indonesian National Police (*Kepolisian Republik Indonesia*/POLRI in Indonesian) and have duties and functions in the field of prevention and eradication of the abuse and illicit traffic of narcotics, psychotropics and precursors and other addictive substances, except for addictive substances for tobacco and alcohol; or



- c. other parties appointed by the ministry or government agencies referred to in letter a or b to conduct the imports;
- (x) Imports of components or materials that have not been manufactured domestically, which are imported by state-owned enterprises engaged in the national defence industry appointed by the ministry or government agencies referred to in number (ix) letter a or b, which are used in the manufacture of weapons, ammunition, special land vehicles, radar and spare parts thereof, which will be supplied to:
  - a. the ministry or government agencies that administer governmental affairs in the defence or state security sector; or
  - b. non-ministerial government agencies that are under and responsible to the President through the coordination of the Head of the Indonesian National Police and have duties and functions in the field of prevention and eradication of the abuse and illicit traffic of narcotics, psychotropics and precursors and other addictive substances, except for addictive substances for tobacco and alcohol;
- (xi) Imports of weapons, ammunition, military equipment and military supplies belonging to other countries imported by the Indonesian National Armed Forces (*Tentara Nasional Indonesia/TNI* in Indonesian) in the context of military activities as part of military cooperation in the form of joint military exercises;
- (xii) Imports and supplies of equipment and spare parts thereof used by the ministry that administers governmental affairs in the defence sector or the Indonesian National Armed Forces for the provision of border data, topographic maps, hydrographic maps and aerial photographs of the territory of the Unitary State of the Republic of Indonesia (*Negara Kesatuan Republik Indonesia/NKRI*) carried out to support national defences, imported by:
  - a. the ministry that administers governmental affairs in the defence sector;
  - b. the Indonesian National Armed Forces; or
  - c. parties appointed by the ministry that administers governmental affairs in the defence sector or the Indonesian National Armed Forces;
- (xiii) Imports of presidential office vehicles imported by presidential agencies or parties appointed by the presidential agencies to conduct the imports, which are granted import duty exemptions;
- (xiv) Imports of goods for the needs of museums, zoos and other similar publicly accessible place as well as goods for nature conservation, which are granted import duty exemptions;
- (xv) Imports and supplies of sugar for consumption in the form of white crystal sugar derived from sugar cane without added flavouring or colouring;

- (xvi) Imports and supplies of mining or drilling products extracted directly from the source, excluding coal mining products, including:
  - a. crude oil;
  - b. natural gas, in the form of natural gas flowing through pipes, excluding natural gas such as LPG which is ready for direct consumption by the public;
  - c. geothermal;
  - d. asbestos, slate, semi-precious stones, limestones, pumice, gemstones, bentonite, dolomite, feldspar, rock salt (halite), graphite, granite/andesite, gypsum, calcite, kaolin, leucite, magnesite, mica, marble, nitrate, obsidian, ochre, sand and gravel, quartz sand, pearlite, phosphate, talc, fullers earth, diatomaceous earth, clay, alum, trass, jarosite, zeolite, basalt, trachyte and sulphur, the threshold and criteria of which may be regulated by a ministerial regulation; and
  - e. iron ore, tin ore, gold ore, copper ore, nickel ore, silver ore and bauxite ore;
- (xvii) Imports and supplies of Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG);
- (xviii) Imports and supplies of goods imported by the central government or local governments intended for the public interest, which are granted import duty exemptions;
- (xix) Imports and supplies of medicine imported using the state budget (*Anggaran Pendapatan dan Belanja Negara/APBN* in Indonesian) or local government budget (*Anggaran Pendapatan dan Belanja Daerah/APBD* in Indonesian) for the public interest, which are granted import duty exemptions;
- (xx) Imports of human therapeutic materials, blood grouping and tissue-type materials imported using the state budget or local government budget for the public interest, which are granted import duty exemptions;
- (xxi) Supplies of proprietary public flat units whose acquisition is financed through subsidised housing loans/financing. Details on information concerning VAT exemption for supplies of flat units can be seen in Chapter 44;
- (xxii) Supplies of electricity, including electrical installation fees and electricity load fees, except for houses with power above 6,600 amperage voltage; and
- (xxiii) Supplies of clean water which does not include water that has been treated with special treatment.

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### C. Parties Receiving the Incentives

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This incentive may be utilised by all agencies and individuals who import and/or receive supplies of goods classified as strategic goods.

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### D. Requirements

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This incentive may be utilised insofar as the imported and/or supplied goods fulfil the criteria for each item listed in Subchapter B.

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### E. Application Scheme

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Pursuant to [Gov. Reg. No. 49/2022](#), imports and/or supplies of taxable goods mentioned in Subchapter B may be granted VAT exemption without using a VAT exemption certificate (*Surat Keterangan Bebas/SKB* in Indonesian). This facility may be directly enjoyed by taxpayers when importing and/or supplying taxable goods.

Other provisions apply to taxable goods in Subchapter B numbers (ix), (x), (xi) and (xii). Imports of several taxable goods continue to require a VAT exemption certificate to be utilise this incentive.

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### F. Flow Chart

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No sufficient information is available concerning the flowchart for the application for the incentive in the provisions stipulating this incentive.

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### G. Post-Incentive-Utilisation Obligations

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No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive. However, the received exemption facility remains subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

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### H. Other Important Information

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No other information is available concerning the regulation of this incentive other than that has been mentioned in the above description.



# Chapter 40

## VAT Exemption for Imports and/or Supplies of Factory Machines and Equipment

### A. Brief Description

<b>Description</b>	Value Added Tax (VAT) exemption for imports and/or supplies of taxable goods ( <i>Barang Kena Pajak/BKP</i> in Indonesian) in the form of factory machines and equipment.
<b>Incentive Type</b>	VAT exemption
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>);</li> <li>2. Minister of Finance Regulation Number 115/PMK.03/2021 concerning Procedures for the Granting of the Exemption from Value Added Tax Incentive on Imports and/or Supplies of Certain Strategic Taxable Goods, Procedures for the Payment of Value Added Tax on Certain Strategic Taxable Goods That Have Been Exempt from Value Added Tax Used Not in Accordance with the Original Purpose or Transferred and the Imposition of Penalties for the Late Payment of Value Added Tax (<a href="#">MoF Reg. 115/2021</a>).</li> </ol>
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving businesses
<b>Implementation</b>	Effective from 2021

Source: processed by the Author.

## **B. Brief Description**

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VAT exemption for imports and/or supplies of certain taxable goods in the form of factory machines and equipment that are a single unit, either installed or detached. This facility may only be utilised by taxable persons (*Pengusaha Kena Pajak/PKP* in Indonesian), project owners or integrated construction work or Engineering, Procurement and Construction (EPC) work that produces taxable goods.

## **C. Parties Receiving the Incentives**

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Taxpayers importing and/or supplying factory machines and equipment are required to have a VAT exemption certificate (*Surat Keterangan Bebas/SKB* in Indonesian) issued for the imports of factory machines and equipment, both those who receive the import duty exemption and those for which the application for the import duty exemption is not applied. This incentive can be utilised by:

- (i) taxable persons that produce taxable goods;
- (ii) project owners; or
- (iii) EPC work providers as part of EPC work contracts with project owners that produce taxable goods.

## **D. Requirements**

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To utilise this facility, taxable persons or project owners need to fulfil general requirements and special requirements. Here are the details of the requirements that need to be fulfilled.

### **D.1 General Requirements**

The application for the VAT exemption certificate will be followed up if the taxable persons or project owners fulfil the following provisions:

- (i) having filed the annual income tax returns (*Surat Pemberitahuan/SPT* in Indonesian) for the last 2 (two) tax years;
- (ii) having filed periodic VAT returns for the last 3 (three) taxable periods;
- (iii) not having tax liability at the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the taxable persons or their branches are registered or have tax liability, but the entire tax liability has obtained the permit to

defer or pay tax in instalments pursuant to statutory provisions in the field of taxation; and

- (iv) having submitted the import realisation and acquisition report.

## **D.2 Special Requirements**

Imported machinery and equipment are subject to several provisions. Only machines that fulfil the following provisions is eligible for the VAT exemption facility:

- (i) used directly in the process of producing taxable goods in the production line, excluding activities to maintain or change the quality and transmission or distribution activities (reserved for repair or replacement);
- (ii) imported and/or acquired installed or detached, excluding spare parts (stated in the import and acquisition plan or *Rencana Kebutuhan Impor dan Perolehan/RKIP* in Indonesian);
- (iii) factory equipment attached to the machines.

## **D.3 Application Forms and Reports**

This incentive may be utilised by taxable persons or project owners with a VAT exemption certificate attached with the import and acquisition plan. The provisions stipulating this incentive contain the format of the import and acquisition plan that may be utilised by taxable persons or project owners.

## **E. Application Scheme**

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The application scheme for this incentive is divided into 2 (two) segments, namely the application for the VAT exemption certificate by applying for import duty exemption and the application for the VAT exemption certificate without applying for import duty exemption.

### **E.1 The Application for the VAT Exemption Certificate by Applying for Import Duty Exemption**

- (i) The taxable person or project owner applies for import duty exemption electronically through the Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM* in Indonesian) information system.
- (ii) The taxable person or project owner obtains a masterlist. The masterlist is a minister of finance decree concerning the import duty exemption issued by the Ministry of Investment/Indonesian Investment Coordinating Board

which contains a list of machines and equipment that receive the import duty facility.

- (iii) The taxable person or project owner applies for the VAT exemption certificate attached with the import and acquisition plan to the Directorate General of Taxes (DGT) electronically through the Indonesia National Single Window (INSW) System. In the application, the taxable person or project owner needs to complement the following information:
  - a. the import and/or acquisitions of factory machines and equipment are for industrial construction or development in the context of investments:
    - inputting the information on the business permit number;
    - completing the types of goods, technical specifications and Harmonised System (HS) Code and quantity of goods; and
    - uploading:
      - 1) a brief description of the production process that the imported and/or acquired factory machines and equipment will be used in the production unit to produce taxable goods;
      - 2) the calculation of the capacity of production machines according to the type of business;
      - 3) technical drawings or layout plans of the factory machines in the production unit;
      - 4) technical data or machine brochures; and
      - 5) a statement that the imported or acquired factory machines and equipment will not be transferred or subject to designation change within the period pursuant to statutory provisions in the field of taxation.
  - b. imports and/or acquisitions of factory machines and equipment for the electricity generation industry for public purposes:
    - the electricity supply business permit; and
    - the power purchase agreement.
- (iv) The taxable person or project owner obtains the VAT exemption certificate and the approved import and acquisition plan. The VAT exemption certificate is valid until the validity period of the masterlist. In the event of changes to the project location, the taxable person or project owners must apply for a new VAT exemption certificate.
- (v) After the taxable person or project owner has obtained the VAT exemption certificate, the EPC work provider may subsequently apply for the VAT exemption certificate to the DGT via the INSW System by:
  - a. inputting the VAT exemption certificate number and the import and acquisition plan of the taxable person that has been approved;



- b. uploading the EPC work contract with the project owner in Indonesian or English with the Latin alphabet.
- (vi) The EPC work provider downloads the import and acquisition plan of the taxable person or project owner and completes it with the following information:
  - a. the name of the Customs Office and the name of the port of entry for imports of factory machines and equipment; or
  - b. the name of the seller taxable person for acquisitions of factory machines and equipment.
- (vii) Based on the application for the VAT exemption certificate by the EPC work provider, no later than 5 (five) business days after the application for the VAT exemption certificate is completely submitted, the DGT verifies the completeness of the documents and electronically via the INSW System issues:
  - a. the VAT exemption certificate for the EPC work provider as well as the approved import and acquisition plan; or
  - b. the notification of rejection, if the application does not fulfil the requirements.
- (viii) The VAT exemption certificate for the EPC work provider is valid from the date of issuance until the expiration date of the VAT exemption certificate of the taxable person. Thus, if the application is approved, the VAT exemption certificate may be used to obtain the VAT exemption incentive for imports and/or supplies of machinery and equipment.

## **E.2 The Application of the VAT Exemption Certificate without Applying for Import Duty Exemption**

- (i) The taxable person or project owner applies for a VAT exemption certificate to the DGT through the INSW System. This application is attached with several documents as follows:
  - a. attaching the import and acquisition plan;
  - b. inputting information on the business permit number;
  - c. completing the type of goods, technical specifications and HS code and quantity of goods;
  - d. uploading:
    - a brief description of the production process that the imported/acquired factory machines and equipment will use in the production unit to produce taxable goods;
    - the calculation of production machine capacity adjusted to the type of business;

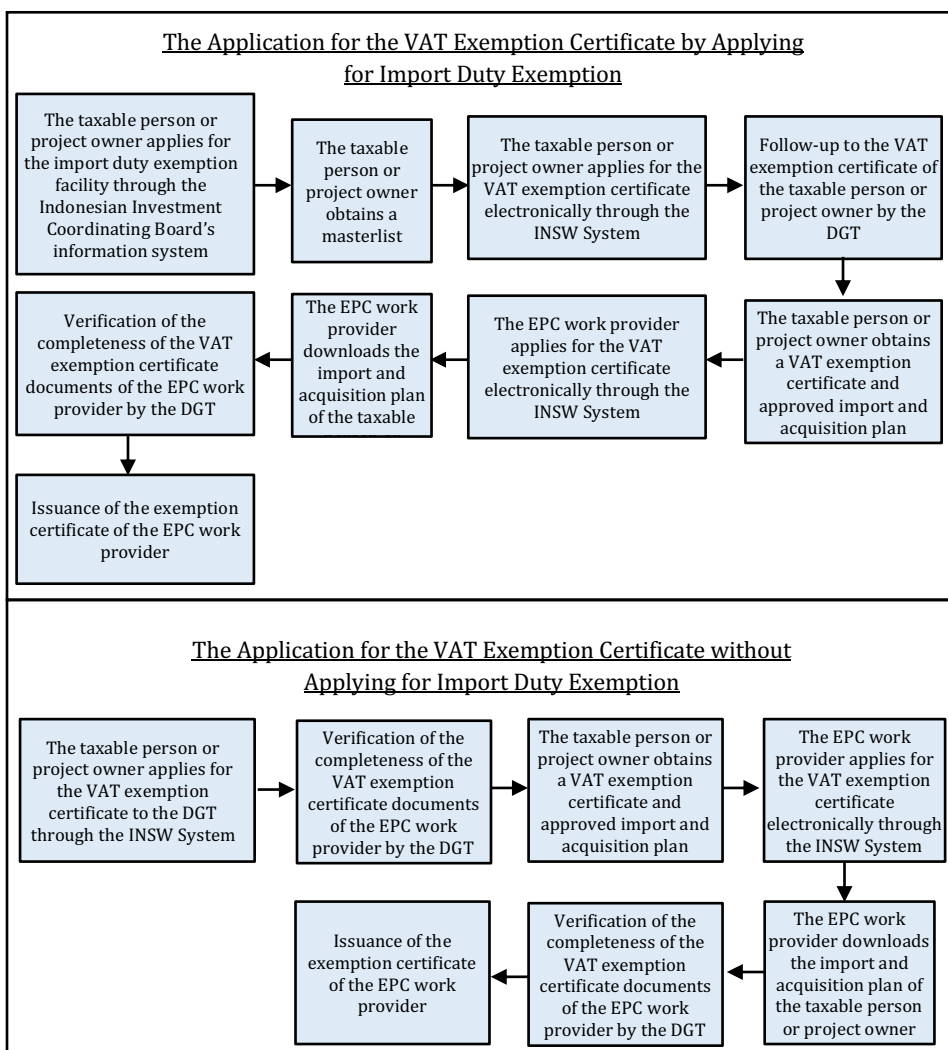
- technical drawings or layout plans of factory machines in production units;
  - technical data or machine brochures; and
  - a statement that the imported or acquired factory machines and equipment will not be transferred or its intended use is changed within a period pursuant to statutory laws and regulations in the field of taxation.
- (ii) In the event of imports and/or supplies of factory machines and equipment conducted by taxable persons or project owners for the electricity generation industry for public interest, taxable persons or project owners must submit additional information by uploading:
- a. the electricity supply business permit; and
  - b. the electricity sale and purchase agreement.
- (iii) Based on the application for the VAT exemption certificate, no later than 5 (five) business days after the application is completely submitted, the DGT will verify the completeness of the documents and electronically via the INSW System issue:
- a. the VAT exemption certificate and import and acquisition plan that have been approved for:
    - the taxable person producing taxable goods. The exemption certificate is valid for 1 (one) calendar year, namely for the period:
      - 1) from 1 January to 31 December for 1 (one) calendar year, imports and/or acquisitions are conducted if the application to obtain a VAT exemption certificate is submitted before the calendar year concerned; or
      - 2) from the date of issuance of the VAT exemption certificate until 31 December of the year in which the VAT exemption certificate is issued if the application to obtain a VAT exemption certificate is submitted in the calendar year concerned.The taxable person must re-apply for a VAT exemption certificate if there is a change in project location.
  - the project owner contracting with the EPC work provider. The VAT exemption certificate is valid for 2 (two) calendar years, namely for the period:
    - 1) from 1 January to 31 December for 2 (two) calendar years, imports and/or acquisitions are conducted if the application to obtain a VAT exemption certificate is submitted before the calendar year concerned; or
    - 2) from the date of issuance of the VAT exemption certificate until 31 December of the second year in which the VAT exemption certificate is issued if the application to obtain a

VAT exemption certificate is submitted in the calendar year concerned.

The project owner must re-apply for the VAT exemption certificate in the event of changes to the project location.

- b. the notification of rejection if the application does not fulfil the provisions.
- (iv) After the taxable person or project owner has a VAT exemption certificate, the EPC work provider may subsequently apply for a VAT exemption certificate application to the DGT via the INSW System by:
  - a. inputting the VAT exemption certificate number and the approved import and acquisition plan of the taxable person; and
  - b. uploading the EPC work contract with the project owner in Indonesian or English in Latin alphabet.
- (v) The EPC work provider downloads the import and acquisition plan of the taxable person or project owner and completes it with the following information:
  - a. the name of the Customs Office and name of the port of entry for import of factory machines and equipment; or
  - b. the name of the seller taxable person for the acquisition of factory machines and equipment.
- (vi) Based on the application for the VAT exemption certificate by the EPC work provider, no later than 5 (five) business days after the application for the exemption certificate is completely submitted, the DGT verifies the completeness of the documents and electronically through the INSW System issues:
  - a. the VAT exemption certificate for the EPC work provider as well as the approved import and acquisition plan; or
  - b. the notification of rejection, if the application does not fulfil the requirements.
- (vii) The VAT exemption certificate for the EPC work provider is valid from the date of issuance until the expiration date of the taxable person's VAT exemption certificate. Thus, if the application is approved, the VAT exemption certificate may be used to obtain the VAT exemption incentive for imports and/or supplies of machinery and equipment.

**F. Flow Chart**



Source: [MoF Reg. 115/2021](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

Taxable persons or project owners that obtain VAT exemption certificates must prepare import and acquisition realisation reports. In contrast, EPC work providers that obtain VAT exemption certificates must prepare:

- (i) the import and acquisition realisation report; and
- (ii) the factory machine and equipment supply realisation report, to the project owner.

Further, the exemption facility received remain subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

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## **H. Other Important Information**

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### **H.1 Provisions on the Approval of VAT Exemption Certificates for the Utilisation of the VAT Exemption Incentive**

Taxable persons or project owners must have a VAT exemption certificate attached to the import and acquisition plan containing the list of factory machines and equipment planned to be imported and/or acquired to utilise this incentive. The VAT exemption certificate must have been approved no later than:

- (i) before the customs declaration in the context of imports of goods is submitted and/or the supply is conducted; or
- (ii) before receipt of payment by the seller taxable person if payment precedes the supply.

### **H.2 Procedures for the Replacement of VAT Exemption Certificates**

The Head of the Tax Office where the taxable person is registered on behalf of the Director General of Taxes may issue a replacement VAT exemption certificate in the event of errors in the issuance of the VAT exemption certificate. Errors in the issuance include misspellings, miscalculations and/or misapplication of statutory provisions. The replacement VAT exemption certificate is issued *ex officio* or based on the taxable person's application submitted to the DGT through the INSW System.

The Head of the Tax Office on behalf of the Director General of Taxes conducts an examination and issues a decision in the form of the issuance of:

- (i) the replacement VAT exemption certificate if the application is approved or a replacement is conducted *ex officio*; or
- (ii) the notification of rejection if the application is not approved,

This decision is issued no later than 5 (five) business days after the application is completely received through the INSW System. The replacement VAT exemption certificate is valid from the effective date of the replaced VAT exemption certificate.

### **H.3 Cancellation of VAT Exemption Certificates**

A VAT exemption certificate may be cancelled if:

- (i) there is data and/or information that shows that the taxable person, project owner or EPC work provider is not entitled to receive the exemption from VAT facility, the Head of the Tax Office on behalf of the Director General of Taxes will cancel the granting of the VAT exemption facility by issuing a certificate of cancellation of the VAT exemption certificate accompanied by written reasons for the cancellation of the VAT exemption certificate;
- (ii) data and/or information is obtained showing that the taxable person, project owner or EPC work provider is not entitled to the VAT exemption facility, the head of the Tax Office on behalf of the Director General of Taxes cancels the granting of the exemption from VAT incentive by issuing a certificate of the cancellation of the VAT exemption certificate attached with the written reasons for the cancellation of the VAT exemption certificate;
- (iii) there is data and/or information that shows that the factory machines and equipment do not fulfil the criteria either in part or in full, the Head of the Tax Office where the taxable person, project owner or EPC work provider is registered on behalf of the Director General of Taxes:
  - a. appeals to the taxable person, project owner or EPC work provider to pay VAT payable on imports and/or acquisitions of factory machines and equipment that do not fulfil the criteria if not all of the factory machines and equipment do not fulfil the criteria; or
  - b. cancels the granting of the VAT exemption facility by issuing a certificate of the cancellation of the VAT exemption certificate accompanied by the written reasons for the cancellation of the VAT exemption certificate if all factory machines and equipment do not fulfil the criteria.

For the appeal and cancellation of the VAT exemption certificate, the taxable person, project owner or EPC work provider is required to pay the VAT exemption using a tax payment slip (*Surat Setoran Pajak/SSP* in Indonesian) or other administrative means equivalent to the tax payment slip no later than 1 (one) month from the time the certificate of cancellation of the VAT exemption certificate is issued.

## Chapter 41

# VAT Exemption for Imports of Goods in the Context of Contracts of Work or Coal Mining Business Concession Agreements

### A. Brief Description

<b>Description</b>	Value Added Tax (VAT) exemption for imports of goods in the context of Contracts of Work (CoWs or <i>Kontrak Karya/KK</i> in Indonesian) or coal mining concession cooperation agreements ( <i>Perjanjian Kerjasama Pengusahaan Pertambangan Batu Bara/ PKP2B</i> in Indonesian)
<b>Incentive Type</b>	VAT exemption
<b>Legal Basis</b>	Minister of Finance Regulation Number 116/PMK.04/2019 concerning the Exemption or Relief of Import Duty and/or the Exemption from Value Added Tax for Imports of Goods in the Context of Contracts of Work or Coal Mining Concession Work Agreements ( <a href="#">MoF Reg. 116/2019</a> )
<b>Economic sectors</b>	Coal mining
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2005

Source: processed by the Author.

### B. Incentive Benefits

In the incentive, imports of taxable goods (*Barang Kena Pajak/BKP* in Indonesian) in the context of CoWs or coal mining concession cooperation agreements may be exempt from VAT. VAT may be exempt insofar as the VAT exemption clause is stated in the agreed contract.

There is a difference in the utilisation period of VAT exemption for imports of taxable goods in the context of CoWs or coal mining concession cooperation agreements, between contractors that include provisions on the VAT exemption

period and those that do not include the VAT exemption period. The following is a table of comparison between the utilisation period based on the 2 (two) aforementioned conditions.

**Table 41.1 Comparison of Periods**

Clauses in the Contract	VAT Exemption Period
Listing provisions on the VAT exemption period for imports of taxable goods	The exemption is granted according to the period stated in the contract.
Not listing provisions on the VAT exemption period for imports of taxable goods	The exemption is granted from the date the contract is signed until the tenth year of the production operation period. If the contractor operates more than 1 (one) area, it is calculated from the date of the start of operations in the first mining area.

Source: [MoF Reg. 116/2019](#), processed by the Author.

Contractors that do not include a clause concerning VAT exemption for imports of taxable goods remain able to utilise this incentive. VAT exemption may be utilised insofar as the contract includes a clause concerning the import duty exemption or relief for imports of taxable goods, but the taxable goods subject to the VAT exemption are only taxable goods subject to import duty exemption pursuant to statutory tax provisions. The VAT exemption in this condition is given from the date the contract is signed until the tenth year of the production operation period.

### **C. Parties Receiving the Incentives**

The VAT exemption incentive for imports of taxable good in the context of CoWs or coal mining concession cooperation agreements may be utilised by contractors that include a VAT exemption clause for the import of taxable goods. The period of VAT exemption in the context of CoWs or coal mining concession cooperation agreements can be seen in Table 41.1.

### **D. Requirements**

The VAT exemption incentive for imports in the context of CoWs or coal mining concession cooperation agreements may be utilised insofar as the following general requirements are fulfilled.



### **D.1 General Requirements**

The agreed contract must include provisions concerning the VAT exemption for imports of taxable goods in the context of CoWs or coal mining concession cooperation agreements. If it does not include provisions related to the VAT exemption for imports of taxable goods, the provisions listed in Table 41.1 shall apply.

### **D.2 Special Requirements**

No sufficient information is available concerning the special requirements that must be fulfilled in the provisions stipulating this incentive.

### **D.3 Application Forms and Reports**

In this incentive, there are no forms or reports required to apply for the utilisation of the VAT exemption incentive for imports of taxable goods in the context of CoWs or coal mining concession cooperation agreements.

## **E. Application Scheme**

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No sufficient information is available concerning the application scheme that must be implemented by taxpayers in the provisions stipulating this incentive. This is because the incentive may be utilised if the provisions on VAT exemption are listed in the agreed contract.

## **F. Flow Chart**

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No sufficient information is available concerning the flow chart in the provisions stipulating this incentive.

## **G. Post-Incentive-Utilisation Obligations**

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Customs obligations for imports of taxable goods that receive VAT exemption in the context of CoWs or coal mining concession cooperation agreements are fulfilled at the Customs Office of the entry of goods. Further, the received exemption facility remains subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

## **H. Other Important Information**

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### **H.1 Imports of Taxable Goods in the Context of Non-Conforming Contracts of Work or Coal Mining Concession Cooperation Agreements**

In the event that contractor imports goods that do not comply with the minister of finance decree concerning the granting of VAT exemption, VAT must be collected on the import. In the event of force majeure:

- (i) the invoice document that has been approved by the Head of the Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM* in Indonesian) or appointed officials; and
- (ii) a certificate from the competent agency attached with evidence supporting the force majeure,

may be used as a substitute for the minister of finance decree stipulating the granting of the VAT exemption.

### **H.2 Transfers of Taxable Goods That Receive the VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

Imports of taxable goods that receive the VAT exemption in the context of CoWs or coal mining concession cooperation agreements may be transferred. The transfer may be conducted after 2 (two) years from the date of the import declaration. The provisions on the minimum transfer period may not apply in the event of the following:

- (i) force majeure occurs as evidenced by a certificate from the competent agency;
- (ii) re-export;
- (iii) the contractor is declared bankrupt by the Commercial Court; or
- (iv) transferred to another party that obtains the import duty exemption or relief and/or VAT exemption facility.

#### **H.2.1 Provisions on Transfers of Taxable Goods That Receive the VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

Transfers may be conducted after the contractor obtains a permit from the Head of the Customs Office where the goods are to be transferred. The permit for the transfer may be obtained by the contractor by applying for the transfer to the Head of the Customs Office where the goods are to be transferred. The following

are the details of the provisions in the submission of the application for a transfer.

- (i) The application for the transfer accompanied by the reasons for the transfer;
- (ii) Supporting documents:
  - a. a recommendation letter from the Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources (*Energi dan Sumber Daya Mineral/ESDM* in Indonesian);
  - b. a recommendation letter from the Indonesia Investment Coordinating Board, if the transfer is conducted after 2 (two) years up to 5 (five) years from the date of the import declaration;
  - c. the minister of finance decree concerning the granting of the import duty exemption or relief and/or VAT exemption for goods to be transferred as well as the appendix of the minister of finance decree;
  - d. the import declaration that has obtained a registration number;
  - e. the list of goods to be transferred;
  - f. a certificate from the competent agency and attached with evidence supporting force majeure if the transfer is conducted due to force majeure;
  - g. a Commercial Court decision declaring that the contractor is bankrupt if the contractor is bankrupt;
  - h. the minister of finance decree concerning the granting of the import duty exemption or relief and/or exemption from VAT in the context of CoWs or coal mining concession cooperation agreements under the name of the transferee if transferred to another recipient of the import duty exemption or relief and/or exemption from VAT in the context of CoWs or coal mining concession cooperation agreements;
  - i. a photograph of the goods to be transferred; and
  - j. the special mining business permit (*Izin Usaha Pertambangan Khusus/IUPK* in Indonesian) if the contractors change the form of their mining business to a special mining business permit;
- (iii) A list of items to be transferred, which at least contains the following data elements:
  - a. description of the goods;
  - b. technical specifications of the goods;
  - c. quantity and units of the goods;
  - d. the number and date of the minister of finance decree concerning the granting of import duty exemption or relief and/or VAT exemption for goods to be transferred and the serial number of the goods listed in the appendix of the minister of finance decree;
  - e. the Customs Office of the entry of goods;

- f. the number and date of import declaration registration; and
- g. the signature of the lead contractor.

### **H.2.2 Application Scheme for Transfers of Taxable Goods Eligible That Receive the VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

The application for a transfer of taxable goods may be submitted in the following steps.

- (i) The application is submitted electronically through the Indonesia National Single Window (INSW) System or the Directorate General of Customs and Excise (DGCE) Portal.
- (ii) If the INSW System experiences operational disruptions, the application is submitted manually in the form of hardcopy or softcopy.
- (iii) The Head of the Customs Office or the appointed Customs and Excise officials at the Customs Office where the goods are to be transferred examine the fulfilment of the transfer requirements. The results of the examination will be followed up within a maximum of 5 (five) hours for electronic submissions and 3 (three) business days for manual submissions, under several conditions:
  - a. the application is declared incomplete, the Head of the Customs Office issues a letter of document return stating the reason for the return;
  - b. the application is declared non-conforming, the Head of the Customs Office issues a rejection letter for the issuance of a transfer permit stating the reason for the rejection;
  - c. the application is declared conforming, there are 2 (two) conditions if the application is declared conforming, as follows:
    - the Head of the Customs Office issues a permit for the transfer of the taxable goods without any obligation to pay VAT payable; or
    - the Head of the Customs Office issues a permit for the transfer of taxable goods with an obligation to pay VAT payable.
- (iv) The minister of finance decree concerning the transfer permit is valid for 60 days from the date of issuance.

### **H.2.3 Other Important Information on Transfers of Taxable Goods That Receive VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

If the transfer is conducted after 4 (four) years from the date of the import declaration, the transfer of the taxable goods is exempt from the provisions on the transfer permit. The contractors that have conducted the transfers are only

required to submit the transfer realisation report to the Head of the Customs Office. The report is submitted no later than 30 days from the date of the transfer.

### **H.3 Destruction of Taxable Goods that Receive the VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

Imports of taxable goods that receive the VAT exemption in the context of CoWs or coal mining concession cooperation agreements may be subject to destruction. Destruction may be conducted after 2 (two) years from the date of the import declaration. The minimum period of destruction may not apply in the event of force majeure.

#### **H.3.1 Provisions on the Destruction of Taxable Goods Eligible That Receive the VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

Destruction may be conducted after the contractor obtains a permit from the Head of the Customs Office where the goods are to be destroyed. The destruction permit may be obtained by the contractor by applying for destruction to the Head of the Customs Office where the goods are to be transferred. The following are details of the provisions in the submission of the application for destruction.

- (i) The application for destruction is accompanied by reasons for destruction.
- (ii) Supporting documents:
  - a. a recommendation letter from the Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources;
  - b. a recommendation letter from the Indonesian Investment Coordinating Board if the destruction is conducted after 2 (two) years up to 5 (five) years from the date of the import declaration;
  - c. the minister of finance decree concerning the granting of the import duty exemption or relief and/or VAT exemption for the goods to be destroyed and the appendix of the minister of finance decree which lists the goods to be destroyed;
  - d. the import declaration that has obtained a registration number;
  - e. the list of goods to be destroyed;
  - f. a certificate from the competent agency and attached with evidence supporting force majeure, if the destruction is conducted due to force majeure;
  - g. a photograph of goods to be destroyed; and
  - h. the special mining business permit if the contractors change the form of their mining business to special mining business permit.

- (iii) The list of goods to be destroyed, which must contain at least the following data elements:
- a. description of the goods;
  - b. technical specifications of the goods;
  - c. quantity and units of the goods;
  - d. the number and date of the minister of finance decree concerning the granting of the import duty exemption or relief and/or VAT exemption for goods to be destroyed and the serial number of the goods listed in the appendix of the said minister of finance decree;
  - e. the Customs Office of the entry of goods;
  - f. the number and date of import declaration registration; and
  - g. the signature of the lead contractor.

### **H.3.2 Application Scheme for the Destruction of Taxable Goods that Receive the VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

The application for the destruction of taxable goods may be submitted using the following steps.

- (i) The application is submitted electronically through the INSW System or DGCE Portal.
- (ii) If the INSW System experiences operational disruptions, the application is submitted manually in the form of hardcopy or softcopy.
- (iii) The Head of the Customs Office or appointed Customs and Excise officials at the customs office where the goods to be destroyed are located examine the fulfilment of the destruction requirements. The results of the examination will be followed up within a maximum of 5 (five) hours for electronic submissions and 3 (three) business days for manual submissions, under several conditions:
  - a. the application is declared incomplete. the Head of the Customs Office issues a letter of document return stating the reasons for the return;
  - b. the application is declared non-conforming. the Head of the Customs Office issues a rejection letter for the issuance of the destruction permit stating the reasons for the rejection; or
  - c. the application is declared conforming. the Head of the Customs Office issues a minister of finance decree concerning the destruction permit for the taxable goods.
- (iv) The minister of finance decree concerning the destruction permit is valid for 60 (sixty) days from the date of issuance.

- (v) Contractors that have obtained a destruction permit and will destroy the goods must first notify the Head of the Customs Office.
- (vi) Before being destroyed, the taxable goods will be subject to a physical inspection by Customs and Excise officials who will subsequently prepare a report on the results of the physical inspection of the taxable goods. There are 2 (two) conditions that may occur:
  - a. the physical examination is declared conforming, the destruction may be conducted, and the Customs and Excise officials prepare an official report on the destruction of the taxable goods; or
  - b. the physical examination is declared non-conforming, the Head of the Customs Office notifies the contractor that the taxable goods cannot be destroyed.

### **H.3.3 Other Important Information concerning the Destruction of Taxable Goods That Receive the VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

If the destruction is conducted after 5 (five) years from the date of import declaration, the destruction of the taxable goods is excluded from the provisions on the destruction permit. Contractors that have conducted the destruction are only required to submit the destruction realisation report to the Head of the Customs Office. The report must be submitted no later than 30 (thirty) days from the date of destruction.

### **H.3.4 Destruction of Taxable Goods that Receive VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements with Remaining Economic Value After Destruction**

VAT exemption for imported taxable goods in the context of CoWs or coal mining concession cooperation agreements does not apply if after the destruction, the goods have economic value. VAT payable on taxable goods with remaining economic value after destruction is conducted shall comply with statutory provisions in the field of taxation. This provision may continue to be excluded if the destruction is conducted within a period of 4 (four) years from the date of the import declaration.

#### **H.4 Re-exports of Taxable Goods that Receive VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

Contractors may re-export imported goods that receive the VAT exemption in the context of CoWs or coal mining concession cooperation agreements by submitting the export declaration to the Customs Office where the re-export is conducted. For this re-export, the contractor is exempt from the obligation to pay VAT payable.

##### **H.4.1 Provisions on Re-export of Taxable Goods that Receive the VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

The submission of an export declaration must be complemented by several supporting documents, including:

- (i) a recommendation letter from the Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources;
- (ii) a recommendation letter from the Indonesian Investment Coordinating Board if the re-export is conducted before 5 (five) years from the date of import declaration;
- (iii) the minister of finance decree concerning the granting of import duty exemption or relief and/or VAT exemption for goods to be re-exported and the appendix of the minister of finance decree;
- (iv) the import declaration that has obtained a registration number;
- (v) the list of goods to be re-exported;
- (vi) a photograph of goods to be re-exported;
- (vii) special mining business permit if the contractors change the form of their mining business to a special mining business permit; and
- (viii) the list of goods to be re-exported, which at least contains the following data:
  - a. description of the goods;
  - b. technical specifications of the goods;
  - c. quantity and units of the goods;
  - d. the number and date of the minister of finance decree concerning the granting of import duty exemption or relief and/or VAT exemption for imported goods to be re-exported and the serial number of the goods to be re-exported in the appendix of the minister of finance decree;
  - e. the Customs Office of the entry of goods;
  - f. the number and date of import declaration registration; and



- g. the signature of the lead contractor.

#### **H.4.2 Application Scheme for Re-exports of Taxable Goods that Receive VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

The application for the re-export of taxable goods may be submitted using the following steps.

- (i) The contractor submits an export declaration to the customs office where the re-export is carried out;
- (ii) The submission is subject to a physical inspection by customs and excise officials; and
- (iii) Procedures for re-exports are implemented pursuant to statutory provisions stipulating export procedures.



# Chapter 42

## VAT Exemption for Supplies of Public Housing, Employee Housing, Workforce Housing and Dormitories

### A. Brief Description

<b>Description</b>	Value Added Tax (VAT) exemption for certain strategic taxable goods ( <i>Barang Kena Pajak/BKP</i> in Indonesian) in the form of public housing, workforce housing, university student and pupil dormitories as well as employee housing, the thresholds of which are stipulated by the Minister of Finance after receiving considerations from the Minister in the field of public works and public housing ( <i>Pekerjaan Umum dan Perumahan Rakyat/PUPR</i> in Indonesian)
<b>Incentive Type</b>	VAT exemption
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>);</li> <li>2. Minister of Finance Regulation Number 60 of 2023 concerning the Threshold of Public Housing, Workforce Housing, University Student and Pupil Dormitories as Well as Employee Housing That Are Exempt from Value Added Tax (<a href="#">MoF Reg. 60/2023</a>);</li> <li>3. Minister of Public Works and Public Housing Decree Number 22/KPTS/M/2023 concerning the Amount of Income for Low-Income Communities and Area Threshold for Public Housing and Self-Help Housing (<a href="#">Minister of Public Works and Public Housing Decree 22/2023</a>).</li> </ol>
<b>Economic sectors</b>	Construction
<b>Beneficiary subjects</b>	Households

<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2001

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 38.

## B. Incentive Benefits

Supplies of public housing, workforce housing, university student as well as pupil dormitories and employee housing may be exempt from VAT. The VAT exemption facility may be enjoyed if the supplied public housing, workforce housing, university student and pupil dormitories and employee housing do not exceed the thresholds set by the Minister of Finance after receiving considerations from the Minister of Public Works and Public Housing.

## C. Parties Receiving the Incentives

This VAT exemption incentive may be utilised by several resident taxpayers, both individuals and corporations. The beneficiaries of this incentive differ for each taxable object, the following are the details of the category of the beneficiaries based on the taxable objects.

(i) Public housing

The VAT exemption incentive for taxable goods in the form of public housing may be utilised by low-income communities (*Masyarakat Berpenghasilan Rendah/MBR* in Indonesian).

(ii) Employee housing

The VAT exemption incentive for taxable goods in the form of employee housing may be utilised by low-income communities.

(iii) Workforce housing

The VAT exemption incentive for taxable goods in the form of workforce housing may be utilised by several parties, namely the central government, local governments, labour cooperatives and employee cooperatives.

(iv) University student and pupil dormitories

The VAT exemption incentive for taxable goods in the form of university student and pupil dormitories may be utilised by several parties, namely the central government, local governments, higher education institutions and schools.

## D. Requirements

VAT exemption for supplies of public housing, workforce housing, university student and pupil dormitories as well as employee housing has several requirements to be utilised. Some of the requirements are requirements for the incentive recipients, supplied taxable goods criteria and administrative requirements. The following are details of the requirements that must be fulfilled.

### D.1 Requirements for Incentive Recipients

The incentive recipients are categorised based on the supplied taxable objects. VAT exemption for supplies of public housing and employee housing may be enjoyed by individual taxpayers, whereas the VAT exemption for supplies of workforce housing and dormitories may be enjoyed by corporate taxpayers. The following are different requirements for each category to utilise this incentive.

#### D.1.1 Requirements for Individual Taxpayers as Recipients of the VAT Exemption Incentive for Supplies of Public Housing and Employee Housing

The VAT exemption incentive for supplies of public housing and employee housing may only be utilised by individual taxpayers who fulfil the criteria as low-income communities. In addition, several requirements and provisions are to be taken into account to utilise this incentive.

##### D.1.1.1 Criteria for Low-Income Community and Requirements for Low-Income Communities to Obtain the VAT Exemption for Supplies of Public Housing and Employee Housing

The VAT exemption incentive for public housing supplies and employee housing are only given to low-income communities. The criteria for low-income communities are stipulated under the Minister of Public Works and Public Housing Decree Number 22/KPTS/M/2023 with the provisions in the table below.

**Table 42.1 Criteria for Low-Income Community**

Regions	Maximum Income Per Month		
	General		Public Housing Savings Per Person
	Not Married	Married	
Java, Sumatra, Kalimantan, Sulawesi, Bangka Belitung Islands, Riau Islands, Maluku, North	IDR7 million	IDR8 million	IDR8 million

Regions	Maximum Income Per Month		
	General		Public Housing Savings Per Person
	Not Married	Married	
Maluku, Bali, East Nusa Tenggara, West Nusa Tenggara			
Papua, West Papua, Central Papua, South Papua, Mountainous Papua and Southwest Papua	IDR7,5 million	IDR10 million	IDR10 million

Source: Minister of Public Works and Public Housing Number 22/KPTS/M/2023, processed by the Author.

In addition to these criteria, low-income communities must fulfil other requirements to obtain the VAT exemption incentive for supplies of public housing and employee housing, as follows:

- (i) having filed the annual income tax returns (*Surat Pemberitahuan/SPT* in Indonesian) for the last 2 (two) tax years;
- (ii) having filed periodic VAT returns for the last 3 (three) taxable periods as their obligation for individuals who have a TIN; and
- (iii) having no tax liabilities.

#### **D.1.1.2 Family Concept in the VAT Exemption for Supplies of Public Housing and Employee Housing**

- (i) The VAT exemption facility for married individuals is only provided for 1 (one) unit in 1 (one) family;
- (ii) In the event that the husband/wife has utilised VAT exemption before being married, the facilities that have been obtained may continue to be utilised;
- (iii) Unmarried individuals who are under 18 (eighteen) years old and/or still constitute family dependants cannot utilise the VAT exemption facility; and
- (iv) The first house (all types of residence) is the first unit to be owned by a husband and wife and unmarried individuals who are  $\geq 18$  (eighteen) years old and no longer constitute family dependants.

### D.1.2 Requirements for Corporate Taxpayers as Recipients of the VAT Exemption Incentive for Supplies of Workforce Housing and Dormitories

The VAT exemption incentive for supplies of workforce housing and dormitories may only be utilised by corporate taxpayers. Corporate taxpayers entitled to utilise the VAT exemption for supplies of workforce housing are only required to have a TIN to utilise this incentive, whereas corporate taxpayers that do not have a TIN cannot utilise this incentive.

### D.2 Criteria for Supplied Taxable Goods

A supplied taxable object is eligible for VAT exemption for its supply if it fulfils the criteria related to the taxable object, such as building area, building function, so forth. The following are the details of the criteria for each taxable object.

- (i) Public housing
  - a. building area is  $\geq 21$  (twenty-one) m<sup>2</sup> and  $\leq 36$  (thirty-six) m<sup>2</sup>, land area  $\geq 60$  (sixty) m<sup>2</sup> and  $\leq 200$  (two hundred) m<sup>2</sup>;
  - b. has a house identity code provided through the application of the Ministry of Public Works and Public Housing and/or People's Housing Savings Management Agency (*Badan Pengelola Tabungan Perumahan Rakyat/BP Tapera* in Indonesian);
  - c. the first house owned and used by Indonesian citizens (*Warga Negara Indonesia/WNI* in Indonesian) constituting low-income communities, not transferred for 4 (four) years since being owned;
  - d. only functions as a habitable residence, excluding shophouses and office houses; and
  - e. having a selling price  $\leq$  the selling price thresholds in the table below.

**Table 42.2 Public Housing Selling Price Thresholds by Zone in 2023-2024**

Zone	In 2023	Starting 2024
Java (except Jabodetabek) and Sumatra (except Riau Islands, Bangka Belitung, Mentawai Islands)	IDR162 million	IDR166 million
Kalimantan (except Murung Raya Regency and Mahakam Ulu Regency)	IDR177 million	IDR182 million
Sulawesi, Bangka Belitung, Mentawai Islands and Riau Islands (except Anambas Islands)	IDR168 million	IDR173 million
Maluku, North Maluku, Bali, East Nusa Tenggara, West Nusa Tenggara, Jabodetabek, Anambas Islands, Murung Raya Regency and Mahakam Ulu Regency	IDR181 million	IDR185 million

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Zone	In 2023	Starting 2024
Papua, West Papua, Central Papua, South Papua, Mountainous Papua and Southwest Papua	IDR234 million	IDR240 million

Source: [MoF Reg. 60/2023](#), processed by the Author.

- (ii) Employee housing
- a. building area is  $\geq 21$  (twenty-one) m<sup>2</sup> and  $\leq 36$  (thirty-six) m<sup>2</sup>, land area  $\geq$  is 60 (sixty) m<sup>2</sup> and  $\leq 200$  (two hundred) m<sup>2</sup>;
  - b. financed and constructed by an employer who has a TIN or using the services of a construction company for its own employees who constitute Indonesian citizens and is non-commercial;
  - c. the first house owned and used by Indonesian employees constituting low-income communities, not transferred for 4 (four) years since owned;
  - d. only functions as habitable residence, excluding shophouses and office houses;
  - e. recipients of employee housing are not included in shareholders, directors, commissioners and company management;
  - f. the selling price  $\leq$  selling price threshold or tax base for free of charge  $\leq$  selling price thresholds detailed in the table below.

**Table 42.3 Employee Housing Selling Price Thresholds Based on Zone in 2023-2024**

Zone	In 2023	Starting 2024
Java (except Jabodetabek) and Sumatra (except Riau Islands, Bangka Belitung, Mentawai Islands)	IDR162 million	IDR166 million
Kalimantan (except Murung Raya Regency and Mahakam Ulu Regency)	IDR177 million	IDR182 million
Sulawesi, Bangka Belitung, Mentawai Islands, and Riau Islands (except Anambas Islands)	IDR168 million	IDR173 million
Maluku, North Maluku, Bali, East Nusa Tenggara, West Nusa Tenggara, Jabodetabek, Anambas Islands, Murung Raya Regency and Mahakam Ulu Regency	IDR181 million	IDR185 million
Papua, West Papua, Central Papua, South Papua, Mountainous Papua and Southwest Papua	IDR234 million	IDR240 million

Source: [MoF Reg. 60/2023](#), processed by the Author.



- (iii) Workforce housing
  - a. intended for permanent labour or low-income informal sector workers with agreed rents;
  - b. a multi-storey or non-multi-storey building;
  - c. the building must be classified as simple pursuant to the Building Law; and
  - d. not transferred within 4 (four) years since being acquired;
- (iv) Dormitories
  - a. specifically intended for pupil or university student accommodation;
  - b. a multi-storey or non-multi-storey building;
  - c. the building must be classified as simple pursuant to the Building Law; and
  - d. not transferred within 4 (four) years since being acquired.

### **D.3 Application Forms and Reports**

The following are some letters required when applying for the VAT exemption incentive for supplies of public housing, employee housing, workforce housing and dormitories:

- (i) a certificate from the employer concerning the amount of income; and
- (ii) a certificate concerning the amount of income from business activities or independent personal services.

## **E. Application Scheme**

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In this subchapter concerning the VAT exemption incentive application scheme, there is a difference in the scheme between the application for VAT exemption for supplies of public housing and employee housing and workforce housing and dormitories. The following are details of the VAT exemption incentive application scheme for the 2 (two) categories.

### **E.1 Application Scheme for the VAT Exemption Incentive for Supplies of Public Housing and Employee Housing**

The VAT exemption incentive may be enjoyed by taxpayers that acquire public housing through the government's public housing ownership program (subsidy programme) or those without using this programme.

### **E.1.1 Application Scheme for the VAT Incentive for Supplies of Public Housing by Beneficiaries of the Subsidy Program**

To obtain VAT exemption for supplies of public housing, the recipient of public housing must have a clearance invoice number for the public housing ownership program from the government as proof of registration as a recipient of the subsidy program. The clearance invoice number for the public housing ownership program is a number issued by the Ministry of Public Works and Public Housing and/or the People's Housing Savings Management Agency. Subsequently, the Ministry of Public Works and Public Housing and/or the People's Housing Savings Management Agency will submit data on public housing and receipt of the subsidy program to the DGT at the Ministry of Finance. Further, the recipient of public housing will submit the clearance invoice number to the taxable person (*Pengusaha Kena Pajak*/PKP in Indonesian) supplying the public housing.

### **E.1.2 Application Scheme of the VAT Incentive for Supplies of Public Housing by Non-Beneficiaries of the Subsidy Program**

If the recipient of public housing is in the following conditions:

- (i) has not been registered as a beneficiary of the subsidy program within 3 (three) months since the credit agreement is entered into; or
- (ii) has been rejected for registration as a recipient of the government subsidy program,

the recipient of the house may continue to utilise the VAT exemption incentive. There are different schemes in the submission of the application for the VAT exemption incentive between recipients of public housing that have TINs and those that do not have TINs. The following are details of the two schemes for the application for the VAT exemption incentive for supplies of public housing by non-beneficiaries of the subsidy program.

#### **E.1.2.1 Application Scheme for the Utilisation of the Incentive for Recipients of Public Housing That Have a TIN**

The following is the application scheme for the utilisation of the VAT exemption incentive for supplies of public housing for recipients of public housing who have a TIN.

- (i) The recipient of public housing notifies the utilisation of the facility through electronic channels provided by the DGT;
- (ii) For the notification, the Director General of Taxes issues an electronic receipt (*Tanda Terima Elektronik*/TTE in Indonesian) to the recipient of

public housing no later than 1 (one) business day from the time the notification is submitted; and

- (iii) The electronic receipt is subsequently submitted to the supplier taxable person by the recipient of the public housing.

#### **E.1.2.2 Application Scheme for the Utilisation of the Incentives for Recipients of Public Housing That Do Not Have TINs**

The following is the application scheme for the utilisation of the VAT exemption incentive for supplies of public housing for recipients of public housing that do not have TINs.

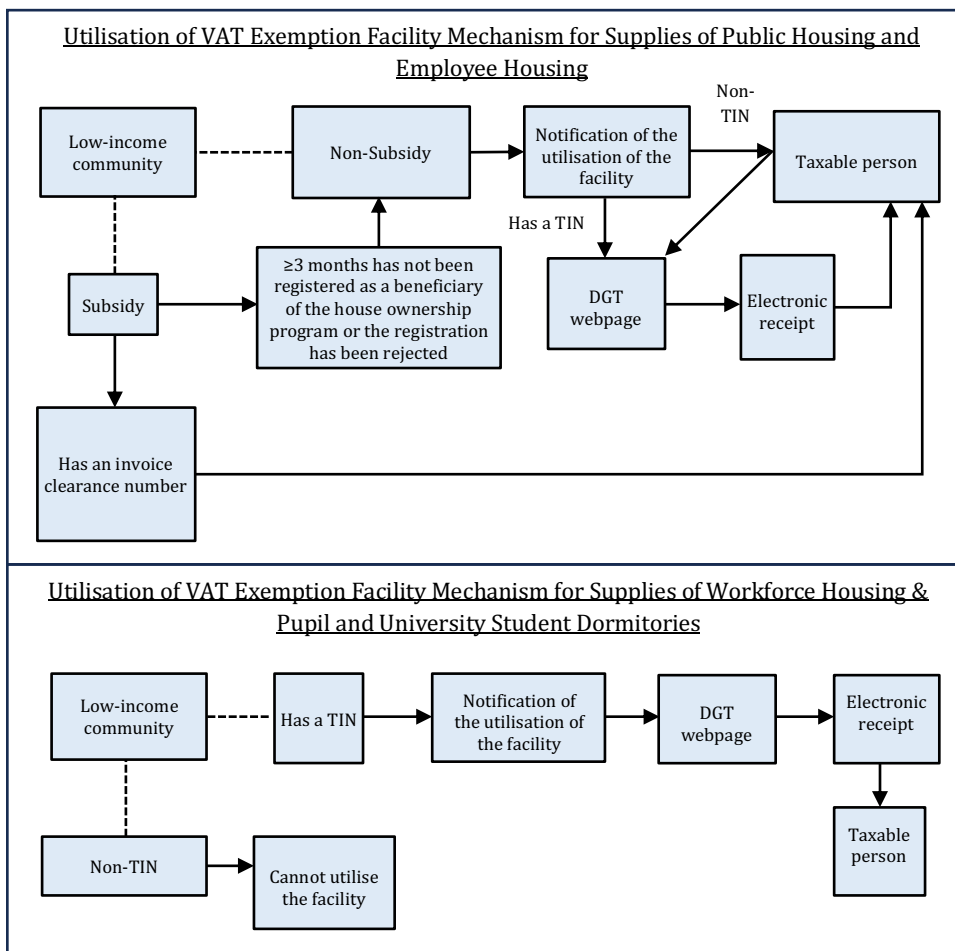
- (i) If the electronic channels cannot be accessed because the recipient of the public housing does not yet have a TIN, the notification of the utilisation of the facility is submitted by the taxable person supplying the public housing;
- (ii) The notification is submitted by the taxable person via the electronic channels provided by the DGT;
- (iii) For the notification, the Director General of Taxes issues an electronic receipt no later than 1 (one) business day from the time the notification is submitted; and
- (iv) The taxable person provides the receipt of the notification to the recipient of the public housing.

#### **E.2 Application Scheme for the VAT Exemption Incentive for Supplies of Workforce Housing and Dormitories**

The VAT exemption incentive for supplies of workforce housing and dormitories may only be utilised by taxpayers that have a TIN. The following is the application scheme for the utilisation of the VAT exemption for supplies of workforce housing and dormitories.

- (i) Taxpayers that will receive workforce housing or a dormitory must notify the utilisation of the facility through electronic channels provided by the DGT;
- (ii) For the notification, the Director General of Taxes will issue an electronic receipt to the recipient of the workforce housing or dormitory no later than 1 (one) business day since the notification is submitted; and
- (iii) Later, the electronic receipt will be submitted to the supplier taxable person by the recipient.

**F. Flow Chart**



Source: [MoF Reg. 60/2023](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

Taxable persons supplying public housing, employee housing, workforce housing and dormitories are required to prepare tax invoices with code 080. Invoice code 080 is the code used for supplies of taxable goods that receive the VAT exemption facility.

Tax invoices must be filled in completely and correctly and at least contain the following information.

- (i) The identity of the party acquiring the taxable goods in the form of:
  - a. the name of the party acquiring the taxable goods; and

- b. the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian) or national identification number if the party acquiring the taxable goods does not yet have a TIN;
- (ii) The number of:
- a. clearance invoice for the exercise of obligations if the acquisition of public housing is on credit or financing for subsidised housing ownership under the government’s public housing ownership program; or
  - b. receipt for the exercise of obligations if the acquisition of public housing is in cash and on credit or financing for housing ownership other than the government’s public housing ownership program, employee housing, workforce housing or student and pupil dormitories,  
in the completion of the invoice reference column;
- (iii) The house identity code in the completion of the goods name column, in the event of a supply of public housing;
- (iv) Details “public housing ownership program from the government” in the invoice reference column in the case of not having a payment bill test pass number referred to in number (ii) letter a; and
- (v) The tax invoice must be complemented with the following information:
- a. “VAT EXEMPTION PURSUANT TO GOV. REG. NO. 49 OF 2022 (public housing)” for supplies of public housing supplies;
  - b. “VAT EXEMPTION PURSUANT TO Gov. Reg. No. NO. 49 of 2022 (employee housing)” for supplies of employee housing;
  - c. “VAT EXEMPTION PURSUANT TO Gov. Reg. No. NO. 49 of 2022 (workforce housing)” for supplies of workforce housing; and
  - d. “VAT EXEMPTION PURSUANT TO Gov. Reg. No. NO. 49 of 2022 (university student and pupil dormitories)” for supplies of university student and pupil dormitory.

## **H. Other Important Information**

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### **H.1 Supplies of Taxable Goods That Do Not Comply with the Provisions**

If the supplies of public houses, employee housing, workforce housing and dormitories do not comply with the provisions stated in Subchapter D of this chapter, the supplies of taxable goods are subject to VAT. Taxable persons supplying the taxable goods are required to collect VAT on:

- (i) supplies of taxable goods that do not fulfil the provisions listed in Subchapter D;

- (ii) supplies of taxable goods to recipients that have a TIN but do not have an electronic receipt; and
- (iii) supplies of taxable goods to recipients that do not have a TIN and do not have an electronic receipt.

If the taxable persons conducting the supplies do not collect VAT on several of the points above, they will be subject to penalties.

## **H.2 Taxable Goods Not Used According to the Original Purpose and Transferred Taxable Goods**

If public housing, employee housing, workforce housing and dormitories whose supplies are exempt from VAT and within a period of 4 (four) years from the time they are acquired:

- (i) are used not according to the original purpose; or
  - (ii) are transferred to another party, either in part or in whole,
- which were formerly exempt from VAT become subject to VAT and must be paid by the party acquiring the taxable goods.

The taxable goods have become payable since the use of the taxable goods not in accordance with their original purpose and/or being transferred. VAT payable must be paid no later than 1 (one) month from the time of supply. If VAT is paid after the payment due date, administrative penalties will be imposed in the form of interest and the VAT that has been paid being non-creditable.

An exclusion is also available for the obligation to pay VAT on the transfer of taxable goods formerly exempt from VAT. This is specified for the transfer of taxable goods conducted by parties providing credit or financing for home ownership in the context of non-performing loan recovery.

## Chapter 43

# VAT Exemption for Supplies of Proprietary Flats Acquired Through Credit or Subsidised Home Ownership Financing

### A. Brief Description

<b>Description</b>	Value Added Tax (VAT) exemption for flat units whose acquisition is financed through credit or subsidised home ownership financing and fulfils statutory provisions
<b>Incentive Type</b>	VAT exemption
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>);</li> <li>2. Minister of Finance Regulation Number 115/PMK.03/2021 concerning Procedures for the Granting of the Exemption from Value Added Tax Incentive on Imports and/or Supplies of Certain Strategic Taxable Goods, Procedures for the Payment of Value Added Tax on Certain Strategic Taxable Goods That Have Been Exempt from Value Added Tax Used Not in Accordance with the Original Purpose or Transferred and the Imposition of Penalties for the Late Payment of Value Added Tax (<a href="#">MoF Reg. 115/2021</a>);</li> <li>3. Minister of Finance Regulation Number 269/PMK.010/2015 concerning the Selling Price Threshold of Simple Proprietary Flats and Income of Individuals Acquiring Simple Proprietary Flats (<a href="#">MoF Reg. 269/2015</a>).</li> </ol>
<b>Economic sectors</b>	Construction
<b>Beneficiary subjects</b>	Households

<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2007

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 41.

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**B. Incentive Benefits**

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Supplies of certain strategic taxable goods (*Barang Kena Pajak/BKP* in Indonesian) in the form of proprietary flat units whose acquisition is financed through credit or subsidised home ownership financing and such flats fulfil the requirements constitute proprietary flats. Further, pursuant to [Gov. Reg. No. 49/2022](#), proprietary flats are defined as flats organised to fulfil the housing needs of low-income communities (*Masyarakat Berpenghasilan Rendah/MBR* in Indonesian).

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**C. Parties Receiving the Incentives**

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This VAT exemption incentive may only be utilised by individuals who are categorised as low-income communities.

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**D. Requirements**

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The VAT exemption for supplies of proprietary flats acquired by credit or financing has several requirements to be utilised. Some of the requirements are incentive recipient requirements, criteria for the supplied taxable goods and administrative requirements. The following are the details that must be fulfilled.

**D.1 Requirements for Incentive Recipients**

The VAT exemption incentive for supplies of public housing may only be utilised by individuals who fulfil the criteria as low-income communities. MoF Reg. 269/2015 also stipulates the maximum income threshold for individuals who utilise the VAT exemption for supplies of public housing of IDR7 million per month.

**D.2 Criteria for the Supplied Taxable Goods**

Supplies of proprietary flats are eligible for the exemption insofar as the taxable goods fulfil the following conditions:

- (i) having a house identity code in the housing developer information application system provided by the Ministry of Public Works and Public Housing (*Pekerjaan Umum dan Perumahan Rakyat/PUPR* in Indonesian);



- (ii) building area is  $\geq 21 \text{ m}^2$  and  $\leq 36 \text{ m}^2$ , land area  $\geq 60 \text{ m}^2$  and  $\leq 200 \text{ m}^2$ ;
- (iii) having a house identity code provided through the application of the Ministry of Public Works and Public Housing and/or the People's Housing Savings Management Agency (*Badan Pengelola Tabungan Perumahan Rakyat/BP Tapera* in Indonesian);
- (iv) the construction refers to the regulation of the minister who administers governmental affairs in the field of public works and public housing;
- (v) the first residential unit owned, for personal use as a residence and not transferred within a period pursuant to statutory provisions in the field of flats; and
- (vi) the selling price does not exceed IDR 250 million.

### **D.3 Administrative Requirements**

To obtain VAT exemption for supplies of public flats, individuals must submit a statement letter to the supplier taxable person (*Pengusaha Kena Pajak/PKP* in English) before the supply is conducted or when down payment is paid. The statement letter consists of various documents. The following are details of the documents required as the statement letter.

- (i) Stamped statement from:
  - a. the employer concerning the amount of income received each month if the buyer is an employee;
  - b. the buyer concerning the amount of income received each month if the buyer is an individual who is engaged in business activities or independent personal services; or
  - c. the employer concerning the amount of income received each month and from the buyer concerning the amount of income received each month if the individual is an employee and also engaged in business activities or independent personal services;
- (ii) Stamped statement from the buyer that the simple proprietary flat is the first residential unit owned, used solely as a residence and will not be transferred within a period of 4 (four) years; and
- (iii) A photocopy of the filing receipt of the annual individual income tax return for the last 2 (two) tax years as their obligation for individuals who have a Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian).

### **D.4 Application Forms and Reports**

The following are some letters required when applying for the VAT exemption incentive for supplies of proprietary flats.

- (i) A certificate from the employer concerning the amount of income;
- (ii) A statement letter concerning the amount of income from business activities or independent personal services; and
- (iii) A statement letter that the simple proprietary flat is the first residential unit owned, used solely as a residence and will not be transferred within a period of 4 (four) years.

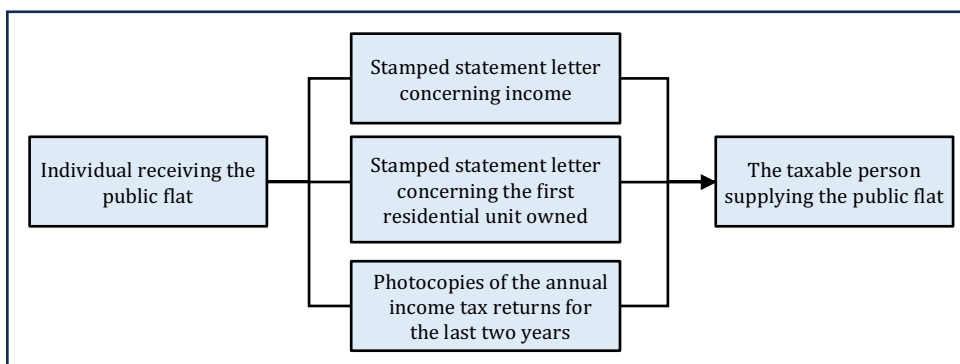
#### **E. Application Scheme**

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The application for the utilisation of this incentive is submitted by the taxable person as the party supplying the proprietary flats. The individual receiving the proprietary flats is only required to submit statement to the taxable person supplying the taxable goods, the statement consists of:

- (i) Stamped statement from:
  - a. the employer concerning the amount of income received each month if the buyer is an employee;
  - b. the buyer concerning the amount of income received each month if the buyer is an individual who is engaged in business activities or independent personal services; or
  - c. the employer concerning the amount of income received each month and from the buyer concerning the amount of income received each month if the individual is an employee and also engaged in business activities or independent personal services;
- (ii) Stamped statement from the buyer that the simple proprietary is the first residential unit owned, used solely as a residence and will not be transferred within a period of 4 (four) years; and
- (iii) A photocopy of the filing receipt of the annual individual income tax returns for the last 2 (two) tax years as their obligation for individuals who have a TIN.

## **F. Flow Chart**



Source: [MoF Reg. 115/2021](#), processed by the Author.

## **G. Post-Incentive-Utilisation Obligations**

Taxable persons supplying public flats are required to prepare tax invoices with code 080. Invoice code 080 is the code used for supplies of taxable goods and/or services eligible for the VAT exemption facility.

The following provisions apply to tax invoices prepared for supplies of public flats.

- (i) Tax invoices are filled in completely and correctly, including:
  - a. the buyer's identity in the form of buyer's name;
  - b. the buyer's TIN or national identification number (*Nomor Induk Kependudukan*/NIK in Indonesian); and
  - c. house identification code in the housing developer information application system owned by the ministry that administers governmental affairs in the field of public works and public housing, which is filled in the reference;
- (ii) Tax invoices are filed in periodic VAT returns by taxable persons supplying the simple proprietary flats; and
- (iii) The provisions on the preparation of tax invoices for retailer taxable persons do not apply to these supplies.

## **H. Other Important Information**

If a public flat whose supply is exempt from VAT and within a period of 4 (four) years from the date of the acquisition is:

- (i) used not according to the original purpose; or

(ii) transferred to another party, either in part or in whole, formerly exempt from VAT are now subject to VAT payable and must be paid by the party acquiring the taxable goods.

The taxable goods have become payable since the use of the taxable goods not in accordance with their original purpose and/or being transferred. VAT payable must be paid no later than 1 (one) month from the time of supply. If VAT is paid after the payment due date, administrative penalties will be imposed in the form of interest and the VAT that has been paid being non-creditable.

# Chapter 44

## VAT Exemption for Rental Services of Public Flats and Public Houses

### A. Brief Description

<b>Description</b>	Rents of public flats and public houses are among the certain taxable services ( <i>Jasa Kena Pajak</i> /JKP in Indonesian) whose supplies are subject to the Value Added Tax (VAT) exemption facility.
<b>Incentive Type</b>	VAT exemption
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>);</li> <li>2. Minister of Finance Regulation Number 60 of 2023 concerning the Threshold of Public Housing, Workforce Housing, University Student and Pupil Dormitories as Well as Employee Housing That Are Exempt from Value Added Tax (<a href="#">MoF Reg. 60/2023</a>);</li> <li>3. Minister of Finance Regulation Number 269/PMK.010/2015 concerning the Selling Price Threshold of Simple Proprietary Flats and Income of Individuals Acquiring Simple Proprietary Flat (<a href="#">MoF Reg. 269/2015</a>).</li> </ol>
<b>Economic sectors</b>	Construction
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2003

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 40.

## **B. Incentive Benefits**

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Rents of public flats and public houses are among certain taxable services whose supplies receive the VAT exemption facility. Public flats and public houses are further defined as flats and houses organised to fulfil the housing needs of low-income communities.

## **C. Parties Receiving the Incentives**

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This VAT exemption incentive may be utilised by all Indonesian citizens who utilise rental services for public flats and public houses.

## **D. Requirements**

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The utilisation of the VAT exemption incentive for rental services of public flats and public houses does not have special requirements for its utilisation. The available requirements are related to the criteria of public flats and public houses. The following are the criteria for public flats and public houses pursuant to [MoF Reg. 269/2015](#) and [MoF Reg. 60/2023](#):

- (i) the building area is a minimum of 21 (twenty-one) m<sup>2</sup> to 36 (thirty-six) m<sup>2</sup>; and
- (ii) the land area is a minimum of 60 (sixty) m<sup>2</sup> to 200 (two hundred) m<sup>2</sup>.

## **E. Application Scheme**

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Pursuant to the provisions under Article 24 of [Gov. Reg. No. 49/2022](#), the VAT exemption for rental services for public flats and public houses is granted without using a VAT exemption certificate. The facility may also be immediately enjoyed by taxpayers after conducting a rental transaction for public flats and public houses.

## **F. Flow Chart**

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No sufficient information is available concerning the flowchart for the application for the incentive in the provisions stipulating this incentive.

## **G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive. However, the received exemption facility remains subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

**H. Other Important Information**

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No other information is available concerning the regulation of this incentive other than that has been mentioned in the above description.





## Chapter 45

# VAT Exemption for Construction Services for the Contracting of the Construction of Places of Worship

### A. Brief Description

<b>Description</b>	Services supplied by contractors for the construction of places solely for worship purposes are certain taxable services ( <i>Jasa Kena Pajak</i> /JKP in Indonesian) whose supplies are exempt from Value Added Tax (VAT).
<b>Incentive Type</b>	VAT exemption
<b>Legal Basis</b>	Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory ( <a href="#">Gov. Reg. No. 49/2022</a> )
<b>Economic sectors</b>	Construction
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2003

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 43.

### B. Incentive Benefits

Construction services supplied by contractors for the contracting of the construction of places solely for religious purposes are included in certain taxable services whose supplies are exempt from VAT.

### **C. Parties Receiving the Incentives**

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This VAT exemption incentive may be utilised by all taxpayers rendering construction services, insofar as the rendered services are for the contracting of the construction of places solely for worship purposes.

### **D. Requirements**

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This incentive may be utilised insofar as the contractor supplies services for the contracting of the construction of a place solely for worship purposes.

### **E. Application Scheme**

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Pursuant to Art. 5 of [Gov. Reg. No. 49/2022](#), VAT exemption for construction services for the construction of places of worship is granted without using a VAT exemption certificate. This facility may also be enjoyed directly by taxpayers after conducting construction activities of the place of worship.

### **F. Flow Chart**

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No sufficient information is available concerning the flowchart for the application for the incentive in the provisions stipulating this incentive.

### **G. Post-Incentive-Utilisation Obligations**

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The party providing the services, in this case, the contractor, is required to prepare tax invoice with code 080. Invoice code 080 is the code used for supplies of taxable services that are exempt from VAT.

### **H. Other Important Information**

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No other information is available concerning the regulation of this incentive other than that has been mentioned in the above description.

## Chapter 46

# VAT Facilities for Supplies of Intangible Taxable Goods and/or Taxable Services to Free Trade Zones and Free Ports

### A. Brief Description

<b>Description</b>	Value Added Tax (VAT) facilities for supplies of intangible taxable goods ( <i>Barang Kena Pajak/BKP</i> in Indonesian) and/or taxable services ( <i>Jasa Kena Pajak/JKP</i> in Indonesian) to free zones by entrepreneurs in other places in the customs territory ( <i>Tempat Lain Dalam Daerah Pabean</i> in Indonesian), bonded storage ( <i>Tempat Penimbunan Berikat/TPB</i> in Indonesian) Or Special Economic Zones (SEZ or <i>Kawasan Ekonomi Khusus/KEK</i> in Indonesian)
<b>Incentive Type</b>	VAT exemption and subject to VAT but not collected
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 41 of 2021 concerning the Administration of Free Trade Zones and Free Ports (<a href="#">Gov. Reg. No. 41/2021</a>);</li> <li>2. Minister of Finance Regulation Number 173/PMK.03/2021 concerning Procedures for the Payment, Settlement and Administration of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods on Supplies of Taxable Goods and/or Taxable Services from and/or to Free Trade Zones and Free Ports (<a href="#">MoF Reg. 173/2021</a>).</li> </ol>
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2009

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 49.

## **B. Incentive Benefits**

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This incentive stipulates several facilities are regulated for supplies of intangible taxable goods and/or taxable goods to the free trade zone. The following is the list of the details.

- (i) Subject to VAT but not collected for supplies of intangible taxable goods by operators in other places in the customs territory/bonded storage/SEZ to operators in free trade zones and free ports (*Kawasan Perdagangan Bebas dan Pelabuhan Bebas/KPPB* in Indonesian) to be utilised in free trade zones and free ports;
- (ii) Subject to VAT but not collected for supplies of certain taxable services by operators in bonded storage/entrepreneurs in SEZ produced in bonded storage/SEZs to be utilised in free trade zones and free ports by operators in free trade zones and free ports;
- (iii) VAT exemption for supplies of taxable services by operators in other places in the customs territory produced in free trade zones and free ports to be utilised in free trade zones and free ports by operators in free trade zones and free ports; and
- (iv) VAT exemption for supplies of intangible taxable goods/taxable goods by other free trade zone and free port operators to be utilised in free trade zones and free ports by operators in free trade zones and free ports.

## **C. Parties Receiving the Incentives**

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These facilities may be utilised by operators in free trade zones and free ports that import goods, and these operators are required to prepare a notification of the acquisition or release of taxable goods and/or taxable services (hereinafter referred to as PPJB) when acquiring the taxable goods and/or taxable services.

## **D. Requirements**

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To utilise the above facilities, operators in free trade zones and free ports need to fulfil general and special requirements. The following are the requirements that need to be fulfilled.

### **D.1 General Requirements**

Operators in free trade zones and free ports must hold the PPJB when acquiring taxable goods or taxable services from other places in the customs territory, bonded storage or SEZs.

## **D.2 Special Requirements**

PPBJs prepared by free trade zone and free port operators must fulfil the following provisions:

- (i) including information concerning the acquisition of intangible taxable goods and/or taxable services;
- (ii) attached with a copy of the written contract or agreement concerning the acquisition of intangible taxable goods and/or taxable services; and
- (iii) providing information concerning the bank accounts of the operators in the free trade zone and free port used for payment.

The PPBJ document is valid for 30 calendar days from the date the PPBJ is prepared. Later, the PPBJ will be uploaded to the Indonesia National Single Window (INSW) System to be submitted electronically to:

- (i) the Tax Office where operators in the free trade zone and free port are registered;
- (ii) operators in other free trade zones and free ports supplying intangible taxable goods and/or taxable services; and
- (iii) the Free Trade Zone and Free Port Authority (*Badan Pengusahaan/BP* in Indonesian).

When preparing a tax invoice, operators in other places in the customs territory/bonded storage/SEZ must ensure:

- (i) the PPBJ prepared by operators in the free trade zone and free port are available in the INSW System; and
- (ii) the PPBJ is valid.

## **D.3 Application Forms and Reports**

In the application for this incentive, the only form required is the PPBJ letter which will subsequently be uploaded to the INSW System.

## **E. Application Scheme**

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No sufficient information is available concerning the application scheme for the incentive in the provisions stipulating this incentive.

## **F. Flow Chart**

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No sufficient information is available concerning the flowchart for the application scheme for the incentive in the provisions stipulating this incentive.

### **G. Post-Incentive-Utilisation Obligations**

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Operators in other places in the customs territory/bonded storage/SEZ are required to prepare tax invoices that are filled in completely, clearly and correctly. The PPBJ constitutes the basis for free trade zone and free port operators to issue tax invoices with code 070 for supplies of taxable goods or taxable services that receive the subject to VAT but not collected facility and code 080 for supplies of taxable goods or taxable services that receive the VAT exemption facility.

### **H. Other Important Information**

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Several conditions cause supplies of taxable goods/taxable services not given the facilities listed in Subchapter B. In the even that the taxable persons in other places in the customs territory/bonded storage/SEZ:

- (i) do not receive the PPBJ;
- (ii) receive PPBJ not found in the INSW System; and/or
- (iii) receive PPBJ whose validity period has elapsed,

operators in other places in the customs territory/bonded storage/SEZ are required to collect VAT on supplies of intangible taxable goods and/or taxable services on operators in the free trade zone and free port.

## Chapter 47

# VAT Exemption for General Textbooks, Scriptures and Religious Textbooks

### A. Brief Description

<b>Description</b>	General textbooks, scriptures and religious textbooks are among certain taxable goods ( <i>Barang Kena Pajak/BKP</i> in Indonesian) whose imports or supplies are eligible for the Value Added Tax (VAT) exemption facility.
<b>Incentive Type</b>	VAT exemption
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 49 of 2022 concerning Value Added Tax Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports and/or Supplies of Certain Taxable Goods and/or Supplies of Certain Taxable Services and/or Utilisation of Certain Taxable Services from Outside the Customs Territory (<a href="#">Gov. Reg. No. 49/2022</a>);</li> <li>2. Minister of Finance Regulation Number 198/PMK.010/2019 concerning the Seventh Amendment to the Minister of Finance Decree Number 231/KMK.03/2001 concerning the Value Added Tax and Sales Tax on Luxury Goods Treatment of Imports of Taxable Goods Exemption from Import Duty (<a href="#">MoF Reg. 198/2019</a>);</li> <li>3. Minister of Finance Regulation Number 5/PMK.010/2020 concerning General Textbooks, Scriptures and Religious Textbooks Whose Imports and/or Supplies Are Exempt from Value Added Tax (<a href="#">MoF Reg. 5/2020</a>).</li> </ol>
<b>Economic sectors</b>	Educational services
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2003

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 36.

## **B. Incentive Benefits**

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Supplies and/or imports of general textbooks, scriptures and religious textbooks are exempt from VAT.

## **C. Parties Receiving the Incentives**

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The VAT exemption facility may be utilised by resident taxpayers, both individual and corporate, importing and/or supplying general textbooks, scriptures and religious textbooks.

## **D. Requirements**

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The VAT exemption for imports and/or supplies of general textbooks, scriptures, and religious textbooks may be utilised if the books to be imported or supplied fulfil the following requirements.

### **D.1 General Textbooks**

The following are general textbooks eligible for the VAT exemption facility.

- (i) Educational books, which are further defined as books used in general education, occupational education, academic education, professional education, vocational education, religious education and special education; and
- (ii) General books containing educational elements. For these books, there are additional provisions that must be fulfilled to utilise the VAT exemption facility, including:
  - a. not contradicting the values of Pancasila
  - b. non-discriminative based on ethnicity, religion, race and/or between groups;
  - c. not containing elements of pornography;
  - d. not containing elements of violence; and/or
  - e. not containing hate speech.

### **D.2 Scriptures**

The following are scriptures that also receive the VAT exemption facility for their imports and/or supplies.

- (i) Islamic religious scriptures that cover the Quranic scriptures, including the interpretations and translations thereof, both in whole and in part, and *Juz Amma*;



- (ii) Protestant Christian religious scriptures that cover the Old Testament and New Testament scriptures, including the interpretations and translations thereof, both in whole and in part;
- (iii) Catholic religious scriptures that cover the Old Testament and New Testament scriptures, including the interpretations and translations thereof, both in whole and in part;
- (iv) Hindu religious scriptures that cover the Vedas, *Smerti*, *Sruti*, *Upanisad*, *Itihasa*, *Purana* scriptures, including the interpretations and translations thereof, both in whole and in part;
- (v) Buddhist religious scriptures that cover the Tipitaka/Tripitaka scriptures including the interpretations and translations thereof, both in whole and in part; and
- (vi) Other books that have been designated as scriptures by the minister who administers governmental affairs in the field of religion or other officials appointed by the minister.

### **D.3 Application Forms and Reports**

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.

### **E. Application Scheme**

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Pursuant to the provisions under Article 5 of [Gov. Reg. No. 49/2022](#), the VAT exemption facility for general textbooks, scriptures and religious textbooks is granted without the need for an exemption certificate (*Surat Keterangan Bebas/SKB* in Indonesian). Individual or corporate taxpayers supplying or importing these books may immediately utilise the VAT exemption facility without having to apply for a VAT exemption certificate, insofar as the books fulfil the requirements for VAT exemption for imports or supplies.

### **F. Flow Chart**

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No sufficient information is available concerning the flowchart for the application for the incentive in the provisions stipulating this incentive.

### **G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive. However, the received

exemption facility remains subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

#### **H. Other Important Information**

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If there are requirements that are not fulfilled by a book, the publisher and/or importer of the general book is required to pay VAT pursuant to statutory provisions in the field of VAT. The decision on the existence of requirements that are not fulfilled is based on a court decision.

# Chapter 48

## STLGS Exemption for Imports and/or Supplies of Motor Vehicles

### A. Brief Description

<b>Description</b>	Sales Tax on Luxury Goods (STLGS) exemption for imports and/or supplies of several motor vehicles
<b>Incentive Type</b>	STLGS exemption
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 73 of 2019 concerning Taxable Luxury Goods in the Form of Motor Vehicles Subject to Sales Tax on Luxury Goods (<a href="#">Gov. Reg. No. 73/2019</a>);</li> <li>2. Minister of Finance Regulation Number 141/PMK.010/2021 concerning the Determination of the Types of Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Imposition, Granting and Administration of Exemption and Refund of Sales Tax on Luxury Goods (<a href="#">MoF Reg. 141/2021</a>);</li> <li>3. Minister of Finance Regulation Number 42/PMK.010/2022 concerning the Amendment to Minister of Finance Regulation Number 141/PMK.010/2021 concerning the Determination of the Types of Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Imposition, Granting and Administration of Exemption and Refund of Sales Tax on Luxury Goods (<a href="#">MoF Reg. 42/2022</a>).</li> </ol>
<b>Economic sectors</b>	Transportation industry
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2019

Source: processed by the Author.

## **B. Incentive Benefits**

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In this incentive, imports and/or supplies of several motor vehicles are exempt from STLGs, including:

- (i) motor vehicles used for ambulances, hearses, fire engines, detention vehicles and public transport vehicles;
- (ii) vehicles used for state protocol purposes;
- (iii) motor vehicles for people transport for the transportation of ten people up to fifteen people, including the driver, with compression ignition engines in the form of diesel or semi-diesel with all cylinder capacities used for the official vehicles of the Indonesian National Armed Forces (*Tentara Nasional Indonesia/TNI* in Indonesian) or the Indonesian National Police (*Kepolisian Negara Republik Indonesia/POLRI* in Indonesian); and
- (iv) motor vehicles used for patrol purposes of the Indonesian National Armed Forces or the Indonesian National Police.

## **C. Parties Receiving the Incentives**

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The STLGs exemption incentive for imports and/or supplies of motor vehicles may be utilised by individuals or entities. The individuals or entities are:

- (i) individuals or entities importing or receiving supplies of ambulances, hearses, fire engines and detention vehicles;
- (ii) public transport entrepreneurs;
- (iii) the State Secretariat; and
- (iv) the Indonesian National Armed Forces or the Indonesian National Police.

## **D. Requirements**

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To utilise the STLGs exemption facility for imports or supplies of motor vehicles, several requirements are to be fulfilled. There are general requirements and special requirements related to the application for the exemption certificate (*Surat Keterangan Bebas/SKB* in Indonesian) if the taxpayer does not yet have an exemption certificate, both are detailed below.

### **D.1 General Requirements**

Individuals or entities importing or receiving supplies of motor vehicles must have an STLGs exemption certificate for supplies of motor vehicles. The STLGs exemption certificate must be held before the motor vehicles are supplied. If the individuals or entities importing or receiving supplies do not have an exemption certificate at the time of a supply, the supply remains subject to STLGs.

## **D.2 Special Requirements**

Special requirements for this incentive are completed with information related to the requirements that must be fulfilled by taxpayers wishing to apply for an exemption certificate. There are 2 (two) requirements that must be fulfilled, namely the administrative requirements for the application for exemption certificate and the administrative requirements for the taxpayers themselves. The following are the details.

### **D.2.1 Administrative Requirements for the Application for Exemption Certificates**

To obtain the STLGS exemption certificate, individuals or entities apply for the STLGS exemption certificate to the Director General of Taxes electronically via the Directorate General of Taxes (DGT) webpage or a webpage integrated with the DGT system.

- (i) The application for the STLGS exemption certificate must contain the information on:
- a. the name, address and TIN;
  - b. the type of business/agency;
  - c. the brands of the motor vehicles;
  - d. the types of the motor vehicles;
  - e. the cylinder capacity;
  - f. the chassis number or vehicle identification number;
  - g. the engine number of the motor vehicles;
  - h. the tax base of STLGS upon the import or supply of the motor vehicles;
  - i. the value of STLGS paid upon the import or collected upon the import or supply of the motor vehicles in rupiah;
  - j. the foreign currency exchange rates and the number and date of the ministerial decree used upon the application if importing motor vehicles;
  - k. the origin of the motor vehicles, with the following provisions:
    - to be completed with import if the motor vehicles for which the exemption from STLGS is applied originate from imports; or
    - to be completed with supply if the motor vehicles for which the exemption from STLGS is applied originate from supplies within the customs territory;
  - l. the work unit of the Customs and Excise Office where the import documents are completed if the motor vehicles originate from imports; and
  - m. the identity of the taxable persons supplying the motor vehicles if the motor vehicles originate from supplies within the customs territory;

- (ii) The application letter must also be complemented by several supporting documents, including:
  - a. a certificate from the relevant agency or other documents showing the use of the motor vehicles;
  - b. the agreement or documents for the sale and purchase of motor vehicles containing information on the name of the seller, name of the buyer, type and specification of the purchased vehicles;
  - c. specifically for imports of motor vehicles, attached with import documents in the form of an invoice and Bill of Lading (B/L) or Airway Bill (AWB);
  - d. if the application for the STLGs exemption certificate is submitted by a public transport entrepreneur, the application is complemented by documents in the form of a business identification number and a verified standard certificate issued by the competent authority or a permit for the operation of public transport vehicles other than taxis or a principle approval issued by the local government for taxis; and
  - e. if the application for the STLGs exemption certificate is submitted by the treasurer of the State Secretariat, the Indonesian National Armed Forces or the Indonesian National Police, the application is complemented by documents in the form of the contract or work order for the procurement of the vehicles.

### **D.2.2 Administrative Requirements for Taxpayers**

In addition to fulfilling the administrative requirements for the application for exemption certificates, individuals or entities must fulfil the following provisions.

- (i) Not having tax liabilities, unless the individuals or entities obtain permission to defer or pay tax in instalments; and
- (ii) Having filed:
  - a. the annual income tax return for the last 2 (two) tax years; and
  - b. periodic VAT returns for the last 3 (three) taxable periods, as their obligations, either for the head office or branches, pursuant to statutory provisions in the field of taxation.

### **D.3 Application Forms and Reports**

This incentive is complemented by an application format for the STLGs exemption certificate for imports or supplies of taxable goods in the form of motor vehicles which may be used to obtain the STLGs exemption certificate.

## **E. Application Scheme**

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### **E.1 Application Scheme for the STLGS Exemption Certificate**

Taxpayers may utilise this incentive starting with the application for the STLGS exemption certificate:

- (i) the taxpayer applies for the STLGS exemption certificate accompanied by supporting documents to the Director General of Taxes electronically via the DGT website or a webpage integrated with the DGT system;
- (ii) if the website experiences technical disruptions, the taxpayer may apply for the STLGS exemption certificate in person to the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the taxpayer is registered by attaching supporting documents;
- (iii) the Director General of Taxes conducts an examination related to the completeness and conformity of the documents and within 5 (five) days will issue:
  - a. the STLGS exemption certificate if the application is received, and the supporting documents fulfil all of the provisions; and
  - b. a rejection letter if the application is rejected because the submitted information and the supporting documents do not fulfil the existing provisions;
- (iv) if the application for the STLGS exemption certificate is rejected, the taxpayer may re-apply for the STLGS exemption certificate.

### **E.2 How to Utilise the STLGS Exemption for Supplies of Motor Vehicles**

After having an STLGS exemption certificate, taxpayers that will import or supply motor vehicles may utilise the STLGS exemption incentive in the following manners.

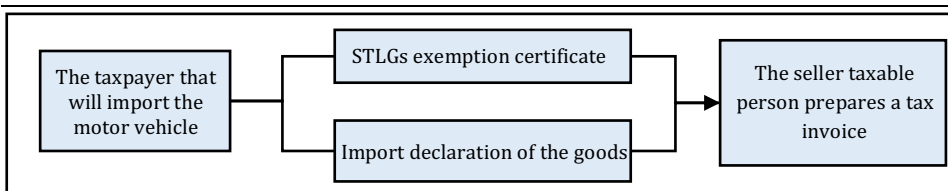
#### **E.2.1 Taxpayers That Will Import Motor Vehicles**

- (i) Including the number and date of the STLGS exemption certificate on the import declaration to be submitted to the Customs Office; and
- (ii) Submitting the STLGS exemption certificate and the import declaration to the customs and excise officials at the Customs Office when importing motor vehicles that are exempt from STLGS.

#### **E.2.2 Taxpayers That Will Receive Supplies of Motor Vehicles**

Taxpayers that will receive supplies of motor vehicles must submit the STLGS exemption certificate to the taxable persons supplying the motor vehicles.

## F. Flow Chart



Source: [MoF Reg. 42/2022](#), processed by the Author.

## G. Post-Incentive-Utilisation Obligations

Taxable persons supplying the motor vehicles that are exempt from STGLs must issue tax invoices by including the following information.

- (i) Information in the form of “SALES TAX ON LUXURY GOODS EXEMPTION PURSUANT TO GOV. REG. NUMBER 73 of 2019 and the amendments thereto”; and
- (ii) The number and date of the STLGs exemption certificate.

## H. Other Important Information

### H.1 Replacement STLGs Exemption Certificates

In the event of misspellings and/or miscalculations in the issuance of the STLGs exemption certificate, the replacement STLGs exemption certificate may be issued in 2 (two) manners:

- (i) *ex officio* replacement of the STLGs exemption certificate by the head of the tax office; or
- (ii) the application of the taxpayer importing or receiving supplies.

The application for the replacement of the STLG exemption certificate by a taxpayer has several steps in the application for the replacement. The following are the details.

- (i) The application for the replacement is attached with written reasons for the replacement of the STLGs exemption certificate and attached with the STLGs exemption certificate that has been issued.
- (ii) The head of the Tax Office performs an administrative examination of the misspellings and/or miscalculations and completeness of the application
- (iii) Within a maximum period of 5 (five) business days after the application letter is completely received, the Head of the Tax Office decides in the form of:



- a. issuing the replacement STLGS exemption certificate, in the event of misspellings and/or miscalculation and the application fulfils the requirements; or
  - b. issuing a letter of rejection of the application for the replacement of the STLGS exemption certificate if there are no misspellings and/or miscalculations and/or the application does not fulfil the requirements.
- (iv) The replacement STLGS exemption certificate is effective as of the effective date of the replacement STLGS exemption certificate subject to the replacement.

## **H.2 The Cancellation of the STLGS Exemption Certificate or the Replacement STLGS Exemption Certificate**

If there is data and/or information that shows that the taxpayer is not entitled to receive the STLGS exemption certificate, the Head of the Tax Office may issue a certificate of cancellation of the STLGS exemption certificate or a replacement STLGS exemption certificate. The cancellation affects STLGS formerly exempt into being mandatory to be paid pursuant to statutory tax provisions.

## **H.3 Taxable Goods Used Not According to the Purpose and Transferred Before the Specified Period**

If within a period of 4 (four) years from the import or acquisition, the vehicles are:

- (i) used not according to the original purpose; or
- (ii) transferred to another party.

the STLGS formerly exempt becomes payable and must be paid pursuant to tax provisions. The tax liability must be paid no later than 1 (one) month from the time the motor vehicles are used not according to their original purpose or since they are transferred.



**TAX BASE REDUCTION  
FACILITY**

## Chapter 49

# STLGS Tax Base Reduction of the Selling Price for Energy-Efficient Cars

### A. Brief Description

<b>Description</b>	The granting of the reduction of the Sales Tax on Luxury Goods (STLGS) tax base ( <i>Dasar Pengenaan Pajak/DPP</i> in Indonesian) of the selling price for cars categorised as energy efficient
<b>Incentive Type</b>	The reduction of the STLGS tax base
<b>Legal Basis</b>	<ol style="list-style-type: none"><li>1. Minister of Finance Regulation Number 141/PMK.010/2021 concerning the Determination of the Types of Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Imposition, Granting and Administration of Exemption and Refund of Sales Tax on Luxury Goods (<a href="#">MoF Reg. 141/2021</a>);</li><li>2. Minister of Finance Regulation Number 42/PMK.010/2022 concerning the Amendment to the Minister of Finance Regulation Number 141/PMK.010/2021 concerning the Determination of the Types of Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Imposition, Granting and Administration of Exemption and Refund of Sales Tax on Luxury Goods (<a href="#">MoF Reg. 42/2022</a>).</li></ol>
<b>Economic sectors</b>	Processing industry
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2012

Source: processed by the Author.

### B. Incentive Benefits

To accelerate the reduction of exhaust emissions from motor vehicles, several provisions related to STLGS have been adjusted. One of these provisions is the reduction of the tax base of the selling price of vehicles that have low carbon

emissions. The following are details of the reduction of the STLGs tax base of the selling price.

**Table 49.1 The Reduction of the STLGs Tax Base of the Selling Price**

Engine Type	Cylinder Capacity (cc)	Fuel Consumption		Emission Level (g/km)	STLGs Rate	Tax Base Percentage of the Selling Price
		Spark Ignition (km/ltr)	Diesel (km/ltr)			
Energy Efficient	1,200	<20		<120	15%	20%
	1,500		21.8	<120		
Full Hybrid	3,000	>23	>26	<100	15%	40%
	3,000	18.4-23	20-26	100-125	15%	46 $\frac{2}{3}$ %
	3,000	15.5-18.4	17.5-20	125-150	15%	53 $\frac{1}{3}$ %
	3,000-4,000	>23	>26	<100	20%	
	3,000-4,000	18.4-23	20-26	100-125	25%	
	3,000-4,000	15.5-18.4	17.5-20	125-150	30%	
Mild Hybrid	3,000	23	26	<100	15%	53 $\frac{1}{3}$ %
	3,000	18.4-23	20-26	100-125	15%	66 $\frac{2}{3}$ %
	3,000	15.5-18.4	17.5-20	125-150	15%	80%
	3,000-4,000	>23	>26	<100	20%	
	3,000-4,000	18.4-23	20-26	100-125	25%	
	3,000-4,000	15.5-18.4	17.5-20	125-150	30%	
Flexy Engine					15%	53 $\frac{1}{3}$ %
Battery Electric Vehicles					15%	0%
Plug-In Hybrid Electric			>28	<100	15%	33 $\frac{1}{3}$ %

Source: [MoF Reg. 141/2021](#), processed by the Author.

The reduction of the tax base for low-emission vehicles listed in the above table does not apply if there is a realisation of investment of a minimum of IDR5 trillion in the motor vehicles that use Battery Electric Vehicle (BEV) technology industry, more precisely:

- (i) after a period of 2 (two) years from the time the investment realisation has been achieved; or
- (ii) when the motor vehicles that use BEV technology industry starts commercial production.

The reduction of the tax base will only apply after the realisation. The following are details of the reduction of the STLGS tax base of low carbon emission vehicles after the realisation.

**Table 49.2 The Reduction of the STLGS Tax Base of Low Carbon Emission Vehicles**

Engine Type	Cylinder Capacity (cc)	Fuel Consumption		Emission Level (g/km)	STLGS Rate	Tax Base Percentage of the Selling Price
		Spark Ignition (km/ltr)	Diesel (km/ltr)			
Full Hybrid	3,000	>23	>26	<100	15%	66 $\frac{1}{3}$ %
	3,000	18.4-23	20-26	100-125	15%	73 $\frac{1}{3}$ %
	3,000	15.5-18.4	17.5-20	125-150	15%	80%
	3,000-4,000	>23	>26	<100	20%	53 $\frac{1}{3}$ %
Mild Hybrid	3,000	23	26	<100	15%	80%
	3,000	18,4-23	20-26	100-125	15%	86 $\frac{2}{3}$ %
	3,000	15.5-18.4	17.5-20	125-150	15%	93 $\frac{1}{3}$ %
	3,000-4,000	>23	>26	<100	20%	53 $\frac{1}{3}$ %

Source: [MoF Reg. 141/2021](#), processed by the Author.

### C. Parties Receiving the Incentives

The reduction of the STLGS tax base incentive of the selling price for low carbon emission vehicles may be enjoyed by every consumer or buyer of low carbon emission vehicles.

### D. Requirements

The requirements for this incentive are more aimed at taxable persons (*Pengusaha Kena Pajak*/PKP in Indonesian) supplying low carbon emission motor vehicles. Taxable persons producing motor vehicles may supply low carbon emission vehicle groups if they fulfil the following provisions.

- (i) Having been designated as a participant in the development of low carbon emission four-wheeled motor vehicles; and
- (ii) Having a letter of determination as low carbon emission four-wheeled motor vehicles receiving tax facilities, issued by the Minister of Industry.

### **E. Application Scheme**

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No sufficient information is available concerning the application scheme for the incentive in the provisions stipulating this incentive.

### **F. Flow Chart**

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No sufficient information is available concerning the flowchart for the application for the VAT incentive utilisation in the provisions stipulating this incentive.

### **G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive. However, the received exemption facility remains subject to the provisions concerning the issuance of tax invoices, including tax invoice codes.

### **H. Other Important Information**

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No sufficient information is available concerning other important information in the provisions stipulating this incentive.

# Chapter 50

## Zero Percent STLGS on Electric or Hybrid Vehicles

### A. Brief Description

<b>Description</b>	Sales Tax on Luxury Goods (STLGS) of 0% for electric vehicles or hybrid vehicles
<b>Incentive Type</b>	The reduction of the tax base facility
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 73 of 2019 concerning Taxable Luxury Goods in the Form of Motor Vehicles Subject to Sales Tax on Luxury Goods (<a href="#">Gov. Reg. No. 73/2019</a>);</li> <li>2. Government Regulation Number 74 of 2021 concerning the Amendment to Government Regulation Number 73 of 2019 concerning Taxable Luxury Goods in the Form of Motor Vehicles Subject to Sales Tax on Luxury Goods (<a href="#">Gov. Reg. No. 74/2021</a>);</li> <li>3. Minister of Finance Regulation Number 141/PMK.010/2021 concerning the Determination of the Types of Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Imposition, Granting and Administration of Exemption and Refund of Sales Tax on Luxury Goods (<a href="#">MoF Reg. 141/2021</a>).</li> </ol>
<b>Economic sectors</b>	Processing industry
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	2021

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 74.

### B. Incentive Benefits

The taxable luxury goods group in the form of electric motor vehicles are subject to STLGS with a tax base (*Dasar Pengenaan Pajak/DPP* in Indonesian) of 0% of the selling price. The 0% STLGS provision is valid for 10 years starting from 2021.

### **C. Parties Receiving the Incentives**

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Basically, STLGs is only imposed 1 (one) time at the time of the supply of taxable luxury goods by entrepreneurs that produce these goods or at the time of import of the taxable luxury goods. Thus, the parties receiving the STLGs tax base incentive are the importers of electric vehicles or consumers receiving the electric vehicles from industrial companies that produce the motor vehicles.

### **D. Requirements**

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To utilise the STLGs facility with a tax base of 0%, industrial companies or importers need to pay attention to the following requirements.

#### **D.1 General Requirements**

The STLGs with a 0% tax base facility is only provided for the types of electric motor vehicles that use the following technology.

- (i) Battery Electric Vehicles (BEVs); or
- (ii) Fuel cell electric vehicles.

#### **D.2 Special Requirements**

The special requirements that need to be considered are four-wheeled motor vehicles with:

- (i) fuel consumption equivalent to more than 28 kilometres/litre; or
- (ii) CO<sub>2</sub> emission level of up to 100 grams per kilometre.

#### **D.3 Application Forms and Reports**

No sufficient information is available concerning application forms or reports in the provisions stipulating this incentive.

### **E. Application Scheme**

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The 0% STLGs tax base facility may be utilised insofar as the provision that the motor vehicles use BEV or fuel cell electric technology is fulfilled. If the requirement is fulfilled, the 0% tax base may be used without having to apply.

### **F. Flow Chart**

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No sufficient information is available concerning the flow chart for the application in the provisions stipulating this incentive.



**G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive. However, the received exemption facility remains subject to the provisions on the issuance of tax invoices, including tax invoice codes.

**H. Other Important Information**

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No other important information is available in the provisions stipulating this incentive.



**GOVERNMENT-BORNE  
VAT AND STLGS**

# Chapter 51

## Government-Borne VAT for Supplies of Landed Houses and Flat Units

### A. Brief Description

<b>Description</b>	Government-borne ( <i>Ditanggung Pemerintah/DTP</i> in Indonesian) Value Added Tax (for supplies of landed houses and flat units).
<b>Incentive Type</b>	Government-borne VAT
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Minister of Finance Regulation Number 7 of 2024 concerning Government-Borne Value Added Tax on Supplies of Landed Houses and Flat Units for the 2024 Fiscal Year (<a href="#">MoF Reg. 7/2024</a>);</li> <li>2. Minister of Finance Regulation Number 61 of 2024 concerning the Additional Government-Borne Value Added Tax Incentive for Supplies of Landed Houses and Flat Units for the 2024 Fiscal Year (<a href="#">MoF Reg. 61/2024</a>).</li> </ol>
<b>Economic sectors</b>	Construction and real estate
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from the 2023 tax year

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 82, processed by the Author.

### B. Incentive Benefits

Government-borne VAT for supplies of landed houses and flat units that fulfil the requirements. Landed houses refer to buildings in the form of houses or terraced houses, both multi-storey and non-storey, including residential buildings that are partly used as shops or offices. In contrast, flat units are flat units that function as residences. The government-borne VAT facility for supplies of landed houses and flat units is granted with the following details.

**Table 51.1 Details of the Granting of Government-Borne VAT for Landed Houses and Flat Units**

Official Report	Tax Base	Selling Price	Amount	VAT Period
1 January 2024 to 30 June 2024	Up to IDR2 billion	Maximum IDR5 billion	100%	January 2024 to August 2024
1 July 2024 to 31 August 2024			50%	
1 September to 31 December 2024			100%	September 2024 to December 2024

Source: [MoF Reg. 7/2024](#) and [MoF Reg. 61/2024](#), processed by the Author

### C. Parties Receiving the Incentives

Basically, the government-borne VAT facility is utilised for every 1 (one) individual for the acquisition of 1 (one) landed house or 1 (one) flat unit. In this case, the government-borne VAT facility is granted to supplies of landed houses and flat units to individuals with the following criteria.

- (i) Indonesian citizens (*Warga Negara Indonesia/WNI* in Indonesian) who have a Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian) or national identification number (*Nomor Identitas Kependudukan/NIK* in Indonesian); and
- (ii) Foreign nationals (*Warga Negara Asing/WNA* in Indonesian) who have a taxpayer identification number insofar as the statutory provisions stipulating the ownership of landed houses or flat units for foreign nationals are fulfilled.

Further, because supplies of landed houses and flat units are given an additional government-borne VAT incentive, MoF Reg. 61/2024 clarifies the utilisation mechanisms. The following are individuals who may utilise the government-borne VAT incentives for the 2024 fiscal year.

- (i) Individuals who utilised the government-borne VAT incentive for supplies of landed houses or flat units pursuant to the provisions under the ministerial regulation concerning government-borne VAT for supplies of landed houses or flat units before MoF Reg. 61/2024, may utilise the government-borne VAT incentive pursuant to MoF Reg. 61/2024 for purchases of other landed houses or flat units; and
- (ii) Individuals conducting purchase transactions of landed houses or flat units before 1 September 2024 but cancel such transactions cannot utilise

the government-borne VAT incentive pursuant to MoF Reg. 61/2024 and for the same landed house or flat units.

## **D. Requirements**

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In this case, government-borne VAT on a supply of a landed house and flat unit is VAT on a supply occurring when:

- (i) the sale and purchase deed prepared by a conveyancer (*Pejabat Pembuat Akta Tanah/PPAT* in Indonesian) is signed; or
- (ii) the sale and purchase agreement are signed in the presence of a notary, and the right to use or hold the turnkey landed house or turnkey flat unit is actually supplied. This is evidenced by the official report of handover (*Berita Acara Serah Terima/BAST* in Indonesian) from 1 January 2024 to 31 August 2024 for government-borne VAT pursuant to MoF Reg. 7/2024 and 1 September 2024 to 31 December 2024 for government-borne VAT pursuant to MoF Reg. 61/2024. In addition, several other requirements are to be fulfilled. The following are details of the requirements for the government-borne VAT facility.

### **D.1 General Requirements**

The requirement for the government-borne VAT facility is that a supply of a landed house and a flat unit must fulfil the following requirements.

- (i) The selling price of the landed house or flat unit amounts to a maximum of IDR5 billion; and
- (ii) The landed house or flat unit constitutes a new unit supplied in a turnkey condition.

### **D.2 Special Requirements**

The special requirements that need to be taken into criteria are the criteria concerning landed houses and flat units.

- (i) Having obtained a house identity code; and
- (ii) Supplied for the first time by the seller taxable person (*Pengusaha Kena Pajak/PKP* in Indonesian) constructing the landed house or flat unit and no transfer has been conducted.

The house identity code is the identity code for landed houses and flat units provided through an application in the Ministry of Public Works and Public Housing (*Pekerjaan Umum dan Perumahan Rakyat/PUPR* in Indonesian) and/or the People's Housing Savings Management Agency (*Badan Pengelola Tabungan Perumahan Rakyat/BP Tapera* in Indonesian).

There are different provisions if for the landed houses or flat units, the down payment or instalment is paid to the seller taxable person before the entry of force of MoF Reg. 61/2024, government-borne VAT may be granted with the following provisions:

- (i) the first down payment or instalment is paid to the seller taxable person at the earliest on 1 September 2024;
- (ii) the provision on the supply being performed from 1 September 2024 to 31 December 2024 is fulfilled.

### **D.3 Application Forms and Reports**

The following are forms required during the application process for government-borne VAT facilities for landed houses and flat units.

- (i) The official report which at least contains:
  - a. the name and TIN of the seller taxable person;
  - b. the name and TIN or national identification number of the buyer;
  - c. the date of the handover;
  - d. the identity code of the house being handed over;
  - e. a stamped statement that the building has been handed over; and
  - f. the number of the official report of handover (*Berita Acara Serah Terima*/BAST in Indonesian).
- (ii) The tax invoice pursuant to statutory provisions in in the field of taxation; and
- (iii) The government-borne VAT realisation report.

### **E. Application Scheme**

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The following is the application scheme for the government-borne VAT facility.

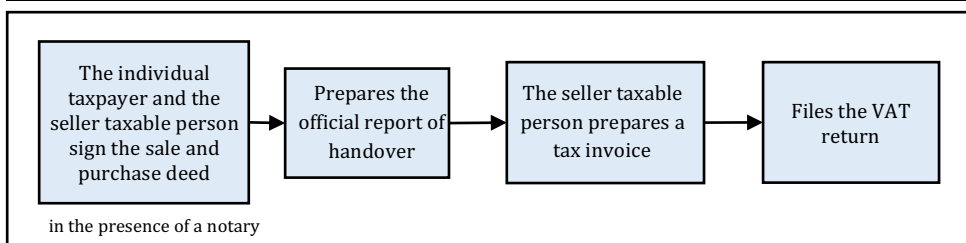
- (i) The seller taxable persons must have registered via the application at the Ministry of Public Works and Public Housing and/or the People's Housing Savings Management Agency no later than 1 July 2024 for government-borne VAT pursuant to MoF Reg. 7/2024. The registration must be accompanied by details which at least contain:
  - a. details of the number of available landed houses and flat units that are 100% finished and ready to be handed over or the work has been completed;
  - b. details of the number of available landed houses and flat units that are under construction ready to be handed over or work has been completed within the incentive period; and

- c. the estimated selling price of the landed houses and flat units in letter a and letter b.

The provisions on registration are not specified under MoF Reg. 61/2024. Thus, the utilisation of government-borne VAT pursuant to MoF Reg. 61/2024 requires no registration mechanism for seller taxable persons.

- (ii) The above registration data will be forwarded by the Ministry of Public Works and Public Housing and/or the People's Housing Savings Management Agency to the Directorate General of Taxes, the Directorate General of Budget and the Fiscal Policy Agency.
- (iii) The seller taxable person and individual taxpayer agreeing to conduct a sale and purchase transaction must sign the sale and purchase deed or the sale and purchase agreement in the presence of a notary and an official report of handover is prepared.
- (iv) The official report of handover is registered in the application in the Ministry of Public Works and Public Housing and/or the People's Housing Savings Management Agency no later than the end of the month after the month the handover is carried out.

#### F. Flow Chart



Source: [MoF Reg. 7/2024](#) and [MoF Reg. 61/2024](#), processed by the Author.

#### G. Post-Incentive-Utilisation Obligations

After the supply of a landed house and flat unit, the seller taxable person is required to conduct the following.

- (i) The seller taxable person is required to prepare a tax invoice that contains:
- the buyer's identity in the form of the buyer's name and TIN or national identification number;
  - the house identity code upon the completion of the goods name column;
- (ii) The provisions on the issuance of government-borne VAT tax invoices for landed houses and flat units are as follows:
- for supplies with official report of handover until 30 June 2024:

- selling price of up to IDR2 billion, 2 (two) tax invoices are prepared with transaction code 07 with a tax base of 50% respectively; or
- selling price of more than IDR2 billion, the following are prepared:
  - 1) 2 (two) tax invoices with transaction code 07 with a tax base of 50% respectively for a fraction of the selling price of up to IDR2 billion receiving government-borne VAT; and
  - 2) tax invoices with transaction code 01 for a fraction of the selling price of more than IDR2 billion not receiving government-borne VAT;and
- b. for supplies with official report of handover from 1 July 2024 to 31 August 2024:
  - selling price of up to IDR2 billion, 2 (two) tax invoices with the following are prepared:
    - 1) transaction code 01 for a fraction of 50% of the selling price on which VAT payable does not obtain the government-borne VAT incentive; and
    - 2) transaction code 07 for a fraction of 50% of the selling price on which VAT payable obtains the government-borne VAT incentive; or
  - selling price of more than IDR2 billion, the following must be prepared:
    - 1) 2 (two) tax invoices for a fraction of the selling price of up to IDR2 billion, tax invoices with the following shall be prepared:
      - transaction code 01 for a fraction of 50% of the selling price not receiving government-borne VAT; and
      - transaction code 07 for a fraction of 50% of the selling price receiving government-borne VAT;
    - 2) tax invoices with transaction code 01 (zero one) for a fraction of the selling price of more than IDR2 billion on which VAT payable does not obtain the government-borne VAT incentive;
- c. for supplies with official report of handover from 1 September 2024 to 31 December 2024:
  - selling price of up to IDR2 billion, a tax invoices is prepared with transaction code 07;
  - selling price of more than IDR2 billion, the following must be prepared:
    - 1) 2 (two) tax invoices with transaction code 07 with a tax base of 50% respectively for a fraction of the selling price of up to IDR2 billion receiving government-borne VAT; and
    - 2) tax invoices with transaction code 01 for a fraction of the selling price of more than IDR2 billion not receiving government-borne VAT;



- (iii) The tax invoices must be given the information "GOVERNMENT-BORNE VAT AS THE EXECUTION OF MOF REG. NUMBER ... OF 2024".
- (iv) The seller taxable person files the tax invoices in the VAT returns as the realisation report on government-borne VAT.
- (v) The filing and amendment of VAT returns for the September 2024 taxable period to the December 2024 taxable period may be treated as the realisation report insofar as submitted no later than 31 January 2025.

#### **H. Other Important Information**

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In this case, the government has also issued provisions concerning the fraction that does not receive government-borne VAT. VAT payable on supplies of landed houses and flat units is not borne by the government if data and/or information is obtained that shows:

- (i) the supplied object is not a landed house or flat unit;
- (ii) more than 1 (one) unit that receives the government-borne VAT incentive is acquired by 1 (one) individual;
- (iii) the acquisition is not conducted by an individual who fulfils the requirements;
- (iv) the taxable period does not correspond to the appropriate taxable period;
- (v) the supply does not fulfil the provisions on the issuance of tax invoices;
- (vi) a transfer is carried out; and/or
- (vii) the official report of handover for the supply of the landed house and/or flat unit conducted from 1 January 2024 to 31 December 2024 is not registered in the application.



## Chapter 52

# Government-Borne VAT for Supplies of Certain Four-Wheeled Battery Electric Vehicles and Certain Bus Battery Electric Vehicles

### A. Brief Description

<b>Description</b>	Government-borne ( <i>Ditanggung Pemerintah/DTP</i> in Indonesian) Value Added Tax (VAT) payable on supplies of certain four-wheeled Battery Electric Vehicles (BEVs or <i>Kendaraan Bermotor Listrik Berbasis Baterai/KBLBB</i> in Indonesian) and/or certain bus BEVs to buyers for the 2024 fiscal year
<b>Incentive Type</b>	Government-borne VAT
<b>Legal Basis</b>	Minister of Finance Regulation Number 8 of 2024 concerning Government-Borne Value Added Tax on Supplies of Certain Four-Wheeled Battery Electric Vehicles and Certain Bus Battery Electric Vehicles for the 2024 Fiscal Year ( <a href="#">MoF Reg. 8/2024</a> ).
<b>Economic sectors</b>	Processing industry
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving businesses
<b>Implementation</b>	Effective from 2024

Source: MoF Reg. 8/2024, processed by the Author.

### B. Incentive Benefits

VAT payable on supplies of certain four-wheeled BEVs and/or certain bus BEVs to buyers is granted the government-borne VAT facility. The amount of government-borne VAT on supplies of taxable goods (*Barang Kena Pajak/BKP* in Indonesian) is adjusted to the criteria for the Local Content Requirement (LCR or *Tingkat Komponen Dalam Negeri/TKDN* in Indonesian) regulated by the

Ministry of Industry. The following is a table related to the amount of government-borne VAT for supplies of BEVs for the 2024 fiscal year.

**Table 52.1 The Amount of Government-Borne VAT on Supplies of BEVs**

No	BEVs	LCR	Government-Borne VAT	Self-Paid VAT
1	Certain Four-Wheeled BEVs	A minimum of 40%	10%	1%
2	Certain Bus BEVs	A minimum of 40%	10%	1%
3	Certain Bus BEVs	20%-40%	5%	6%

Source: [MoF Reg. 8/2024](#), processed by the Author.

### C. Parties Receiving the Incentives

This incentive may be utilised by anyone who purchases an electric vehicle during the January-December 2024 taxable periods insofar as the electric vehicle is registered as a new motor vehicle.

### D. Requirements

To utilise this facility, there are general requirements and special requirements that need to be fulfilled by the party supplying and receiving taxable goods. The following are details of the requirements to utilise this incentive.

#### D.1 General Requirements

The general requirements for this incentive are requirements concerning the supplied taxable goods. This incentive may be utilised insofar as the taxable goods, i.e., the supplied electric vehicles, fulfil the LCR value criteria. The following are the LCR value criteria that must be fulfilled:

- (i) certain four-wheeled BEVs with a minimum LCR value of 40%;
- (ii) certain bus BEVs with a minimum LCR value of 40%; and
- (iii) certain bus BEVs with a minimum LCR value of 20% to less than 40%.

#### D.2 Special Requirements

No sufficient information is available concerning the special requirements in the provisions stipulating this incentive.

### D.3 Application Forms and Reports

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.

### E. Application Scheme

No sufficient information is available concerning the application scheme for the incentive in the provisions stipulating this incentive.

### F. Flow Chart

No sufficient information is available concerning the flowchart for the application for the incentive in the provisions stipulating this incentive.

### G. Post-Incentive-Utilisation Obligations

After utilising this incentive, taxable persons (*Pengusaha Kena Pajak/ PKP* in Indonesian) supplying BEVs have several obligations that must be fulfilled, i.e., preparing tax invoices and preparing the government-borne VAT realisation report. The following is a detailed explanation of each of these obligations.

#### G.1 Tax Invoices

Tax invoices for supplies of certain four-wheeled BEVs and/or certain bus BEVs must be issued separately from tax invoices for supplies of other motor vehicles. Tax invoices for supplies of certain four-wheeled BEVs and/or certain bus BEVs that obtain the government-borne VAT facility must be issued in 2 (two) tax invoices with the provisions listed in the table below.

**Table 52.2 Tax Invoice Codes**

Government-Borne VAT	Tax Invoice Code	Details
10%	01	for a fraction of $\frac{1}{11}$ of the selling price which does not receive government-borne VAT
	02	for a fraction of $\frac{1}{11}$ of the supply of a BEV to a government agency VAT collection agent
	03	for a fraction of $\frac{1}{11}$ of the supply of a BEV to a VAT collection agent other than a government agency
	04	for a fraction of $\frac{1}{11}$ of the supply of a BEV whose tax base uses another value

Government-Borne VAT	Tax Invoice Code	Details
	07	for a fraction of $\frac{10}{11}$ of the selling price that receives government-borne VAT
5%	01	for a fraction of $\frac{6}{11}$ of the selling price which does not receive government-borne VAT
	02	for a fraction of $\frac{6}{11}$ of the supply of a BEV to a government agency VAT collection agent
	03	for a fraction of $\frac{6}{11}$ of the supply of a BEV to a VAT collection agent other than a government agency
	04	for a fraction of $\frac{6}{11}$ of the supply of a BEV whose tax base uses another value
	07	for a fraction of $\frac{5}{11}$ of the selling price that receives government-borne VAT.

Source: [MoF Reg. 8/2024](#), processed by the Author.

The above tax invoices are prepared by including at least 2 (two) of the following.

- (i) details of the type of goods, such as the brand, type, variant and chassis number; and
- (ii) details "GOVERNMENT-BORNE VAT PURSUANT TO MOF REG. NUMBER 8 OF 2024".

## G.2 Government-Borne VAT Realisation Report

The government-borne VAT realisation report on supplies of certain four-wheeled and/or certain bus BEVs uses a tax invoice code "07" filed in the periodic VAT returns (*Surat Pemberitahuan/SPT Masa* in Indonesian). The filing and amendment of periodic VAT returns for supplies of certain four-wheeled and/or certain buses BEVs for the January 2024 to December 2024 taxable periods may be treated as a government-borne VAT realisation report insofar it is submitted no later than 31 January 2025.

## H. Other Important Information

### H.1 Excluded from Being Government-Borne

If a taxable person does not issue a tax invoice and the taxable person does not report the realisation of government-borne VAT, a supply of certain four-wheeled and/or certain bus BEVs are subject to VAT pursuant to statutory provisions.

## **H.2 Re-collected VAT**

The Director General of Taxes may collect VAT payable if obtaining data or information that shows the following conditions.

- (i) The supplied certain four-wheeled BEVs and/or certain bus BEVs:
  - a. exclude certain four-wheeled BEVs and/or certain bus BEVs supplied to buyers to be registered as new motor vehicles;
  - b. do not fulfil the LCR value criteria; and/or
  - c. exclude certain four-wheeled BEVs and/or certain bus BEVs stipulated by the Ministry of Industry;
- (ii) The taxable period does not conform (January 2024 to December 2024); and/or
- (iii) The taxable person does not issue tax invoices and does not report the realisation of government-borne VAT.

## **H.3 Accelerated Tax Refunds**

Taxable persons supplying certain four-wheeled BEVs and/or certain bus BEVs may be granted preliminary tax refunds as low-risk taxable persons. Low-risk taxable persons that may be granted preliminary tax refunds must comply with the following provisions.

- (i) The taxable persons do not need to apply for determination as low-risk taxable persons;
- (ii) The Director General of Taxes does not *ex officio* issue a decision on the determination as low-risk taxable persons; and
- (iii) Fulfilling certain activities in the form of supplies of certain four-wheeled BEVs and/or certain bus BEVs in the taxable period for which the application for the preliminary tax refund is submitted.

To obtain the accelerated refunds, a taxable person simply selects the preliminary tax refund when filling out the periodic VAT return. The complete procedures for the preliminary refunds are implemented pursuant to the provisions thereof, i.e., MoF Reg. 39/2018 as last amended by MoF Reg. 209/2021.





# Chapter 53

## Government-Borne STLGS for Imports and/or Supplies of Certain Four-Wheeled Battery Electric Vehicles

### A. Brief Description

<b>Description</b>	<p>Sales Tax on Luxury Goods (STLGS) payable on:</p> <ul style="list-style-type: none"> <li>(i) imports of certain four-wheeled Completely Built-Up (CBU) Battery Electric Vehicles (BEVs or <i>Kendaraan Bermotor Listrik Berbasis Baterai</i>/KBLBB in Indonesian); and</li> <li>(ii) supplies of certain four-wheeled BEVs originating from production of four-wheeled Completely Knocked-Down (CKD) BEVs which will be assembled in Indonesia with the Local Content Requirements (LCR or <i>Tingkat Kandungan Dalam Negeri</i>/TKDN in Indonesian) of a minimum of 20% and a maximum of less than 40%,</li> </ul> <p>is borne by the government at 100% of the amount of STLGS payable.</p>
<b>Incentive Type</b>	Government-borne STLGS
<b>Legal Basis</b>	<ol style="list-style-type: none"> <li>1. Minister of Finance Regulation Number 9 of 2024 concerning Government-Borne Sales Tax on Luxury Goods on Imports and/or Supplies of Taxable Luxury Goods in the Form of Certain Four-Wheeled Battery Electric Vehicles for the 2024 Fiscal Year (<a href="#">MoF Reg. 9/2024</a>);</li> <li>2. Minister of Investment/Head of the Indonesian Investment Coordinating Board Regulation Number 6 of 2023 concerning Guidelines and Governance for the Granting of *Incentives for Imports and/or Supplies of* Four-Wheeled Battery Electric Vehicles in the Context of Investment Acceleration (BKPM Reg. 6/2023);</li> <li>3. Minister of Investment/Head of the Indonesian Investment Coordinating Board Regulation Number 1 of 2024 concerning the Amendment to the</li> </ol>

	Minister of Investment/Head of the Indonesian Investment Coordinating Board Regulation Number 6 of 2023 concerning Guidelines and Governance for the Granting of *Incentives for Imports and/or Supplies of* Four-Wheeled Battery Electric Vehicles in the Context of Investment Acceleration (BKPM Reg. 6/2023).
<b>Economic sectors</b>	Processing industry
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving businesses
<b>Implementation</b>	Effective from 2024

Source: MoF Reg. 9/2024, BKPM Reg. 6/2023 and BKPM Reg. 1/2024, processed by the Author.

## B. Incentive Benefits

STLGs payable on imports of certain four-wheeled CBU BEVs, with the following details:

- (i) imports of certain four-wheeled CBU BEVs; dan
- (ii) supplies of certain four-wheeled BEVs originating from production of four-wheeled CKD BEVs, which will be assembled in Indonesia with the LCR of a minimum of 20% and a maximum of less than 40%,

are granted the government-borne (*Ditanggung Pemerintah/DTP* in Indonesian) STLGs facility of 100% of the amount of STLGs payable. This incentive may be utilised from November 2024 to December 2025.

## C. Parties Receiving the Incentives

The government-borne STLGs incentive for imports and/or supplies of certain four-wheeled BEVs may only be utilised by entrepreneurs that have been registered as taxable persons (*Pengusaha Kena Pajak/PKP* in Indonesian) pursuant to statutory provisions in the field of taxation.

## D. Requirements

There are several requirements that must be fulfilled to utilise this incentive. The following are general requirements and the special requirements that must be fulfilled by entrepreneurs.

### **D.1 General Requirements**

Taxable persons that may utilise this facility must fulfil one or more of the following investment criteria.

- (i) Industrial companies that will construct four-wheeled BEVs manufacturing facilities in Indonesia;
- (ii) Industrial companies that have invested in four-wheeled internal combustion engine-based motor vehicle manufacturing facilities in Indonesia that will transfer production to four-wheeled BEVs, either in part or in full; and/or
- (iii) Industrial companies that have invested in four-wheeled BEVs manufacturing facilities in Indonesia in the context of introducing new products by increasing production plans and/or capacity, not included in the context of product diversification without increasing production plans and/or capacity.

### **D.2 Special Requirements**

Entrepreneurs or taxable person wishing to utilise this incentive must be committed to producing four-wheeled BEVs in Indonesia that fulfil the technical specifications stipulated under the regulation of the minister who administers governmental affairs in the industrial sector.

### **D.3 Application Forms or Reports**

When applying for this facility, a taxable person or entrepreneur is requested to complete the following documents:

- (i) Details of the BEVs requested to be granted the incentive; and
- (ii) The commitment letter signed by the company director and legalised by a notary.

## **E. Application Scheme**

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To obtain this incentive, a taxable person or entrepreneur applies through the Online Single Submission (OSS) system, complemented by several application documents to obtain several document, as follows:

- (i) the proposal letter for the granting of the incentive;
- (ii) the approval letter for the utilisation of the incentive;
- (iii) changes in the approval letter for the utilisation of the incentive, for import and/or supplies of four-wheeled BEVs.

The application for the utilisation of this incentive begins with the submission of a proposal letter for the granting of the incentive which must be submitted no later than 31 March 2025. The following is the order of the submission of the proposal letter for the granting of this incentive:

- (i) The entrepreneur submits a proposal letter for the granting of the incentive through the OSS system by attaching several application documents;
- (ii) The submission and documents for the application for the proposal letter for the granting of the incentive will be discussed between ministries/institutions. The results of the discussion meeting between the ministries/institutions may be in the form of:
  - a. the application is declared complete and correct pursuant to the provisions, it may be processed further;
  - b. the application is returned to the entrepreneur to be amended, the entrepreneur amends it and the application process is continued; or
  - c. the application is rejected because it does not comply with the provisions, the entrepreneur may re-apply;
- (iii) The OSS system issues a proposal letter for the granting of the import and/or supply of four-wheeled BEVs incentive for the applications that is declared complete and correct as the basis for the application for a bank guarantee;
- (iv) The entrepreneur that has received a proposal letter for the granting of the import and/or supply of four-wheeled BEVs incentive may continue the application for the issuance of the approval letter for the utilisation of the incentive by submitting a guarantee of the fulfilment of the commitment in the form of bank guarantee documents.

After receiving the proposal letter for the granting of the incentive, the entrepreneur may continue the application for the issuance of the approval letter for the utilisation of the incentive. The following is the flow of the application for the issuance of the approval letter for the utilisation of the incentive:

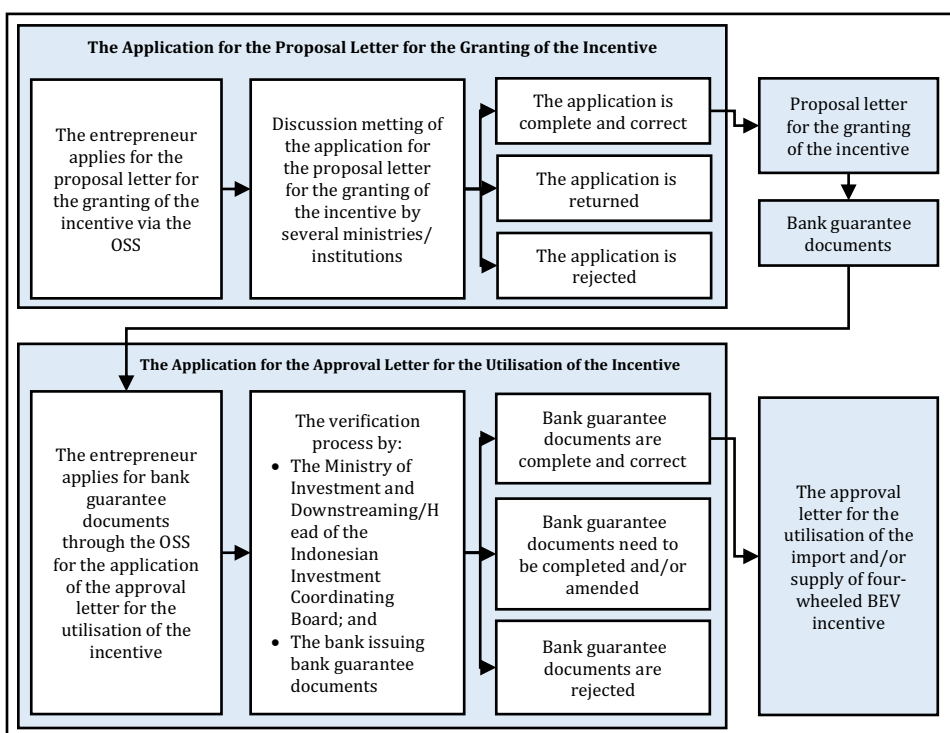
- (i) The entrepreneur submits bank guarantee documents through the OSS system. If the entrepreneur does not submit bank guarantee documents within 15 (fifteen) days from the time the proposal letter being issued, the proposal letter will be automatically cancelled;
- (ii) The Minister of Investment and Downstreaming/Head of the Indonesian Investment Coordinating Board together with the bank issuing the bank guarantee documents shall verify the bank guarantee documents submitted by the entrepreneur;

- (iii) The results of the verification may be in the form of:
  - a. the bank guarantee documents are complete and correct pursuant to the provisions. Later, the OSS system will send a notification to the entrepreneur that the results of the verification of the bank guarantee are complete and correct. Within 5 (five) days from the notification, the OSS system will issue an approval letter for the utilisation of the import and/or supply of four-wheeled BEV incentive;
  - b. bank guarantee documents need to be completed and/or amended for deficiencies and/or errors according to the results of the verification. The application for the issuance of the approval letter for the utilisation of the incentive cannot be processed further and will be returned to the entrepreneur; or
  - c. the application is rejected because it does not comply with the provisions;
- (iv) To utilise the four-wheeled BEV incentive, the entrepreneur listed in the approval letter is required to act as the importer and required to attach the approval letter to the import declaration.

The following are several provisions related to the application for a approval letter for the utilisation of the incentive.

- (i) The application for the approval letter may be submitted in stages every 6 (six) months from the date of issuance of the first approval letter;
- (ii) the application for the approval letter in the second and subsequent stage must be submitted at the earliest 3 (three) months before the previous approval letter period expires; and
- (iii) The application for changes in the approval letter must be submitted no later than 15 (fifteen) days before the approval letter period expires.

**F. Flow Chart**



Source: BKPM Reg. 6/2023 and BKPM Reg. 1/2024, processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

For import and/or supplies of certain four-wheeled BEVs, several documents need to be prepared by entrepreneurs. The following are details of the required documents needed to utilise this incentive.

**G.1 Documents for the Utilisation of the Government-Borne STLGs Incentive for Imports of Certain Four-Wheeled CBU BEVs**

- (i) Import declaration (*Pemberitahuan Impor Barang/PIB* in Indonesian) documents pursuant to statutory provisions in the field of customs. These documents are prepared by at least including information in the form of:
  - a. the number and date of the letter of approval for the utilisation of import incentives,
  - b. the import facility code,
  - c. brand,
  - d. type and variant,

- e. chassis number, and
- f. the Harmonized System (HS) code; and
- (ii) The government-borne STLGs realisation report in the form of the import declaration documents filed in the periodic VAT return.

## **G.2 Documents for the Utilisation of the Government-Borne STLGs Incentive for Supplies of Certain Four-Wheeled BEVs Originating from the Production of Four-Wheeled CKD BEVs**

- (i) A tax invoice pursuant to statutory provisions in the field of taxation. The tax invoice must be issued separately from the tax invoices for supplies of motor vehicles and/or other BEVs and/or supplies of other than BEVs that receive government-borne STLGs. The tax invoice is prepared by the entrepreneur by stating:
  - a. transaction code 01;
  - b. details concerning the type of goods which at least contains information in the form of the vehicle brand, type, variant and chassis number; and
  - c. details "GOVERNMENT-BORNE STLGS PURSUANT TO MOF REG. NUMBER 9 OF 2024"; and
- (ii) The government-borne STLGs realisation report in the form of a tax invoice referred to in number (i) in Section G.2 of this chapter filed in the periodic VAT returns by the taxable person supplying certain four-wheeled BEVs originating from the production of four-wheeled CKD BEVs.

Filing and amendment of periodic VAT returns for imports of certain four-wheeled CBU BEVs and/or supplies of certain four-wheeled BEVs originating from the production of four-wheeled CKD BEVs for the January 2024 to December 2024 taxable periods, may be treated as a realisation report insofar as submitted no later than 31 January 2025.

## **H. Other Important Information**

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### **H.1 Excluded from Government-Borne**

STLGS payable on an import of certain four-wheeled CBU BEVs is not borne by the government if the import:

- (i) does not use an import declaration; and
- (ii) does not report the realisation.

STLGs payable on a supply of certain four-wheeled BEVs originating from the production of four-wheeled CKD BEVs is not borne by the government if the supply:

- (i) does not use a tax invoice; and
- (ii) does not report the realisation pursuant to the provisions.

## **H.2 Collection of STLGs Payable**

The Director General of Taxes may collect STLGs payable if data and/or information is obtained that shows:

- (i) the taxable person does not have the approval letter and/or the supplied imported CBU BEVs and/or certain four-wheeled BEVs originating from the production of four-wheeled CKD BEVs do not fulfil the provisions contained in attachment IV of the BKPM Reg. 6/2023 and BKPM Reg. 1/2024;
- (ii) the import and/or supply of the BEVs does not correspond to the specified taxable period ;
- (iii) the taxable person does not fulfil the obligations of:
  - a. preparing import declaration documents pursuant to the provisions referred to in number (i) in Section G.1 of this chapter; and/or
  - b. preparing tax invoices pursuant to the provisions referred to in number (i) in Section G.2 of this chapter, and
- (iv) the taxable person does not exercise the obligation to report the realisation of government-borne STLGs.

## **H.3 Changes in the Approval Letter for the Incentive**

If there are changes in the approval letter that has been issued, the entrepreneur may apply for the changes. The following is the order of the application for changes in the approval letter for the utilisation of the incentive:

- (i) The entrepreneur applying for changes in the approval letter is required to submit a letter of reason for the changes and an import realisation report for the approval letter for the utilisation of the incentive signed by the company director through the OSS system;
- (ii) The Ministry of Investment and Downstreaming/Head of the Indonesia Investment Coordinating Board will verify the application for the change;
- (iii) The results of the verification may be in the form of:
  - a. the application is complete and correct pursuant to the provisions;
  - b. the application needs to be completed and/or amended for deficiencies and/or errors according to the verification results; or



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**CHAPTER 53:**

**GOVERNMENT-BORNE STLGS FOR IMPORTS AND/OR SUPPLIES OF CERTAIN FOUR-WHEELED BATTERY ELECTRIC VEHICLES**

- c. the application is rejected because it does not comply with the provisions.

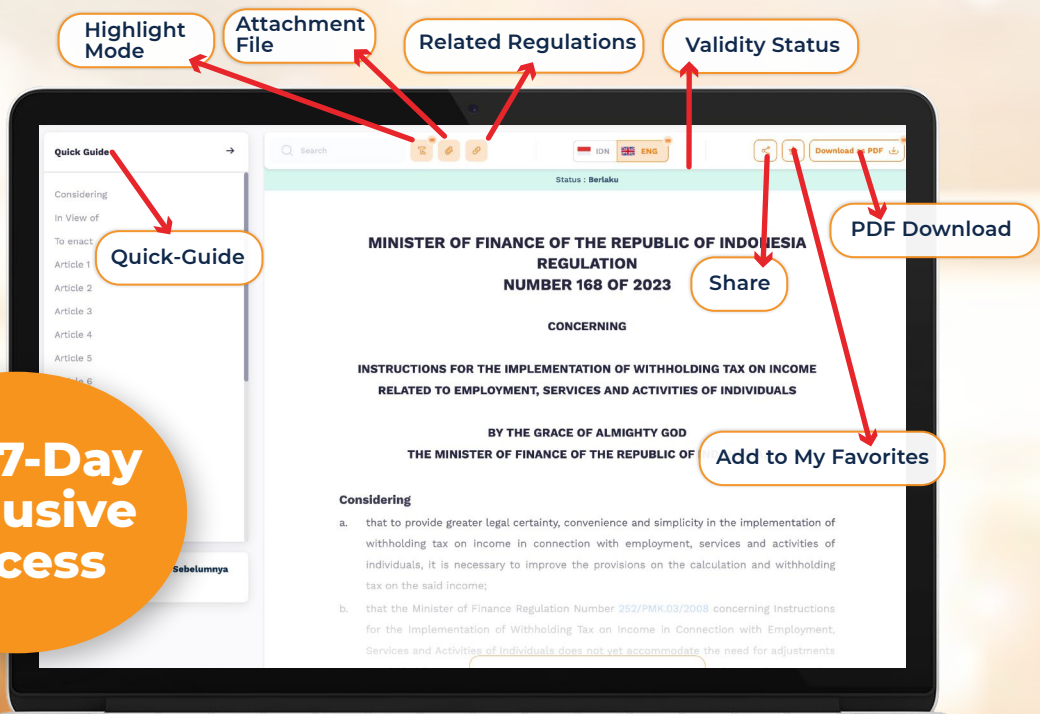


# SECTION III

## IMPORT DUTY



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# **IMPORT DUTY EXEMPTION**

# Chapter 54

## Import Duty Exemption for Imports of Machines as Well as Goods and Materials for Industrial Construction or Development in the Context of Investments

### A. Brief Description

<b>Description</b>	Import duty exemption is granted for imports of machines and goods and materials for industrial construction or development in the context of investments.
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs (<a href="#">Law 17/2006</a>);</li> <li>2. Minister of Finance Regulation Number 176/PMK.011/2009 concerning Import Duty Exemption for Imports of Machines as Well as Goods and Materials for Industrial Construction or and Development in the Context of Investments (<a href="#">MoF Reg. 176/2009</a>);</li> <li>3. Minister of Finance Regulation Number 76/PMK.011/2012 concerning the Amendment to the Minister of Finance Regulation Number 176/PMK. 011/2009 concerning Import Duty Exemption for Imports of Machines as Well as Goods and Materials for Industrial Construction or and Development in the Context of Investments (<a href="#">MoF Reg. 76/2012</a>);</li> <li>4. Minister of Finance Regulation Number 188/PMK.010/2015 concerning the Second Amendment to the Minister of Finance Regulation Number 176/PMK. 011/2009 concerning Import Duty Exemption for Imports of Machines as Well as Goods and Materials for Industrial Construction or and Development in the Context of Investments (<a href="#">MoF Reg. 188/2015</a>).</li> </ol>

<b>Economic sectors</b>	Processing industries
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2009

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 180.

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## **B. Incentive Benefits**

Imports of machines and goods and materials conducted by industrial companies producing goods and/or services may be given an import duty exemption. This incentive is also granted to machines and goods and materials from free ports and free trade zones (*Kawasan Pelabuhan Bebas and Perdagangan Bebas/KPBPB* in Indonesian), Special Economic Zones (SEZs or *Kawasan Ekonomi Khusus/KEK* in Indonesian) or bonded storage (*Tempat Penimbunan Berikat/TPB* in Indonesian).

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## **C. Parties Receiving the Incentives**

Import duty exemption for imports of machines and goods and materials performed by companies conducting business activities in the following sectors:

- (i) industries that produce goods; and/or
- (ii) industries that produce services:
  - a. tourism and culture;
  - b. public transportation;
  - c. public health services;
  - d. mining;
  - e. construction;
  - f. telecommunications industry; and
  - g. ports.

---

## **D. Requirements**

Import duty exemption for imports of machines and goods and materials may be utilised insofar as the importer fulfils the general requirements related to the imported goods, special requirements related to the requirements for the use of local machines and administrative requirements related to the attachment documents when the application is submitted. The following are the requirements that need to be fulfilled.

### **D.1 General Requirements**

The import duty exemption may be granted insofar as the machines and goods and materials:

- (i) the goods and materials have not been produced domestically;
- (ii) the goods and materials have been produced domestically but do not fulfil the required specifications; or
- (iii) the goods and materials have been produced domestically but the quantity is not sufficient to fulfil the industrial needs,

based on the list of machines, goods and materials determined by the Minister of Industry.

### **D.2 Special Requirements**

The import duty exemption is granted to companies conducting industrial development or construction, insofar as using domestically-produced machines of a minimum of 30% of the total value of the machines. The use and composition of the production machines are stated by the Minister of Industry or appointed officials.

### **D.3 Administrative Requirements**

When applying to the Head of the Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM* in Indonesian), an importer needs to attach several documents together with the application. The attached documents are different for each imported goods. The following are details of the administrative requirements that need to be fulfilled by importers to utilise this facility.

#### **D.3.1 Administrative Requirements for the Import Duty Exemption for Imports of Machines for Industrial Construction and Industrial Development**

The application to obtain the import duty exemption for imports of machines must be attached with:

- (i) the company's deed of incorporation;
- (ii) the approval letter for the investment;
- (iii) the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian) and receipt of the application as a taxable person;
- (iv) the customs identification number (*Nomor Identitas Kepabeanan/NIK* in Indonesian);

- (v) the importer identification number (*Angka Pengenal Impor/API* in Indonesian););
- (vi) the list of machines, including the quantity, type, detailed technical specifications per port of entry; and
- (vii) a brief description of production process for industries producing goods or a brief description of business activities for service industries.

### **D.3.2 Administrative Requirements for Import Duty Exemption for Imports of Goods and Materials for Industrial Construction and Industrial Development**

The application to obtain an import duty exemption for imports of goods and materials must be attached with:

- (i) a statement letter from the relevant technical agency containing the information that the composition of machines has fulfilled the requirements referred to in the special provisions, in the event that the company uses domestically-produced machines;
- (ii) the list of goods and materials, including the quantity, type, detailed technical specifications; and
- (iii) the customs declaration for the machines or invoice for domestic machines for industrial construction.

### **D.4 Application Forms and Reports**

No sufficient information is available concerning the forms or reports for the application in the provisions stipulating this incentive.

## **E. Application Scheme**

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Importers may utilise the import duty exemption using the following scheme.

- (i) Submitting the application attached with several complementary documents to the Head of the Indonesian Investment Coordinating Board;
- (ii) For the application, the Head of the Indonesian Investment Coordinating Board on behalf of the Minister will approve or reject the application for the import duty exemption no later than 7 (seven) business days from the time the application is completely received;
- (iii) If the application is approved, the Head of the Indonesian Investment Coordinating Board on behalf of the Minister will issue a decree concerning the import duty exemption, the decree contains the quantity, type, specifications and estimated prices of machines and/or goods and

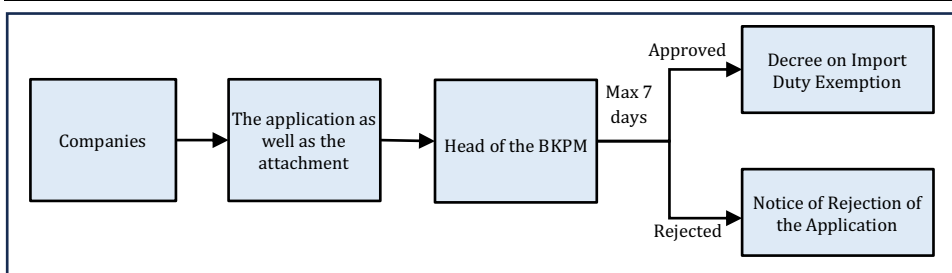


**CHAPTER 54:**  
**IMPORT DUTY EXEMPTION FOR IMPORTS OF MACHINES AS WELL AS GOODS AND MATERIALS FOR INDUSTRIAL CONSTRUCTION OR DEVELOPMENT IN THE CONTEXT OF INVESTMENTS**

materials granted the import duty exemption in detail per port of entry; and

- (iv) If the application is rejected, the Head of the Indonesian Investment Coordinating Board will prepare a notice concerning the rejection of the application to the importer stating the reasons for the rejection.

#### **F. Flow Chart**



Source: MoF Reg. 188/2015, processed by the Author.

#### **G. Post-Incentive-Utilisation Obligations**

A company that receives import duty exemption must submit an import realisation report to the Head of the Indonesian Investment Coordinating Board no later than 7 (seven) days after the import realisation. If the company does not submit an import realisation report, the company will be subject to administrative penalties.

#### **H. Other Important Information**

##### **H.1 Provisions on the Amendment to the Decree concerning Import Duty Exemption**

The decree concerning the import duty exemption may be amended when:

- (i) the machines, goods and materials have not been imported; and
- (ii) the exemption period has not elapsed.

##### **H.2 Provisions on Prohibitions and Restrictions**

To imports of machines, goods and materials that receive the import duty exemption facility, the provisions on prohibitions and restrictions pursuant to statutory laws and regulations shall apply.

### **H.3 Imports Not Corresponding to the Decree concerning the Import Duty Exemption**

The quantity and/or types of imported machines, goods and materials must correspond to the quantity or type of machines, goods and materials listed in the decree concerning the import duty exemption. In the event of a discrepancy, the importer is required to pay import duty on the discrepancy.

### **H.4 Provisions on the Settlement of Customs Obligations for Machines That Receive the Import Duty Exemption Incentive**

Imported machines that have obtained the import duty exemption facility may be transferred after being used for a minimum of 2 (two) years from the date of the import declaration. Provisions on the period do not apply in the event of the following.

- (i) Force majeure;
- (ii) The machines are re-exported; or
- (iii) The machines are transferred to a company that obtains the import duty exemption facility for industrial development or construction in the context of investments.

A transfer performed within a minimum period of 2 (two) years and a maximum of 5 (five) years results in the cancellation of the import duty exemption facility. Therefore, the company is required to pay import duty payable.

Other provisions apply to the transfer of machines in the event of force majeure and the machines still have economic value. For such a transfer, the import duty facility will be cancelled and import duty will be imposed with the following provisions:

- (i) if the import duty tariff amounts to 5% or higher, a 5% tariff is imposed; or
- (ii) if the import duty tariff is below 5%, a tariff according to the type of the goods is imposed.

A transfer may be exempt from the obligation to pay import duty if it fulfils the following provisions.

- (i) the machines are transferred after a period of 5 (five) years from the date of the import declaration; or
- (ii) the machines are transferred pursuant to the provisions that cancel the provisions on the transfer period and has obtained a transfer permit from the Director General of Customs and Excise.

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**CHAPTER 54:**  
**IMPORT DUTY EXEMPTION FOR IMPORTS OF MACHINES AS WELL AS GOODS AND MATERIALS FOR INDUSTRIAL CONSTRUCTION OR DEVELOPMENT IN THE CONTEXT OF INVESTMENTS**

For a transfer of machines not performed pursuant to the provisions, the company is obliged to pay import duty payable the import of machines and an administrative penalty in the form of a fine pursuant to statutory laws and regulations in the field of customs.

#### **H.5 Provisions on the Settlement of Customs Obligations for Goods and Materials that Receive the Import Duty Exemption Incentive**

Imported goods and materials that receive import duty exemption cannot be transferred except in force majeure. The goods and materials may be re-exported or destroyed to settle their customs obligations. The customs obligations may be settled after obtaining a permit from the Director General of Customs and Excise. For the settlement of these customs obligations, the company is exempt from the obligation to pay import duty payable.

The import duty exemption for destruction activities does not apply if after destruction, the goods and materials still have economic value. The following tariffs apply to the goods and materials in calculating import duty payable:

- (i) if the import duty tariff amounts to 5% or higher, a 5% tariff is imposed;  
or
- (ii) if the import duty tariff is below 5%, a tariff according to the type of the goods is imposed.



## Chapter 55

# Import Duty Exemption for Imports of Capital Goods in the Context of the Construction and Development of the Public Power Station Industry

### A. Brief Description

<b>Description</b>	Import duty exemption is granted for imports of capital goods in the context of the construction and development of the public power station industry.
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs (<a href="#">Law 17/2006</a>);</li> <li>2. Minister of Finance Regulation Number 154/PMK.011/2008 concerning Import Duty Exemption for Imports of Capital Goods in the Context of the Construction and Development of the Public Power Station Industry (<a href="#">MoF Reg. 154/2008</a>);</li> <li>3. Minister of Finance Regulation Number 128/PMK.011/2009 concerning the Amendment to the Minister of Finance Regulation Number 154/PMK.011/2008 concerning Import Duty Exemption for Imports of Capital Goods in the Context of the Construction and Development of the Public Power Station Industry (<a href="#">MoF Reg. 128/2009</a>);</li> <li>4. Minister of Finance Regulation Number 154/PMK.011/2012 concerning the Second Amendment to the Minister of Finance Regulation Number 154/PMK.011/2008 concerning Import Duty Exemption for Imports of Capital Goods in the Context of the Construction and Development of the Public Power Station Industry (<a href="#">MoF Reg. 154/2012</a>).</li> </ol>
<b>Economic sectors</b>	Processing industries

<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2008

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 180.

## B. Incentive Benefits

Imports of capital goods in the context of the construction and development of the public power station industry are granted the import duty exemption facility. The import duty exemption is granted to capital goods with the following provisions:

- (i) the goods and materials have not been produced domestically;
- (ii) the goods and materials have been produced domestically but do not fulfil the required specifications; or
- (iii) the goods and materials have been produced domestically but the quantity is not sufficient to fulfil the industrial needs.

## C. Parties Receiving the Incentives

The import duty exemption for imports of capital goods in the context of the construction and development of the public power station industry may be granted to the following business entities.

- (i) Indonesia State Electricity Corporation (*PT. Perusahaan Listrik Negara/PT. PLN* (Persero) in Indonesian);
- (ii) Holders of electricity business permit for public interest (*Izin Usaha Ketenagalistrikan untuk Kepentingan Umum/IUKU* in Indonesian) with a business area;
- (iii) Holders of electricity business permit for public interest for electricity generation business with electricity purchase agreement with PT. PLN (Persero) which states that all electricity generated will be purchased by PT. PLN (Persero) or Finance Lease Agreement (FLA) with PT. PLN (Persero); or
- (iv) Holder of electricity business permits for public interest for electricity generation business with electricity purchase agreement with holders of electricity business permits for public interest with a business area, which states that all electricity generated will be purchased by holders of electricity business permits for public interest with a business area.

## D. Requirements

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The import duty exemption for imports of capital goods may be utilised insofar as the importer fulfils the general requirements related to the imported goods and the administrative requirements related to the attachment documents when submitting the application. The following are the requirements that need to be fulfilled.

### D.1 General Requirements

The import duty exemption may be granted if the imported capital goods fulfil the following provisions:

- (i) the goods and materials have not been produced domestically;
- (ii) the goods and materials have been produced domestically but do not fulfil the required specifications; or
- (iii) the goods and materials have been produced domestically but the quantity is not sufficient to fulfil the industrial needs.

### D.2 Administrative Requirements

When applying to the Director General of Customs and Excise, the application must be attached with the following several supporting documents.

- (i) the masterlist (*Rencana Impor Barang/RIB* in Indonesian) for project needs must at least contain the quantity, types and detailed technical specifications per port of entry that has been approved and validated by the Director General of Electricity, the Ministry of Energy and Mineral Resources;
- (ii) the deed of incorporation of the business entity; and
- (iii) the customs identification number.

In addition to the above documents, several additional documents need to be attached, but they differ for each business entity referred to in Subchapter C. The following are the details of the provisions.

- (i) For the application submitted by the business entities referred to in Subchapter C numbers (ii), (iii) and (iv), the application must be attached with an electricity business permit for public interest;
- (ii) For the application submitted by the business entities referred to in Subchapter C number (iii), the application must be attached with an electricity sales and purchase agreement or an FLA with PT. PLN (Persero); and

- (iii) For the application submitted by the business entity referred to in Subchapter C number (iv), the application must be attached with an electricity sales and purchase agreement with the attached with holder with a business area.

### D.3 Application Forms and Reports

There are 2 (two) document formats that may be used when applying for import duty exemption:

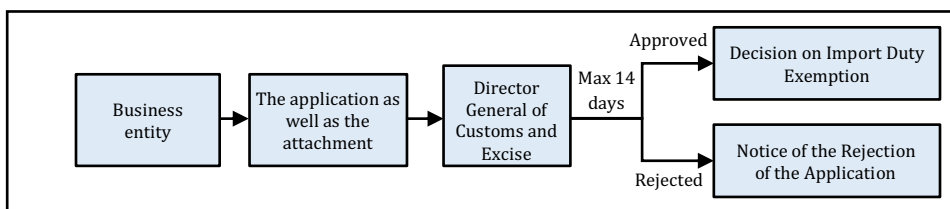
- (i) the format of the application letter for the import duty exemption for the import of capital goods in the context of the construction and development of the public power station industry; and
- (ii) the format of the masterlist.

### E. Application Scheme

An importer may utilise import duty exemption using the following scheme:

- (i) the business entity submits the application attached with several complementary documents to the Director General of Customs and Excise;
- (ii) for the application, the Director General of Customs and Excise will approve or reject within a period of 14 (fourteen) days from the time the application is completely received;
- (iii) if the application is approved, the Director General of Customs and Excise will issue the decision concerning the import duty exemption; and  
if the application is rejected, the Director General of Customs and Excise prepares a notice concerning the rejection of the application for the importer stating the reasons for the rejection.

### F. Flow Chart



Source: MoF Reg. 154/2012, processed by the Author.



### G. Post-Incentive-Utilisation Obligations

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An import based on the masterlist is realised no later than 24 (twenty-four) months from the date of the decision on the granting of the import duty exemption. The import realisation may be extended no later than 12 (twelve) months from the end of the import realisation period by submitting the application and no later than 14 (fourteen) days before the expiration of the minister of finance decree concerning the granting of the import duty exemption. The application for the extension of the import realisation submitted by a business entity must be attached with:

- (i) a photocopy of the customs identification number;
- (ii) a photocopy of the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
- (iii) a photocopy of the importer identification number (*Angka Pengenal Importer/API* in Indonesian);
- (iv) a photocopy of the minister of finance decree concerning the granting of the import duty exemption; and
- (v) the import realisation report pursuant to the minister of finance decree concerning the granting of the import duty exemption.

### H. Other Important Information

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#### H.1 Provisions on the Amendment to the Decree concerning Import Duty Exemption

Business entities may apply for the amendment to the minister of finance decree concerning the granting of the import duty exemption. The application for the amendment may be submitted within the validity period of the minister of finance decree. The following are procedures for the application for the amendment to the minister of finance decree.

- (i) The business entity applies to the Director General of Customs and Excise;
- (ii) The application must be attached with:
  - a. a photocopy of customs registration number;
  - b. a photocopy of the TIN;
  - c. a photocopy of the importer identification number;
  - d. a photocopy of minister of finance decree concerning the granting of the import duty exemption; and
  - e. the revised masterlist (*Rencana Impor Barang Perubahan/RIBP* in Indonesian) at least contains the quantity, type and detailed technical

specifications per port of entry that has been approved and legalised by the Director General of Electricity, Ministry of Energy and Mineral Resources;

- (iii) For the application, the Director General of Customs and Excise will approve or reject within a period of 14 (fourteen) days from the time the application is completely received;
- (iv) If the application is approved, the Director General of Customs and Excise will issue the decision concerning the import duty exemption; and
- (v) If the application is rejected, the Director General of Customs and Excise prepares a notice concerning the rejection of the application for the importer stating the reasons for the rejection.

## **H.2 Provisions on Transfers of Capital Goods**

Capital goods that are imported and have obtained the import duty exemption facility may be transferred after being used for a minimum of 2 (two) years from the date of the import declaration. Provisions on the period do not apply in the event of the following.

- (i) Force majeure;
- (ii) The capital goods are re-exported; or
- (iii) The capital goods are transferred to a business entity that obtains the import duty exemption facility for the construction or development of the public power station industry.

A transfer performed within a minimum period of 2 (two) years and a maximum of 5 (five) years results in the cancellation of the import duty exemption facility. Therefore, the business entity is required to pay import duty payable.

Other provisions apply to the transfer of capital goods in the event of force majeure and the capital goods still have economic value. For such a transfer, the import duty facility will be cancelled and import duty will be imposed with the following provisions:

- (i) if the import duty tariff amounts to 5% or higher, a 5% tariff is imposed; or
- (ii) if the import duty tariff is below 5%, a tariff according to the type of the goods is imposed.

A transfer may be exempt from the obligation to pay import duty if it fulfils the following provisions:

- (i) the capital goods are transferred after a period of 5 (five) years from the date of the import declaration; or

**IMPORT DUTY EXEMPTION FOR IMPORTS OF CAPITAL GOODS IN THE CONTEXT OF THE CONSTRUCTION AND DEVELOPMENT OF THE PUBLIC POWER STATION INDUSTRY**

- (ii) the capital goods are transferred pursuant to the provisions that cancel the provisions on the transfer period and a transfer permit has been obtained from the Director General of Customs and Excise.



# Chapter 56

## Import Duty Exemption or Relief for Imports of Goods in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements

### A. Brief Description

<b>Description</b>	Import duty exemption or relief on imports of goods in the context of contracts of work (CoW or <i>Kontrak Karya/KK</i> in Indonesian) or coal mining concession cooperation agreements ( <i>Perjanjian Kerjasama Perusahaan Pertambangan Batu Bara/PKP2B</i> in Indonesian)
<b>Incentive type</b>	Import duty exemption or relief
<b>Legal basis</b>	Minister of Finance Regulation Number 116/PMK.04/2019 concerning Import Duty Exemption or Relief and/or Value Added Tax Exemption for Imports of Goods in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements ( <a href="#">MoF Reg. 116/2019</a> ).
<b>Economic sectors</b>	Mining and quarrying
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2005

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 185.

### B. Incentive Benefits

The incentive for imports of goods in the context of CoWs or coal mining concession cooperation agreements may be given in the form of import duty exemption or relief. Import duty may be exempt or relieved insofar as there is an import duty exemption or relief clause in the agreed contract.

There is a difference in the utilisation period of import duty exemption or relief for imports of goods in the context of CoWs or coal mining concession cooperation agreements, between contractors that list the period of import duty exemption or relief and those that do not. The following is a table showing the comparison of the utilisation period based on the aforementioned 2 (two) conditions.

**Tabel 56.1 Comparison of the Utilisation Period**

<b>Clause in the Contract</b>	<b>Period of Import Duty Exemption or Relief</b>
Listing the provisions on the period of import duty exemption or relief for imports of goods	The exemption is granted according to the period listed in the contract.
Not listing the provisions on the period of import duty exemption or relief for imports of goods	The exemption is granted from the date the contract is signed until the 10 <sup>th</sup> (tenth) year of the production operation period. If the contractor operates more than 1 (one) area, it is calculated from the date of the start of operation in the first mining area.

Source: MoF Reg. 116/2019, processed by the Author.

The other provisions are related to the import duty exemption or relief incentive period, wherein the incentive is given until the end of the contract period for:

- (i) contractors of coal mining concession cooperation agreements whose contracts were signed before 1990;
- (ii) contractors of coal mining concession cooperation agreements whose contracts include the provisions on the granting of import duty exemption or relief for imports of goods in the context of coal mining concession cooperation agreements;
- (iii) contractors of coal mining concession cooperation agreements whose contracts do not include the provisions on the period of the granting of import duty exemption or relief; and
- (iv) contractors of coal mining concession cooperation agreements whose imported goods constitute state property.

### **C. Parties Receiving the Incentives**

The import duty exemption or relief incentive for imports of goods in the context of CoWs or coal mining concession cooperation agreements may be utilised by

contractors that include the import duty exemption or relief clause for imports of goods.

## **D. Requirements**

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The requirements to utilise the import duty exemption or relief incentive for imports of goods in the context of CoWs or coal mining concession cooperation agreements may be utilised insofar as the following general requirements are fulfilled.

### **D.1 General Requirements**

The agreed contract must include the provisions on the import duty exemption or relief for imports of goods in the context of CoWs or coal mining concession cooperation agreements.

### **D.2 Special Requirements**

No sufficient information is available concerning the special requirements that must be fulfilled in the provisions stipulating this incentive.

### **D.3 Application Forms and Reports**

In this incentive, no forms or reports are required to apply for the utilisation of the import duty exemption or relief incentive for imports of goods in the context of CoWs or coal mining concession cooperation agreements.

## **E. Application Scheme**

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No sufficient information is available concerning the application scheme that must be implemented by taxpayers in the provisions stipulating this incentive. This is because the incentive may be utilised if the provisions on the import duty exemption or relief are listed in the agreed contract.

## **F. Flow Chart**

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No sufficient information is available concerning the flowchart in the provisions stipulating this incentive.

## **G. Post-Incentive-Utilisation Obligations**

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Customs obligations for imports of goods that receive import duty exemption or relief in the context of CoWs or coal mining concession cooperation agreements are fulfilled at the Customs Office of the entry of goods.

## **H. Other Important Information**

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### **H.1 Imports of Goods in the Context of CoWs or Coal Mining Concession Cooperation Agreements that Do Not Conform**

In the event that a contractor imports goods that do not correspond to the minister of finance decree concerning the granting of the import duty exemption or relief, the contractor is required to pay import duty. In the event of force majeure:

- (i) invoice documents that have been approved by the Head of the Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM* in Indonesian) or appointed officials; and
- (ii) a certificate from the competent agency attached with evidence supporting the force majeure,

may be used as a substitute for the minister of finance decree stipulating the granting of the import duty exemption or relief.

### **H.2 Transfers of Goods that Receive the Import Duty Exemption or Relief in the Context of CoWs or Coal Mining Concession Cooperation Agreements**

Imports of goods that receive import duty exemption or relief in the context of CoWs or coal mining concession cooperation agreements may be transferred. The transfer may be performed after 2 (two) years from the date of the import declaration. Provisions on the minimum transfer period may not apply in the event:

- (i) of force majeure occurs as evidenced by a certificate from the competent agency;
- (ii) of a re-export;
- (iii) that the contractor is declared bankrupt by the Commercial Court; or
- (iv) transferred to another party that obtains the import duty exemption or relief facilities.



### **H.2.1 Provisions on Transfers of Goods that Receive the Import Duty Exemption or Relief in the Context of CoWs or Coal Mining Concession Cooperation Agreements**

The transfer may be done after the contractor obtains permission from the Head of the Customs Office where the goods will be transferred. The transfer permit may be obtained by the contractor by submitting the transfer application to the Head of the Customs Office where the goods will be transferred. The following are the details of the provisions in submitting the transfer application.

- (i) The application for the transfer is accompanied by reasons for the transfer;
- (ii) Supporting documents:
  - a. a recommendation letter from the Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources;
  - b. a recommendation letter from the Indonesian Investment Coordinating Board if the destruction is conducted after 2 (two) years up to 5 (five) years from the date of the import declaration;
  - c. the minister of finance decree concerning the granting of the exemption or relief of import duty and/or VAT exemption for goods to be destroyed and the appendix of the minister of finance decree which lists the goods to be destroyed;
  - d. the import declaration that has obtained a registration number;
  - e. the list of goods to be transferred;
  - f. a certificate from the competent agency and attached with evidence supporting force majeure if the destruction is conducted due to force majeure;
  - g. a Commercial Court decision declaring that the contractor is bankrupt if the contractor is bankrupt
  - h. the minister of finance decree concerning the granting of import duty exemption or relief and/or VAT exemption in the context of CoWs or coal mining concession cooperation agreements on behalf of the transferee, in the event of a transfer to another recipient of the import duty exemption or relief and/or or VAT exemption in the context of CoWs or coal mining concession cooperation agreements;
  - i. photographs of goods to be destroyed; and
  - j. the special mining business permit if the contractor changes the form of its mining business to special mining business permit;
- (iii) The list of goods to be destroyed, which must contain at least the following data elements:
  - a. description of goods;
  - b. technical specifications of goods;
  - c. quantity and units of goods;

- d. the number and date of the minister of finance decree concerning the granting of the exemption or relief of import duty and/or VAT exemption for goods to be destroyed and the serial number of the goods listed in the appendix of the said minister of finance decree;
- e. the Customs Office where the goods are entered;
- f. the number and date of the import declaration registration; and
- g. the signature of the lead contractor.

### **H.2.2 Application Scheme for the Transfer of Goods that Receive Import Duty Exemption or Relief in the Context of CoWs or Coal Mining Concession Cooperation Agreements**

The application for a transfer of goods may be submitted with the following steps:

- (i) the application is submitted electronically through the Indonesia National Single Window (INSW) System or DGCE Portal;
- (ii) if the INSW System experiences operational disruptions, the application is submitted manually in the form of hardcopy or softcopy;
- (iii) the Head of the Customs Office or appointed customs and excise officials at the Customs Office where the goods to be destroyed are located examine the fulfilment of the destruction requirements. The results of the examination will be followed up within a maximum of 5 (five) hours for electronic submissions and 3 (three) business days for manual submissions, with several conditions:
  - a. the application is declared incomplete, the Head of the Customs Office issues a letter of document return stating the reasons for the return;
  - b. the application is declared non-conforming, the Head of the Customs Office issues a rejection letter for the issuance of the transfer permit stating the reasons for the rejection;
  - c. the application is declared conforming, there are 2 (two) conditions if the application is declared conforming, as follows:
    - the Head of the Customs Office issues a goods transfer permit without the obligation to pay import duty; or
    - the Head of the Customs Office issues a goods transfer permit with the obligation to pay import duty;
- (iv) the minister of finance decree concerning the transfer permit is valid for 60 (sixty) days from the date of issuance;
- (v) the contractor that has obtained a transfer permit and will transfer the goods must first notify the Head of the Customs Office where the goods will be transferred;

- (vi) for a transfer accompanied by an obligation to pay import duty, the payment receipt of import duty must be attached;
- (vii) before being transferred, a physical inspection of the goods will be conducted. There are 2 (two) conditions that may occur:
  - a. the physical examination is declared conforming, the transfer may be conducted and the customs and excise officials prepare an official report on the transfer of the taxable goods; or
  - b. the physical examination is declared non-conforming, the Head of the Customs Office informs the contractor that the taxable goods cannot be transferred.

### **H.2.3 Other Important Information concerning the Transfer of Goods that Receive the Import Duty Exemption or Relief in the Context of CoWs or Coal Mining Concession Cooperation Agreements**

If the transfer is conducted after 5 (five) years from the date of the import declaration, the transfer of the taxable goods is excluded from the provisions on the transfer permit. Contractors that have conducted the transfer are only required to submit the realisation report on the transfer to the Head of the Customs Office. The report must be submitted no later than 30 (thirty) days from the date of the permit.

Different provisions apply to the transfer of imported goods that receive this facility and have the status of state property. The transfer is conducted pursuant to statutory provisions stipulating state property.

### **H.3 Destruction of Goods that Receive the Import Duty Exemption or Relief in the Context of CoWs or Coal Mining Concession Cooperation Agreements**

Imports of goods that receive the import duty exemption or relief in the context of CoWs or coal mining concession cooperation agreements may be subject to destruction. Destruction may be conducted after 2 (two) years from the date of the import declaration. The minimum period of destruction may not apply in the event of force majeure.

#### **H.3.1 Provisions on the Destruction of Goods that Receive the Import Duty Exemption or Relief in the Context of CoWs or Coal Mining Concession Cooperation Agreements**

Destruction may be conducted after the contractor obtains a permit from the Head of the Customs Office where the goods are to be destroyed. The destruction permit may be obtained by the contractor by applying for destruction to the Head

of the Customs Office where the goods are to be transferred. The following are details of the provisions in the submission of the application for destruction.

- (i) The application for destruction accompanied by reasons for the destruction;
- (ii) Supporting documents:
  - a. a recommendation letter from the Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources;
  - b. a recommendation letter from the Indonesian Investment Coordinating Board if the destruction is conducted before 5 (five) years from the date of the import declaration;
  - c. the minister of finance decree concerning the granting of import duty exemption or relief and/or VAT exemption for goods to be re-exported and appendix of the minister of finance decree that lists the goods to be destroyed;
  - d. the import declaration that has obtained a registration number;
  - e. the list of goods to be destroyed;
  - f. a certificate from the competent agency and attached with evidence supporting force majeure, if the destruction is conducted due to force majeure;
  - g. photographs of goods to be destroyed; and
  - h. the special mining business permit if the contractor changes the form of its mining business to special mining business permit;
- (iii) The list of goods to be destroyed, which at least contains the following data elements:
  - a. the description of goods;
  - b. the technical specifications of goods;
  - c. the quantity and units of goods;
  - d. the number and date of the minister of finance decree concerning the granting of the import duty exemption or relief and/or VAT exemption for goods to be destroyed and the serial number of the goods listed in the appendix of the said minister of finance decree;
  - e. the Customs Office where the goods are entered;
  - f. the number and date of the import declaration registration; and
  - g. the signature of the lead contractor.

### **H.3.2 Application Scheme for the Destruction of Goods that Receive the Import Duty Exemption or Relief in the Context of CoWs or Coal Mining Concession Cooperation Agreements**

The application for the destruction of the goods may be submitted using the following steps.

- (i) The application is submitted electronically through the the INSW System or DGCE Portal;
- (ii) If the the INSW System experiences operational disruptions, the application is submitted manually in the form of hardcopy or softcopy;
- (iii) The Head of the Customs Office or appointed customs and excise officials at the Customs Office where the goods to be destroyed are located examine the fulfilment of the destruction requirements. The results of the examination will be followed up within a maximum of 5 (five) hours for electronic submissions and 3 (three) business days for manual submissions, with several conditions:
  - a. the application is declared incomplete. the Head of the Customs Office issues a letter of document return stating the reasons for the return;
  - b. the application is declared non-conforming. the Head of the Customs Office issues a rejection letter for the issuance of the destruction permit stating the reasons for the rejection; or
  - c. the application is declared conforming. the Head of the Customs Office issues a minister of finance decree concerning the destruction permit for the taxable goods;
- (iv) The minister of finance decree concerning the destruction permit is valid for 60 (sixty) days from the date of issuance;
- (v) The contractor that has obtained a destruction permit and will destroy the goods must first notify the Head of the Customs Office;
- (vi) Before being destroyed, the taxable goods will be subject to a physical inspection by customs and excise officials who will subsequently prepare a report on the results of the physical inspection of the taxable goods. There are 2 (two) conditions that may occur:
  - a. the physical examination is declared conforming, the destruction may be conducted and the customs and excise officials prepare an official report on the destruction of the goods; or
  - b. the physical examination is declared non-conforming, the Head of the Customs Office informs the contractor that the goods cannot be destroyed.

### **H.3.3 Other Important Information concerning the Destruction of Goods that Receive Import Duty Exemption or Relief in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

If the destruction is conducted after 5 (five) years from the date of the import declaration, the destruction of the goods is excluded from the provisions on the destruction permit. Contractors that have conducted the destruction only need

to submit a realisation report of the destruction to the Head of the Customs Office. The report must be submitted no later than 30 (thirty) days from the date of destruction.

#### **H.3.4 Destruction of Goods that Receive Import Duty Exemption or Relief in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements that Still Have Economic Value After Destruction**

Import duty exemption or relief for imported goods in the context of CoWs or coal mining concession cooperation agreements does not apply if after destruction, the goods have economic value. The obligation to pay import duty payable on goods that still have economic value after destruction is conducted is exercised pursuant to statutory provisions in the field of taxation. This provision may continue to be excluded if the destruction is conducted within a period of 4 (four) years from the date of the import declaration.

#### **H.4 Re-exports of Taxable Goods that Receive VAT Exemption in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

Contractors may re-export imported goods that receive the import duty exemption or relief in the context of CoWs or coal mining concession cooperation agreements by submitting the export declaration to the Customs Office where the re-export is conducted. For this re-export, the contractor is exempt from the obligation to pay import duty payable.

##### **H.4.1 Provisions on Re-exports of Goods that Receive Import duty Exemption or Relief in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

The submission of an export declaration must be accompanied by several supporting documents, including:

- (i) a recommendation letter from the Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources;
- (ii) a recommendation letter from the Indonesian Investment Coordinating Board if the re-export is conducted before 5 (five) years from the date of the import declaration;
- (iii) the minister of finance decree concerning the granting of import duty exemption or relief and/or VAT exemption for goods to be re-exported and the appendix of the minister of finance decree;
- (iv) the import declaration that has obtained a registration number;

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- (v) the list of goods to be re-exported;
- (vi) photographs of goods to be re-exported;
- (vii) the special mining business permit if the contractors change the form of their mining business to a special mining business permit; and
- (viii) the list of goods to be re-exported, which contains at least the following data:
  - a. the description of goods;
  - b. the technical specifications of goods;
  - c. the quantity and units of goods;
  - d. the number and date of the minister of finance decree concerning the granting of import duty exemption or relief and/or VAT exemption for imported goods to be re-exported and the serial number of the goods to be re-exported in the appendix of the minister of finance decree;
  - e. the Customs Office where the goods are entered;
  - f. the number and date of the import declaration registration; and
  - g. signature of the lead contractor.

**H.4.2 Application Scheme for Re-exports of Goods that Receive Import Duty Exemption or Relief in the Context of Contracts of Work or Coal Mining Concession Cooperation Agreements**

The application for the re-export of taxable goods may be submitted using the following steps.

- (i) The contractor submits an export declaration to the customs office where the re-export is carried out;
- (ii) The submission is subject to a physical inspection by customs and excise officials; and
- (iii) Procedures for re-exports are implemented pursuant to statutory provisions stipulating export procedures.





## Chapter 57

# Import Duty Exemption for Imports of Goods for Geothermal Operations

### A. Brief Description

<b>Description</b>	Import duty exemption is granted to imports of goods for geothermal operations.
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	<ol style="list-style-type: none"><li>1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs (<a href="#">Law 17/2006</a>);</li><li>2. Minister of Finance Regulation Number 218/PMK.04/2019 concerning Import Duty Exemption and/or Subject to Taxes on Imports but Not Collected for Imports of Goods for Geothermal Operations (<a href="#">MoF Reg. 218/2019</a>);</li><li>3. Minister of Finance Regulation Number 172/PMK.04/2022 concerning the Amendment to the Minister of Finance Regulation Number 218/PMK.04/2019 concerning Import Duty Exemption and/or Subject to Taxes on Imports but Not Collected for Imports of Goods for Geothermal Operations (<a href="#">MoF Reg. 172/2022</a>).</li></ol>
<b>Economic sectors</b>	Mining and quarrying
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2005

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 185.

### B. Incentive Benefits

Import duty exemption may be granted for the import of goods for geothermal operations. The geothermal operations in question are indirect utilisation which includes:

- (i) preliminary survey or preliminary and exploratory survey;
- (ii) exploration;

- (iii) exploitation; and/or
- (iv) utilisation.

The import duty mentioned in the above paragraph includes:

- (i) anti-dumping duty;
- (ii) countervailing duty;
- (iii) safeguard import duty; and/or
- (iv) retaliatory import duty.

### **C. Parties Receiving the Incentives**

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Import duty exemption for imports of goods for geothermal operations may be granted to the following several parties.

- (i) Contractors of joint operation contracts (*Kontraktor Kontrak Operasi Bersama/KKOB* in Indonesian);
- (ii) Business entities:
  - a. holders of geothermal resource concession holders;
  - b. holders of geothermal resource concession permits;
  - c. holders of geothermal permits;
  - d. executors of preliminary and exploration survey assignments (*Penugasan Survei Pendahuluan dan Eksplorasi/PSPE* in Indonesian);
  - e. assignees of exploration support assignments;
- (iii) Ministries/institutions or local governments;
- (iv) Higher education institutions; or
- (v) Research institutions.

### **D. Requirements**

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The import duty exemption for imports of goods for geothermal operations may be utilised insofar as the importer fulfils general requirements related to the imported goods and the administrative requirements related to the attachment documents when submitting the application. The following are details of the requirements that must be fulfilled.

#### **D.1 General Requirements**

The import duty exemption may be granted insofar as the imported capital goods fulfil the following provisions:

- (i) the goods cannot yet be produced domestically;

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- (ii) the goods have been produced domestically but have not fulfilled the required specifications; or
- (iii) the goods have been produced domestically but the quantity is insufficient for industrial needs.

**D.2 Administrative Requirements**

When applying to the Minister through the Head of the Directorate General of Customs and Excise (DGCE) Regional Office or the Head of the Prime Customs and Excise Office that supervises the geothermal working area, the application must be attached with several additional documents with different provisions for each importer.

**D.2.1 Administrative Requirements for Joint Operation Contract Contractors or Business Entities**

The application submitted by a contractor of joint operation contract or business entity must be attached with the following documents:

- (i) Taxpayer Identification Number (*Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
- (ii) the joint operation contract or geothermal resource concession, geothermal resource concession permit, geothermal permit or assignment letter from the minister who administers governmental affairs in the geothermal sector or exploration support assignment letter from the Minister; and
- (iii) the masterlist (*Rencana Impor Barang/RIB* in Indonesian).

**D.2.2 Administrative Requirements for Ministries/Agencies or Local Governments**

The application submitted by a ministry/institution or local government must be attached with the following documents:

- (i) a copy of the budget execution document (*Daftar Isian Pelaksanaan Anggaran/DIPA* in Indonesian) or similar document and/or a statement letter that the financing in the budget execution document checklist or similar document for goods for which import duty exemption is requested does not include elements of import duty and/or taxes on imports;
- (ii) a copy of the agreement or contract for the procurement of goods with the vendor which states that the price in the agreement or contract for the procurement of goods does not include the payment of import duty and/or taxes on imports, in the case of procurement of goods using a vendor; and

(iii) the format of the masterlist.

The application submitted by the ministry/agency or local governments and the statement letter referred to in number (i) in the above list must be signed by:

- (i) the head of the work unit as the proxy of budget user (*Kuasa Pengguna Anggaran/KPA in Indonesian*); or
- (ii) an official at the lowest level of echelon II level or primary executive officials, from ministries/institutions or local governments.

### **D.2.3 Administrative Requirements for Higher Education Institutions or Research Institutions**

The application submitted by a higher education institution or research institution must be attached with the following documents:

- (i) assignment letter from the minister who administers governmental affairs in the geothermal sector; and
- (ii) the format of the masterlist.

### **D.3 Application Forms and Reports**

There are 2 (two) document formats that may be used when applying for import duty exemption:

- (i) the format of the application letter for the import duty exemption for the import of goods for geothermal operations; and
- (ii) the format of the masterlist.

## **E. Application Scheme**

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An importer may utilise import duty exemption using the following scheme.

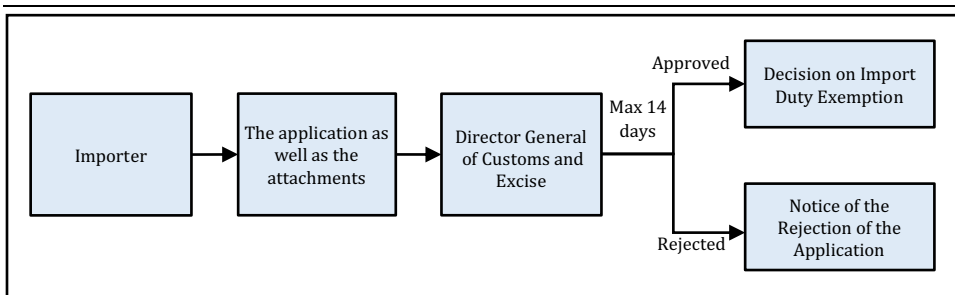
- (i) Contractors of joint operation contracts, business entities, ministries/institutions, local governments, higher education institutions or research institutions submit the application attached with several complementary documents to the minister through the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office that supervises the geothermal working area.
- (ii) If the import process will be carried out by a vendor, the application must include the name of the vendor that will perform the import and attach the proof of the procurement contract between the contractor of joint operation contract, business entity, ministry/institution, local government, higher education institution or research institution and the vendor.

- (iii) The application may be submitted in several manners, as follows:
  - a. the application is submitted electronically via the Indonesia National Single Window System (INSW) System;
  - b. if the the INSW System cannot be implemented, the application is submitted electronically via the DGCE Portal by attaching:
    - documents constituting the administrative requirements;
    - an example or specimen of the signatures of the importer's director/manager or officials authorised to sign the masterlist; and
    - the masterlist signed by the the competent company director or appointed officials;
- (iv) If the the INSW System and DGCE Portal experience operational disruptions, the application is submitted manually and the attachment documents are submitted in the form of hardcopy and softcopy;
- (v) For the application, the Director General of Customs and Excise will approve or reject within a period of:
  - a. a maximum of 5 (five) hours from the time the application is completely received, if the application is submitted through the the INSW System or the DGCE Portal;
  - b. a maximum of 3 (three) days from the time the application is completely received, if the application is submitted through other than the the INSW System or the DGCE Portal;
- (vi) The Director General of Customs and Excise may issue several decisions on the application, namely:
  - a. if the application is declared incomplete, the Head of Division at the the DGCE Regional Office or the Prime Customs and Excise Office issue a document of letter return stating the reason for the return;
  - b. if the application is rejected, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office that supervises geothermal working area issues a notice of rejection stating the reasons for the rejection; or
  - c. if the application is approved, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office that supervises the geothermal working area issues a minister of finance decree concerning the granting of the import duty exemption for the import of goods for geothermal operations;
- (vi) The minister of finance decree issued when the application is approved is valid for a maximum period of 12 (twelve) months from the date of its enactment; and
- (vii) if the validity period of the joint operating contract or permit is less than 12 (twelve) months, the minister of finance decree of the is valid until the end of the contract or permit period.

Imported goods for geothermal activities that receive import duty exemption may be entered through:

- (i) customs area at the designated port of entry;
- (ii) bonded logistics centre, bonded zone or bonded warehouse; or
- (iii) other areas that have been determined under statutory provisions.

#### **F. Flow Chart**



Source: MoF Reg. 172/2022, processed by the Author.

#### **G. Post-Incentive-Utilisation Obligations**

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Importers are required to submit a realisation report of imports of goods granted import duty exemption to the Head of the DGCE Regional Office or the Prime Customs and Excise Office that issues the minister of finance decree concerning the import duty exemption. The report must be submitted no later than 30 days from the date of the end of the minister of finance decree. If the importer does not submit the report, a penalty will be imposed in the form of a delay in service for the application for import duty exemption until the report is submitted.

#### **H. Other Important Information**

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##### **H.1 Provisions on the Amendment to the Decree concerning Import Duty Exemption**

Importers may apply for the amendment to the minister of finance decree concerning the granting of the import duty exemption. The application for the amendment may be submitted before the realisation of the import. The amendment may only be granted insofar as it concerns:

- (i) changes in the Customs Office in charge of the port of entry of imported goods; and/or
- (ii) changes due to actual and human errors, in the form of:
  - a. miscalculations; and/or
  - b. data misspelling.

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The importer applies for the amendment to the minister of finance decree through the Head of the the DGCE Regional Office or the Head of the Prime Customs and Excise Office that issues the minister of finance decree. The following is the procedure for the application for the amendment to the minister of finance decree.

The application for the amendment is submitted by the importer to the Minister through the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office which issues the minister of finance decree;

- (i) the application is submitted electronically by the importer to the Minister through the Head of the the DGCE Regional Office or the the Head of the Prime Customs and Excise Office who issues the minister of finance decree;
- (ii) The application may be submitted in several manners as follows:
  - a. the application is submitted electronically via the Indonesia National Single Window System (INSW) System;
  - b. if the the INSW System cannot be implemented, the application is submitted electronically via the DGCE Portal;
  - c. if the the INSW System system and DGCE Portal experience operational disruptions, the application is submitted manually and the attachment documents are submitted in the form of hardcopy and softcopy;
- (iii) The application for the amendment must be attached with:
  - a. a copy of the document and/or supporting data stating the change of the Customs Office in charge of the port of entry, in the form of a Bill of Lading (B/L), Airway Bill (AWB) or other documents that may prove the change of the port of entry; and/or
  - b. supporting documents as the evidence of an error, if the application for the amendment to the minister of finance decree is submitted due to an actual and human error;
- (iv) For the application for the amendment, the Director General of Customs and Excise will approve or reject within a period of:
  - a. no later than 5 (five) hours from the time the application is completely received if the application is submitted through the the INSW System or the DGCE Portal;
  - b. no later than 3 (three) days from the time the application is completely received if the application is submitted through other than the the INSW System or the DGCE Portal;
- (v) The Director General of Customs and Excise may issue several decisions on the application, namely:

- a. if the application is declared incomplete, the Head of Division at the DGCE Regional Office or the Main Customs and Excise issues a letter of document return stating the reason for the return;
- b. if the application is rejected, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office that supervises the geothermal working area issues a notice of rejection stating the reasons for the rejection; or
- c. if the application is approved, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office that supervises the geothermal working area issues a minister of finance decree concerning the amendment to the minister of finance decree concerning the granting of the import duty exemption for imports of goods for geothermal operations.

## **H.2 Provisions on Transfers of Imported Goods**

Imported goods that have obtained the import duty exemption facility may be transferred after being used for a minimum of 2 (two) years from the date of the import declaration. Provisions on the period do not apply in the event that:

- (i) force majeure occurs as evidenced by a certificate from the competent agency;
- (ii) the imported goods are re-exported;
- (iii) the joint operation contract contractor or business entity is declared bankrupt by the Commercial Court; or
- (iv) they are transferred to another party that obtains the import duty exemption.

Transfers may be performed after obtaining a permit from the Head of the Customs Office that supervises the geothermal working area. The following are the stages to be complied with by an importer to obtain a transfer permit.

- (i) The importer applies for the transfer permit stating the reasons and purpose of the transfer to the Minister through the Head of the Customs Office that supervises the geothermal working area;
- (ii) The application may be submitted in several manner, as follows:
  - a. the application is submitted electronically via the the INSW System ;
  - b. if the the INSW System cannot be implemented, the application is submitted electronically via the DGCE portal;
  - c. if the the INSW System and DGCE Portal experience operational disruptions, the application is submitted manually and the attachment documents are submitted in the form of hardcopy and softcopy;
- (iii) The application must be attached with several documents:



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- a. the recommendation letter from the agency that administers governmental affairs in the geothermal sector;
  - b. the minister of finance decree concerning the granting of the import duty exemption;
  - c. the import declaration for the entry of goods that has obtained a registration number;
  - d. the list of goods to be transferred. This list contains at least several things, namely:
    - description of goods;
    - technical specifications of goods;
    - quantity and units of goods;;
    - description of goods;
    - technical specifications of goods;
    - quantity and units of goods;
    - the number of the minister of finance decree concerning the granting of the import duty exemption for imports of goods for geothermal operations and the serial number of the goods to be transferred in the appendix of the minister of finance decree;
    - the Customs Office of the entry of goods;
    - the number and date of registration of import declaration entry of goods; and
    - the signature of the lead contractor of joint operation contract or director of the business entity;
  - e. a certificate from the authority and supporting evidence in the event of force majeure
  - f. photographs of the goods to be transferred;
  - g. the Commercial Court decision declaring the contractor of joint operation contract or business entity is bankrupt/insolvent in the event that the contractor of joint operation contract or business entity is bankrupt/insolvent; and
  - h. a stamped statement letter signed by the head of the contractor of joint operation contract or business entity stating that the goods to be transferred:
    - are not pledged/guaranteed to another party;
    - are not in dispute with another party; and/or
    - are still under the control of the business entity or joint operation contract contractor;
- (iv) The Director General of Customs and Excise will approve or reject the application for the change within the following period:
- a. no later than 5 (five) hours from the time the application is completely received, if the application is submitted through the the INSW System or the DGCE Portal; or

- b. no later than 3 (three) days from the time the application is completely received, if the application is submitted through other than the the INSW System or the DGCE Portal.
- (v) The Director General of Customs and Excise may issue several decisions on the application, namely:
- a. in the event that the application is declared incomplete, the Head of Division at the Regional Office will issue a letter of document return stating the reason for the return;
  - b. in the event that the application is rejected, the Head of the Regional Office supervising the geothermal work area issues a notification letter of rejection stating the reasons for the rejection; or
  - c. in the event that the application is approved:
    - the Head of the Customs Office supervising the geothermal work area issues a minister of finance decree concerning the granting of a permit to transfer imported goods without the obligation to pay import duties; or
    - the Head of the Customs Office supervising the geothermal work area issues a minister of finance decree concerning the granting of a permit to transfer imported goods accompanied by the obligation to pay import duties;
- (vi) The minister of finance decree concerning the transfer permit is valid for 60 days from the date of issuance of the decree.

Transfers may be exempted from the obligation to pay import duties if they fulfil the following provisions.

- (i) The transfer is carried out after 5 (five) years from the date of the import declaration;
- (ii) Force majeure occurs as evidenced by a certificate from the competent agency;
- (iii) Re-export; or
- (iv) Transferred to another party that obtains the import duty exemption.

For transfers accompanied by the obligation to pay import duties, the minister of finance decree concerning the granting of transfer permits is a basic document in paying import duties. Payment of import duties uses classification, imposition, and customs value based on the import declaration at the time of entry. Settlement of customs obligations is carried out at the Customs Office that supervises the geothermal work area.

For importers who have obtained the minister of finance decree concerning the transfer permit and will carry out the transfer, must first submit a notification. For transfers accompanied by the obligation to pay import duties, proof of payment of import duties and other evidence for the implementation of the

transfer must be attached. Before the transfer is carried out, the Customs Office will conduct a physical inspection of the goods to be transferred. In the event that the results of the physical inspection state:

- (i) conforming the transfer may be carried out and customs and excise officials will prepare an official report of transfer; or
- (ii) non-conforming, the Head of the Customs Office informs the importer that the goods to be transferred cannot be transferred.

### **H.3 Provisions on Destruction of Imported Goods**

Imported goods granted import duty exemption may be destroyed and for such destruction the importer is exempted from the obligation to pay import duty. Destruction may be carried out after obtaining permission from the Head of the Customs Office that supervises the geothermal work area, the exception to the permit is given for the destruction of imported goods that are more than 5 (five) years old from the date of the import declaration. The following are the stages that need to be followed by the importer in order to obtain a permit to destroy imported goods:

- (i) The importer submits a destruction permit to the Minister through the Head of the Customs Office that supervises the geothermal working area;
- (ii) The application may be submitted in several manners, as follows:
  - a. the application is submitted electronically via the the INSW System ;
  - b. if the the INSW System cannot be implemented, the application is submitted electronically via the DGCE portal; or
  - c. if the the the INSW System and DGCE Portal experience operational disruptions, the application is submitted manually and the attachment documents are submitted in the form of hardcopy and softcopy.
- (iii) The application must be attached with several documents:
  - a. a recommendation letter from the agency that administers governmental affairs in the geothermal sector;
  - b. the minister of finance decree concerning import duty exemption;
  - c. the import declaration entry of goods that has obtained a registration number;
  - d. photographs of the goods to be destroyed; and
  - e. the list of goods to be destroyed. This document at least contains several elements, namely:
    - the description of goods;
    - the technical specifications of goods;
    - the quantity and units of goods;;

- the number of the minister of finance decree concerning import duty exemption and serial number of goods to be destroyed in the appendix of the minister of finance decree;
  - the Customs Office where the goods are entered;
  - the number and date of registration of import declaration entry of goods; and
  - the signature of the lead joint operation contract contractor or the director of the business entity;
- (iv) The Director General of Customs and Excise will approve or reject the application for the changes within the following period:
- a. no later than 5 (five) hours from the time the application is completely received if the application is submitted through the the INSW System or the DGCE Portal; or
  - b. no later than 3 (three) days from the time the application is completely received, if the application is submitted through a method other than the INSW System or the DGCE Portal;
- (v) The Director General of Customs and Excise may issue several decisions on the application, namely:
- a. in the event that the application is declared incomplete, the Head of Division at the Customs Office issues a letter of document return stating the reason for the return;
  - b. in the event that the application is not appropriate, the Head of the Customs Office supervising the geothermal working area issues a notice of rejection stating the reasons for the rejection; or
  - c. if the application conforms, the Head of the Customs Office supervising the geothermal working area issues a minister of finance decree concerning the granting of a permit to destroy imported goods;
- (vi) The minister of finance decree concerning permits for the destruction of imported goods is valid for 60 days from the date of issuance of the decree.

Importers that have obtained a minister of finance decree concerning a permit to destroy imported goods and will carry out the destruction must submit a notification to the Head of the Customs Office that supervises the geothermal work area. Before the destruction is carried out, the Customs Office will conduct a physical inspection of the goods to be destroyed. In the event that the results of the physical inspection state:

- (i) conforming the destruction may be carried out and customs and excise officials will prepare an official report of destruction; or
- (ii) non-conforming, the Head of the Customs Office informs the importer that the goods to be transferred cannot be destroyed.

Importers that have conducted destruction are required to submit a realisation report on the destruction to the Head of the Customs Office no later than 30 (thirty) days from the date of the destruction.

Exemption from the obligation to pay import duty does not apply to goods that still have economic value and are sold after being destroyed. These goods become subject to import duty and the following provisions on the determination import duty shall apply:

- (i) if the import duty tariff amounts to 5% or higher, a 5% tariff is imposed;  
or
- (ii) if the import duty tariff is below 5%, a tariff according to the type of the goods is imposed.

The minister of finance decree on the granting of a permit for destruction constitutes the basic document for payment of import duties. Customs obligations are settled at the Customs Office no later than 30 (thirty) days after the destruction.

Other provisions state that goods that still have economic value and are sold after being destroyed may be exempt from the obligation to pay import duty if the destruction is conducted within a period of 5 (five) years from the date of the import declaration.



## Chapter 58

# Import Duty Exemption for Imports for Upstream Oil and Gas Business Activities

### A. Brief Description

<b>Description</b>	Import duty exemption facility for imports of goods for upstream oil and gas business activities
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 22 of 2001 concerning Oil and Natural Gas (Law 22/2001);</li> <li>2. Government Regulation Number 79 of 2010 concerning Recoverable Operating Costs and Income Tax Treatment in the Upstream Oil and Gas Business Sector (<a href="#">Gov. Reg. No. 79/2010</a>);</li> <li>3. Government Regulation Number 27 of 2017 concerning the Amendment to Government Regulation Number 79 of 2010 concerning Recoverable Operating Costs and Income Tax Treatment in the Upstream Oil and Gas Business Sector (<a href="#">Gov. Reg. No. 27/2017</a>);</li> <li>4. Government Regulation Number 53 of 2017 concerning the Tax Treatment of Upstream Oil and Gas Business with Gross Split Production Sharing Contracts (<a href="#">Gov. Reg. 53/2017</a>); and</li> <li>5. Minister of Finance Regulation Number 217/PMK.04/2019 concerning the Exemption from Import Duty and Subject to Taxes on Imports but Not Collected for Imports of Goods for Upstream Oil and Gas Businesses (<a href="#">MoF Reg. 217/2019</a>).</li> </ol>
<b>Economic sectors</b>	Mining and quarrying
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2005

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 185.

## **B. Incentive Benefits**

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Imports of goods for upstream oil and gas business purposes are granted the import duty exemption facility. This facility only applies to imports of goods with certain criteria which are used for upstream oil and gas business purposes.

## **C. Parties Receiving the Incentives**

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The parties that may utilise the import duty exemption facility are vendors and contractors in the form of business entities or Permanent Establishments (*PEs or Bentuk Usaha Tetap/BUT* in Indonesian) that have entered into cooperation contracts with:

- (i) the work unit tasked with managing upstream oil and gas businesses; or
- (ii) state-owned companies engaged in the oil and gas energy sector.

## **D. Requirements**

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The import duty exemption incentive for imports of goods for upstream oil and gas business activities may be utilised insofar as the following general and special requirements are fulfilled.

### **D.1 General Requirements**

This facility may be utilised during oil operations based on a cooperation contract in the form of a production sharing contract. The import duty exemption facility may be utilised insofar as the imported taxable goods fulfil the following provisions:

- (i) the goods cannot yet be produced domestically;
- (ii) the goods have been produced domestically but have not fulfilled the required specifications; or
- (iii) the goods have been produced domestically but the quantity is insufficient for industrial needs.

### **D.2 Special Requirements**

There is a difference in the utilisation period of s import duty exemption facility on imports of taxable goods for upstream oil and gas business purposes. The difference is based on the implemented cooperation contract. The following is a table related to the utilisation period of this facility.



**Table 58.1 Details of the Period of the Granting of the Facility Based on the Types of Cooperation Contracts**

No	Cooperation Contract	Facility Period
1.	a. Signed before the entry of force of Law 22/2001; b. Choosing to perform overall contract adjustments pursuant to <a href="#">Gov. Reg. No. 27/2017</a> .	The import duty exemption is granted based on the project's economic considerations from the Minister of Energy and Mineral Resources ( <i>Energi and Sumber Daya Mineral/ESDM</i> in Indonesian).
2.	a. Signed after the entry of force of Law 22/2001; b. Signed before the entry of force of <a href="#">Gov. Reg. No. 79/2010</a> ; c. Choosing to perform overall contract adjustments pursuant to <a href="#">Gov. Reg. No. 27/2017</a> .	
3.	a. Signed after the entry of force of <a href="#">Gov. Reg. No. 79/2010</a> ; b. The contract has been adjusted to <a href="#">Gov. Reg. No. 27/2017</a> .	
4.	Signed after the entry of force of <a href="#">Gov. Reg. No. 27/2017</a> .	
5.	The contracts comply with <a href="#">Gov. Reg. 53/2017</a> .	
6.	Contracts that are not adjusted to <a href="#">Gov. Reg. No. 27/2017</a> .	

Source: [MoF Reg. 217/2019](#), processed by the Author.

Project economic considerations listed in table 58.1 in the period column number 1 to 4, are only given to contractors that fail to achieve the Internal Rate of Return (IRR) based on the results of economic calculations in a profit sharing contract period and have the following working areas:

- (i) located in the deep sea;
- (ii) having hydrocarbon potential at reservoir depths characterised by high pressure/high temperature/high impurities;
- (iii) located in an area where the existence of oil and gas supporting infrastructure is limited;
- (iv) constituting the development of secondary fields and tertiary fields; and/or
- (v) constituting the development of unconventional fields.

### **D.3 Application Forms and Reports**

The following are forms or reports to utilise this incentive.

- (i) The application letter document;
- (ii) Goods details list document;
- (iii) The scan of the original Taxpayer Identification Number (*Nomor Pokok Wajib Pajak/NPWP* in Indonesian) document;
- (iv) The scan of the original documents for the cooperation contract or production sharing contract and the amendments thereto;
- (v) A recommendation letter concerning the economic considerations of the project; and
- (vi) A certificate stating that the exploitation stage has not yet reached the start of commercial production

### **E. Application Scheme**

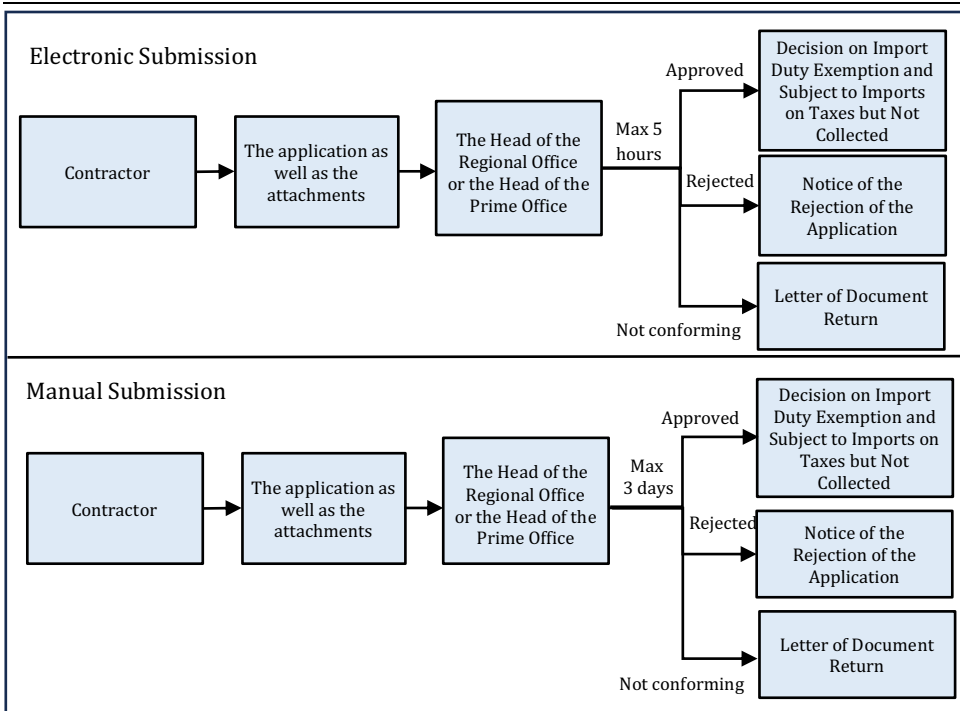
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This incentive may be utilised after a contractor obtains approval to utilise the incentive. The following are the stages for the contractor to utilise this incentive.

- (i) The contractor applies to the Minister through the Head of the Directorate General of Customs and Excise (DGCE) Regional Office or the Head of the Prime Customs and Excise Office that supervises the working area;
- (ii) Based on the application, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office will issue a decision of approval or rejection;
- (iii) The application submitted via the Indonesia National Single Window (INSW) System will be given a decision within a maximum of 5 (five) hours after the application is completely received;
- (iv) In contrast, the application submitted other than via the the INSW System will be given a decision within a maximum of 3 (three) business days after the application is completely received;
- (v) The Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office will issue a decision concerning the application. The following are several decisions issued by the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office:
  - a. in the event of non-conformity between the documents or data, the Head of Customs and Excise Facilities will issue a letter of document return stating the reasons for the return;

- b. in the application is rejected, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office issues a notice of rejection stating the reason for the rejection; or
- c. if the application is approved, the Head of the DGCE Office or the Head of the Prime Customs and Excise Office issues a Minister of Finance Decree concerning the granting of the facility

**F. Flow Chart**



Source: [MoF Reg. 217/2019](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

**G.1 Utilisation Period**

Contractors or vendors have post-incentive-utilisation obligations. The following are obligations that need to be fulfilled.

- (i) The realisation report of imports of goods granted the import duty exemption and subject to taxes on imports but not collected; and/or
- (ii) The realisation report of exports of goods for upstream oil and gas business activities that are rented by contractors and have been approved.

These documents are submitted electronically through the INSW System or the DGCE Portal. If there is an operational disruption in the electronic system, it may be submitted manually in the form of a hard copy or via electronic mail in the form of hard copy.

## **H. Other Important Information**

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### **H.1 Provisions on Prohibitions and Restrictions**

To imported goods that receive the import duty exemption facility, the provisions on prohibition and restriction continue to apply pursuant to statutory provisions concerning prohibitions and restrictions.

### **H.2 Procedures for the Amendment to the Minister of Finance Decree Concerning the Granting of the Incentive**

The minister of finance decree concerning the granting of this incentive may be amended before the import declaration is submitted for the imported goods and receive a registration number. The amendments may be performed insofar as they relate to the following:

- (i) changes in the Customs Office in charge of the port of entry of imported goods;
- (ii) changes in the quantity and/or type of goods; and/or
- (iii) changes due to obvious and human errors, in the form of:
  - a. miscalculations; and/or
  - b. data misspellings.

To amend the minister of finance decree, several stages are to be undertaken by the contractor. The following is the application scheme for the application for amendment.

- (i) The contractor applies to the Minister through the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office which issues the minister of finance decree;
- (ii) The application is attached with the following documents:
  - a. copies of documents and supporting data that constitute the basis for changes to the Customs Office in charge of the port of entry of imported goods, including the Bill of Lading (B/L), Airway Bill (AWB), or other documents that may prove changes to the Customs Office;
  - b. the revised masterlist (*Rencana Impor Barang/RIB* in Indonesian) which has been approved by the agency that administers

- governmental affairs in the oil and gas sector in the event of the application for changes in the quantity and/or type of goods; or
- c. supporting documents as evidence of errors, in the event that the application for the amendment to the minister of finance decree is submitted due to obvious and human errors;
- (iii) For the application for the amendment, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office will issue a decision of approval or rejection;
- (iv) For the application for the amendment submitted through the the INSW System, a decision will be issued within a maximum period of 5 (five) hours after the application is completely received;
- (v) In contrast, for the application for the amendment submitted other than through the the INSW System, a decision will be issued within a maximum period of 3 (three) business days after the application is completely received;
- (vi) The Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office will issue a decision concerning the application for the amendment. The following are several decisions issued by the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office:
- a. in the event of non-conformity between the documents or data, the Head of Customs and Excise Facilities will issue a letter of document return stating the reasons for the return;
- b. the application for the amendment is rejected, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office issues a notice of rejection stating the reason for the rejection; or
- c. the application for the amendment is approved, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office issues a minister of finance decree concerning the granting of the facility.



# Chapter 59

## Import Duty Exemption for the Entry of Capital Goods into Special Economic Zones

### A. Brief Description

<b>Description</b>	Import duty exemption for the entry of capital goods for the construction and development of Special Economic Zones (SEZs or <i>Kawasan Ekonomi Khusus/KEK</i> in Indonesian) by business entities and/or for the industrial construction and development by entrepreneurs in SEZs
<b>Incentive type</b>	Import duty exemption or relief
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 39 of 2009 concerning Special Economic Zones (<a href="#">Law 39/2009</a>);</li> <li>2. Government Regulation Number 40 of 2021 concerning the Administration of Special Economic Zones (<a href="#">Gov. Reg. No. 40/2021</a>);</li> <li>3. Minister of Finance Regulation Number 237/PMK.010/2020 concerning the Tax, Customs and Excise Treatment in Special Economic Zones (<a href="#">MoF Reg. 237/2020</a>);</li> <li>4. Minister of Finance Regulation Number 33/PMK.010/2021 concerning the Amendment to the Minister of Finance Regulation Number 237/PMK.010/2020 concerning the Tax, Customs and Excise Treatment in Special Economic Zones (<a href="#">MoF Reg. 33/2021</a>).</li> </ol>
<b>Economic sectors</b>	Multisectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2016

Source: processed by the Author.

## **B. Incentive Benefits**

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The entry of capital goods for the construction or development of SEZs by business entities and/or for the industrial construction or development by entrepreneurs is granted customs facilities. The entry of capital goods from:

- (i) outside the customs territory, business entities and/or entrepreneurs are granted the import duty exemption facility; and
- (ii) entrepreneurs in other SEZs, bonded storage (*Tempat Penimbunan Berikat/TPB* in Indonesian) and free zones from outside the customs territory, business entities and/or entrepreneurs are granted a facility in the form of import duty exemption.

The above import duty exemptions include anti-dumping duty, countervailing import duty, safeguard import duty and/or retaliatory import duty.

The quantity and types of capital goods from outside the customs territory are further determined by the SEZ administrator. The import duty exemption is granted to business entities and/or entrepreneurs for a maximum import period of 5 (five) years from the entry of force of the decision concerning the granting of the import duty exemption. Business entities and/or entrepreneurs that have been determined to obtain an import duty exemption but have not realised all of their imports within a period of 5 (five) years, may be granted an extension of the import period for 1 (one) year once from the date of the end of the import period.

## **C. Parties Receiving the Incentives**

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Import duty exemption for the entry of capital goods into SEZs for the construction and development of SEZs or industries may be utilised by:

- (i) business entities, for the construction and development of SEZs; and
- (ii) entrepreneurs, for industrial construction and development.

## **D. Requirements**

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Import duty exemption for the entry of capital goods into SEZs for the construction and development of SEZs or industries may be utilised insofar as the general requirements below are fulfilled.

### **D.1 General Requirements**

In general, to utilise this facility, business entities and/or entrepreneurs must have the determination concerning the granting of the import duty exemption



stipulated by the SEZ administrator. These provisions stipulate the quantity and types of capital goods to be entered by business entities and/or entrepreneurs.

## **D.2 Special Requirements**

No sufficient information is available concerning special requirements to utilise the incentive in the provisions stipulating this incentive.

## **D.3 Application Forms and Reports**

No sufficient information is available concerning the application forms or reports to utilise the incentive in the provisions stipulating this incentive.

## **E. Application Scheme**

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No sufficient information is available concerning the application scheme to utilise the incentive in the provisions stipulating this incentive.

## **F. Flow Chart**

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No sufficient information is available concerning the flow chart for the application scheme to utilise the incentive in the provisions stipulating this incentive.

## **G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning post-incentive-utilisation obligations to utilise the incentive in the provisions stipulating this incentive.

## **H. Other Important Information**

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For this import duty exemption, the following are the applicable provisions on prohibitions and restrictions.

- (i) Provisions on imports into SEZs shall comply with statutory provisions concerning import prohibitions; and
- (ii) Entry of goods from outside the customs territory into SEZs is not yet subject to provisions on restrictions, unless the competent technical agencies issue restriction policies specifically stating that the provisions on restrictions apply in SEZs.



# Chapter 60

## Import Duty and Excise Exemption for Imports in Free Trade Zones and Free Ports

### A. Brief Description

<b>Description</b>	Import duty exemption for imports of goods as well as excise exemption for imports of goods into the country into free trade zones and free ports ( <i>Kawasan Perdagangan Bebas dan Pelabuhan Bebas/KPBPB</i> in Indonesian) or commonly referred to as the Free Trade Zone (FTZ)
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 41 of 2021 concerning the Administration of Free Trade Zones and Free Ports (<a href="#">Gov. Reg. No. 41/2021</a>);</li> <li>2. Minister of Finance Regulation Number 34/PMK.04/2021 concerning the Entry and Release of Goods to and from Zones Designated as Free Trade Zones and Free Ports (MoF Reg. 34/2021).</li> </ol>
<b>Economic sectors</b>	Multisectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2005

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 187.

### B. Incentive Benefits

This facility is provided to support the smoothness and realisation of efficiency in the procedures for the entry and release of goods to and from and in zones that have been determined as free trade zones and free ports.

### **C. Parties Receiving the Incentives**

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This incentive may be utilised by entrepreneurs that have obtained a business permit from the zone authority.

### **D. Requirements**

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The entry of goods and the utilisation of the import duty and excise exemptions and excise may be performed insofar as the goods entered into the FTZ fulfil the following requirements:

- (i) goods that may be imported by entrepreneurs in the FTZ are goods related to their business activities; and
- (ii) consumer goods for the needs of the people, whose quantity and types are determined by the zone authority.

### **E. Application Scheme**

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This incentive may be utilised immediately by importers insofar as it is utilised by entrepreneurs that have obtained a business permit from the zone authority.

### **F. Flow Chart**

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No sufficient information is available concerning the flow chart for the application scheme in the provisions stipulating this incentive.

### **G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning post-utilisation obligations in the provisions stipulating this incentive.

### **H. Other Important Information**

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No other important information is available in the provisions stipulating this incentive.

# Chapter 61

## Import Duty Exemption for Imports of Goods and Materials to Be Processed, Assembled or Installed on Other Goods to Be Exported

### A. Brief Description

<b>Description</b>	Import duty exemption facility for imports of goods and materials to be processed, assembled or installed on other goods and the products thereof are exported
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 17 of 2006 concerning The Amendment to Law Number 10 of 1995 concerning Customs (<a href="#">Law 17/2006</a>);</li> <li>2. Minister of Finance Regulation Number 149/PMK.04/2022 concerning Import Duty Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports of Goods and Materials to Be Processed, Assembled or Installed on Other Goods to Be Exported (<a href="#">MoF Reg. 149/2022</a>).</li> </ol>
<b>Economic sectors</b>	Processing industries
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 1996

Source: processed by the Author.

### B. Incentive Benefits

Import duty exemption is granted for imports and/or entry of goods and materials to be processed, assembled installed on other goods into products with added values and are exported. Import duty exemption also includes additional import duty.

Specifically, processed, assembled and installed refer to as follows:

- (i) processed means processing is conducted to produce products with added values;
- (ii) assembled means assembling and/or combining to produce production results that have added value; and
- (iii) installed is the installation, attachment and/or combination with other goods to produce products with added values.

### **C. Parties Receiving the Incentives**

---

This import duty exemption may only be utilised by business entities that have been determined as import facilities for export (*Kemudahan Impor Tujuan Ekspor/KITE* in Indonesian) companies.

### **D. Requirements**

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To utilise this incentive, several general and special requirements need to be fulfilled. The following are the details of the requirements to utilise the import duty exemption for imports of goods and materials for export purposes.

#### **D.1 General Requirements**

Business entities that will be determined as import facilities for export companies must fulfil the following requirements:

- (i) having valid business licensing for operational and/or commercial purposes pursuant to statutory provisions stipulating risk-based business licensing; and
- (ii) constituting taxable persons.

#### **D.2 Special Requirements**

To utilise this facility, a business entity must fulfil the criteria as an import facilities for export company. The criteria for an import facilities for export company are as follows:

- (i) having a manufacturing industry business type and having processing, assembly or installation activities;
- (ii) having proof of ownership or proof of control valid for a minimum period of 3 (three) years for the location that will be used for production activities and storage of goods and materials as well as products from the time the

application for the determination as an import facilities for export company is submitted;

- (iii) having an adequate internal control system;
- (iv) having an IT inventory system for goods management with the following provisions:
  - a. related to customs documents;
  - b. may be accessed immediately and online by the Directorate General of Customs and Excise (DGCE);
  - c. able to record the entry, release, inventory of goods in process, and balance of goods, continuously, directly and immediately;
  - d. having a reporting system pursuant to statutory provisions stipulating IT inventory systems in companies that receive the exemption facility;
  - e. using codification in the recording of goods; and
  - f. using the same master data as the company's recording system; and
- (v) having Closed Circuit Television (CCTV) which may be accessed immediately and online by the DGCE to monitor the entry, storage and release of goods and materials as well as products.

### **D.3 Application Forms and Reports**

To utilise this incentive, several letter formats may be used as the application, i.e., the application formats for the determination as import facilities for exports companies.

### **E. Application Scheme**

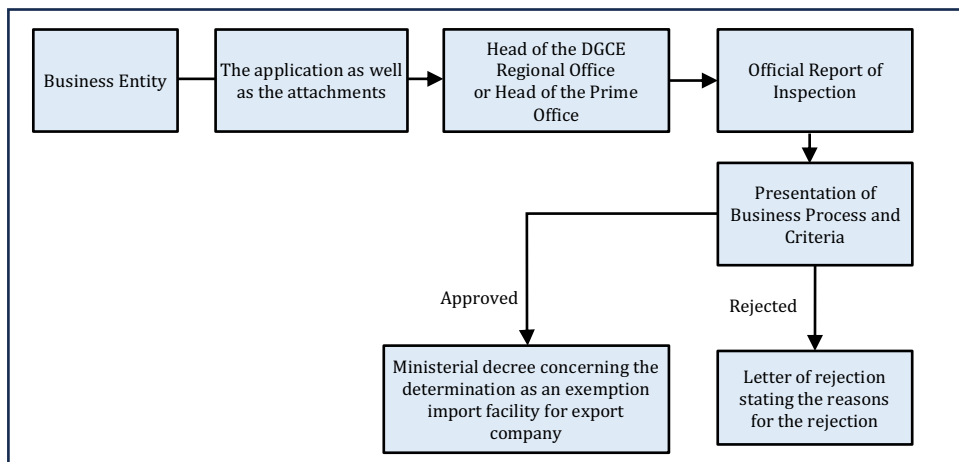
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The following is the application scheme for import duty exemption for imports of goods and materials for export purposes.

- (i) A business entity applies to the Minister through the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office that supervises the factory location or business entity's business location and it is submitted electronically through the Online Single Submission (OSS) application system;
- (ii) The application may also be submitted in writing if the event of technical disruptions the OSS application.
- (iii) The application letter is submitted by attaching:
  - a. the list of goods and materials must at least contain an 8 (eight) digit description of the Harmonised System Code (HS Code); and
  - b. the list of products must contain must at least contain an 8 (eight) digit description of the HS code;

- (iv) If necessary, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office who supervises the factory location or business location of the business entity may request the business entity to show evidence of fulfilment of the criteria and requirements;
- (v) If a business entity has more than 1 (one) factory location, the application may be submitted through the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office who supervises the factory location with the highest volume of imports of goods and materials;
- (vi) Applications submitted both electronically and in writing will be subject to document and location inspections and the issuance of the official report of the inspection by the Head of the Prime Customs and Excise Office or Head of the Customs Office;
- (vii) The inspection is conducted no later than 3 (three) business days after the date of the readiness of location inspection in the application;
- (viii) A presentation is delivered concerning the business process and fulfilment of the criteria by the company's board of directors;
- (ix) The presentation is delivered on the following business day at the soonest and no later than 3 (three) business days after the issuance of the official report of inspection; and
- (x) Based on the official report of inspection and the presentation results, the approval or rejection will be given on behalf of the minister:
  - a. if approved, it is notified by the issuance of a ministerial decree concerning the determination as an import facilities for export company; or
  - b. if rejected, it is notified by the issuance of a letter of rejection stating the reasons for the rejection.



**F. Flow Chart**

Source: MoF Reg. 149/2022, processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

Exemption import facility for export companies are required to prove the completion of all goods and materials in the form of accountability. The accountability is submitted in 1 (one) or more accountability reports. The reports must be submitted 60 (sixty) days from the date the exemption import facility for export period ends.

The obligation to submit this report will be submitted through a notification of the service computer system (*Sistem Komputer Pelayanan/SKP*). The notification consists of the following 3 (three) stages.

**(i) First notification**

It is notified that the exemption import facility for export period will soon end and there is a balance of goods and materials for which the accountability reports have not been submitted, 30 (thirty) days before the exemption import facility for export period ends.

**(ii) Second notification**

It is notified that the exemption import facility for export period has ended and there is a balance of goods and materials for which the accountability reports have not been submitted when the exemption import facility for export ends.

**(iii) Third notification**

It is notified that the submission period for the accountability reports will soon end and there is a balance of goods and materials for which the

accountability reports have not been submitted, 30 (thirty) days before the submission deadline of the accountability reports ends.

#### **H. Other Important Information**

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If by the end of the deadline, there is a balance of goods and materials for which the accountability reports have not been submitted, the service computer system will suspend the exemption import facilities for exports and the exemption import facilities for export company is required to pay:

- (i) import duty on goods and materials that at the time of the import or entry of obtain exemption import facilities for exports;
- (ii) additional import duty if the imported or entered goods and materials are subject to additional import duty; and
- (iii) administrative penalties in the form of fines pursuant to statutory provisions stipulating the imposition of administrative penalties in the form of fines in the field of customs,

because the provisions on the granting of the exemption import facilities for exports are not fulfilled.

## Chapter 62

# Import Duty Exemption for Imports of Seedlings and Seeds for the Construction and Development of Agriculture, Animal Husbandry or Fisheries Industries

### A. Brief Description

<b>Description</b>	Import duty exemption facility for imports of seedlings and seeds in the context of the construction and development of agricultural, animal husbandry or fisheries industries
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs ( <a href="#">Law 17/2006</a> ); 2. Minister of Finance Regulation Number 41 of 2024 concerning Import Duty Exemption for Imports of Seedlings and Seeds for the Construction and Development of Agriculture, Animal Husbandry or Fisheries Industries ( <a href="#">MoF Reg. 41/2024</a> ).
<b>Economic sectors</b>	Agriculture, Animal Husbandry and Fisheries
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from 2008

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 182.

### B. Incentive Benefits

The exemption from import duty may be granted for:

- (i) imports of seedlings and seeds from outside the customs territory; and
- (ii) imports of seedlings and seeds through bonded logistics centres (*Pusat Logistik Berikat/PLB* in Indonesian),

by entrepreneurs for the agricultural, livestock or fisheries industries, including in the plantation and forestry sectors.

Further, the exemption from import duty may also be granted for exports of seedlings and seeds originating from outside the customs territory from:

- (i) bonded warehouses (*gudang berikat* in Indonesian);
- (ii) bonded zones (*kawasan berikat* in Indonesian);
- (iii) bonded exhibition places (*Tempat Penyelenggaraan Pameran Berikat/TPPB* in Indonesian);
- (iv) bonded auction places (*tempat lelang berikat* in Indonesian);
- (v) Special Economic Zones (SEZs or *Kawasan Ekonomi Khusus/KEK* in Indonesian);
- (vi) free zones (or *kawasan bebas* in Indonesian).

### **C. Parties Receiving the Incentives**

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The exemption from import duty incentive may be utilised by entrepreneurs engaged in the agriculture, plantation, forestry, livestock or fisheries industries.

### **D. Requirements**

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The exemption from import duty may be utilised by applying to the Minister through the Head of the Customs Office where customs obligations are settled.

#### **D.1 General Requirements**

To obtain the exemption from import duty for imports or release of seeds or seedlings, entrepreneurs must submit an application. The application must at least contain information on:

- (i) the name and address of the entrepreneur;
- (ii) the Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian);
- (iii) details of quantity, type, estimated price;
- (iv) the port of entry of the seedlings and seeds; and
- (v) the number and date of the invoice or equivalent documents.

#### **D.2 Special Requirements**

The special requirement that must be fulfilled by entrepreneurs is that the application must be attached with a recommendation to be granted the

exemption from import duty. The recommendation to be granted the exemption from import duty is obtained from officials at the lowest level of primary executive officials within the ministry that administers governmental affairs in the fields of agriculture, environment and forestry and/or marine affairs and fisheries. The recommendation must at least contain:

- (i) the name and address of the entrepreneur;
- (ii) the TIN;
- (iii) details of the quantity and type of goods as well as the estimated customs value.

### **D.3 Application Forms and Reports**

The application must at the minimum be attached with the following supporting documents:

- (i) the recommendation for the granting of the exemption from import duty; and
- (ii) the invoice or a document equivalent to the invoice released/issued by the seller/supplier.

### **E. Application Scheme**

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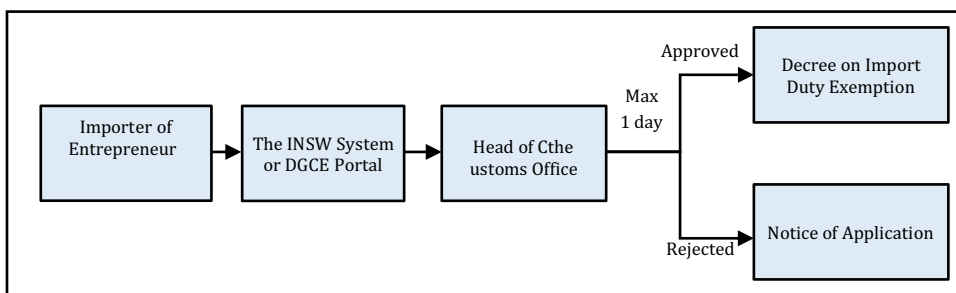
Entrepreneurs may utilise the exemption from import duty incentive using the following scheme.

- (i) Submitting the application attached with several supporting documents electronically to the Directorate General of Customs and Excise (DGCE) portal via the Indonesia National Single Window System (INSW) System;
- (ii) In the event that the DGCE portal and/or the INSW System cannot yet be implemented or are experiencing operational disruptions, the application must be submitted manually attached with:
  - a. the attachments of the application in the form of hard copy; and
  - b. the soft copy of scans of the original documents in electronic data storage media;
- (iii) For the application, the Head of the Customs Office examines the fulfilment of the requirements to obtain the exemption from import duty. The examination is conducted within a maximum of 3 x 24 (twenty-four) hours from the time the application is completely received;
- (iv) In the event that the results of the examination show that the application is complete and correct, the Head of the Customs Office on behalf of the

Minister issues a ministerial decree concerning the exemption from import duty for the import or export of seedlings and seeds for the construction and development of the agricultural, livestock or fisheries industries;

- (v) The ministerial decree may only be used for 1 (one) import of seedlings and seeds for a maximum import period of 1 (one) year from the date the ministerial decree is enacted;
- (vi) In the event that the results of the examination show that the application does not fulfil the provisions, the Head of the Customs Office on behalf of the Minister issues a notice of rejection stating the reasons for the rejection;
- (vii) The ministerial decree or notice of rejection is issued within a maximum period of:
  - a. 5 (five) working hours after the application is examined if the application is submitted electronically;
  - b. 1 (one) day after the application is examined if the application is submitted manually.

**F. Flow Chart**



Source: MoF Reg. 41/2024, processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

In utilising the import duty exemption incentive, 3 (three) matters are to be considered in respect of the post-utilisation obligations. *First*, the customs declaration and prohibitions related to imports of seedlings and seeds. The following are applicable provisions on imports and release of seedlings and seeds.

- (i) seedlings and seeds are imported using customs declaration documents pursuant to statutory provisions stipulating imports of goods for home use and bonded logistics centres;

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**IMPORT DUTY EXEMPTION FOR IMPORTS OF SEEDLINGS AND SEEDS FOR THE**  
**CONSTRUCTION AND DEVELOPMENT OF AGRICULTURE, ANIMAL HUSBANDRY OR**  
**FISHERIES INDUSTRIES**

- (ii) seedlings and seeds are released from outside the customs territory using customs declaration documents pursuant to statutory provisions stipulating the release of goods from bonded storage, SEZs or FTZs.

The customs declaration is submitted by stating the number and date of the ministerial decree as well as the code of the granted exemption from import duty facility. Imported goods that receive the exemption from import duty must fulfil statutory provisions stipulating the prohibitions and/or restrictions on goods to be imported or exported.

*Second*, the utilisation of seedlings and seeds. Entrepreneurs are required to utilise seedlings and seeds that have been granted the exemption from import duty according to the purpose of the granting of the facility. If the seedlings and seeds are not utilised according to the purpose of the granting of the facility, the entrepreneurs are required to pay import duty payable and subject to administrative penalties pursuant to statutory provisions stipulating administrative penalties in the field of customs.

*Third*, the reporting of the utilisation of seedlings and seeds. Entrepreneurs are required to submit reports on the utilisation of seedlings and seeds to the Head of the Customs Office where customs obligations are settled.

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## **H. Other Important Information**

Noteworthy important information for entrepreneurs wishing to utilise the exemption from import duty incentive for imports of seedlings and seeds is related to the settlement of customs obligations for seedlings and seeds and certain force majeure.

### **H.1 Settlement of Customs Obligations**

The customs obligations for seedlings and seedlings that have been granted the exemption from import duty may be settled by re-export or destruction. *First*, seedlings and seedlings may be re-exported if the seedlings and seeds:

- (i) do not comply with the order;
- (ii) are misdelivered;
- (iii) are damaged;
- (iv) are sick;
- (v) are deceased; and/or
- (vi) pursuant to statutory provisions, are prohibited from being imported.

The implementation of the re-export of seedlings and seeds must comply with statutory provisions stipulating re-exports of imported goods.

*Second*, seedlings and seeds may be destroyed if they:

- (i) are sick;
- (ii) are deceased;
- (iii) are unable to reproduce; and/or
- (iv) pursuant to statutory provisions, must be destroyed.

The destruction may be conducted after obtaining a permit from the Head of the Customs Office where the customs obligations are settled on behalf of the Minister. The destruction must comply with the application scheme submitted by the entrepreneur to the Minister through the Head of the local Customs Office. This application must at least contain information on:

- (i) the identity of the entrepreneur;
- (ii) details of goods that at least contain:
  - a. the quantity;
  - b. the types;
  - c. the import declaration number; and
  - d. the serial number of the goods in the ministerial decree concerning the exemption from import duty for imports of seedlings and seeds for which the application for destruction is submitted;
- (iii) the ministerial decree concerning the exemption from import duty for the import of seedlings and seeds under the name of the recipient.

The application is submitted electronically to the DGCE portal or manually in the event of operational disruptions. An application submitted manually is accompanied by the attachments to the application in the form of hardcopy and softcopy of scans of the original documents in electronic data storage media.

Further, the application will be examined by the Head of the Customs Office. The period for the examination and issuance of the notice applies the same as the issuance for the application for the incentive. Finally, the entrepreneur that obtains the permit for the destruction of seedlings and seeds must submit the notification of readiness for physical inspection to the Head of the Customs Office where customs obligations are settled.

## **H.2 Force Majeure**

In the event of force majeure, entrepreneurs may be exempt from the obligation to pay import duty payable on imports of seedlings and seeds that have been granted the exemption from import duty incentive. This provision applies if



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**CHAPTER 62:**  
**IMPORT DUTY EXEMPTION FOR IMPORTS OF SEEDLINGS AND SEEDS FOR THE**  
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**FISHERIES INDUSTRIES**

approval has been obtained from the Head of the Customs Office where customs obligations are settled on behalf of the Minister. To obtain such approval, the entrepreneurs apply to the Minister through the Head of the Customs Office where customs obligations are settled by attaching documents that are at least in the form of:

- (i) proof that force majeure has occurred, i.e., a certificate from the competent agency; and
- (ii) statement concerning the types, quantity and description of the destroyed or missing goods based on the customs declaration.



## Chapter 63

# Import Duty Exemption for Imports of Marine Products Caught with Fishing Vessels that Have Obtained a Permit

### A. Brief Description

<b>Description</b>	Import duty exemption facility for imports of marine products caught and harvested using fishing vessels from the Indonesian Exclusive Economic Zone (EEZ or <i>Zona Ekonomi Eksklusif/ZEE</i> in Indonesian)
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs ( <a href="#">Law 17/2006</a> ); 2. Minister of Finance Regulation Number 113/PMK.04/2007 concerning Import Duty Exemption for Imports of Marine Products Caught with Fishing Vessels that Have Obtained a Permit ( <a href="#">MoF Reg. 113/2007</a> ).
<b>Economic sectors</b>	Agriculture, forestry and fisheries
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from 2008

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 183.

### B. Incentive Benefits

Import duty exemption for imports of all types of edible marine flora, fish or marine animals, such as fish, shrimp, shellfish and crabs that are caught and harvested using fishing vessels from the Indonesian EEZ.

### C. Parties Receiving the Incentives

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This import duty exemption may be utilised by importers that already have a fisheries business permit and a permit to catch marine products in the Indonesian EEZ.

### D. Requirements

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#### D.1 General Requirements

Import duty exemption may be utilised by applying to the Minister through the Director General of Customs and Excise, attached with several supporting documents. The following are details of the documents that need to be attached when submitting the application:

- (i) Business permit from the relevant agency (importer identification number or *Angka Pengenal Importer/API* in Indonesian and fisheries business permit);
- (ii) Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian) and Value Added Tax (VAT) registration;
- (iii) Fishing permit (*Surat Izin Penangkapan Ikan/SIPI* in Indonesian) from the relevant agency;
- (iv) The list of fishing vessels used for the business of catching marine products; and
- (v) Details of the quantity and estimated customs value of the marine products to be imported and the port of unloading.

#### D.2 Application Forms and Reports

No application letter format is available to utilise the import duty exemption for imports of marine products caught and harvested using fishing vessels from the Indonesian EEZ.

### E. Application Scheme

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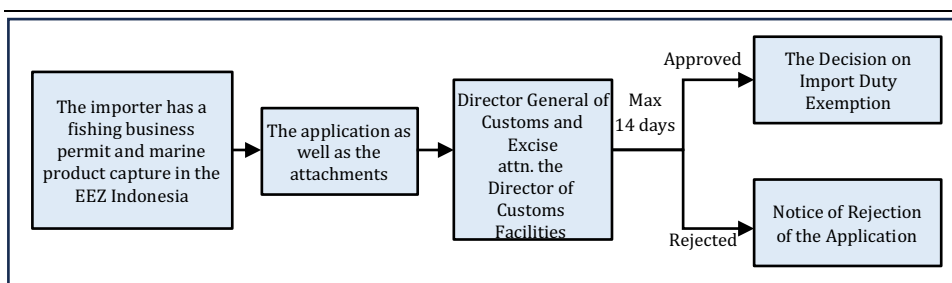
An importer may utilise import duty exemption using the following scheme:

- (i) submitting the application attached with several complementary documents to the Minister through the Director General of Customs and Excise;

**CHAPTER 63:**  
**IMPORT DUTY EXEMPTION FOR IMPORTS OF MARINE PRODUCTS CAUGHT WITH FISHING GEARS THAT HAVE OBTAINED A PERMIT**

- (ii) for the application, the Director General of Customs and Excise on behalf of the Minister may approve or reject the application for the import duty exemption;
- (iii) if the application is approved, the Director General of Customs and Excise on behalf of the Minister will issue the decision concerning the import duty exemption, the decision contains details of the quantity and estimated customs value of the marine products granted the import duty exemption as well as the designation of the port of unloading; and
- (iv) if the application is rejected, the Director General of Customs and Excise prepares a notice concerning the rejection of the application for the importer stating the reasons for the rejection.

**F. Flow Chart**



Source: MoF Reg. 113/2007, processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning post-utilisation obligations in the provisions stipulating this incentive.

**H. Other Important Information**

If upon an import of marine products by the importer, the quantity does not correspond to that stated in the decree concerning the import duty exemption, the discrepancy is subject to import duty.



# Chapter 64

## Import Duty Exemption for Imports of Goods for Museums, Zoos and Other Similar Publicly Accessible Places as Well as Goods for Nature Conservation

### A. Brief Description

<b>Description</b>	<b>Import duty exemption facility for imports of goods for museums, zoos, and other similar publicly accessible places as well as goods for nature conservation</b>
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs ( <a href="#">Law 17/2006</a> ); 2. Minister of Finance Regulation Number 90/PMK.04/2012 concerning Import Duty Exemption for Imports of Goods for Museums, Zoos and Other Similar Publicly Accessible Places as Well as Goods for Nature Conservation ( <a href="#">MoF Reg. 90/2012</a> ).
<b>Economic sectors</b>	Health services and social activities
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Environmental protection
<b>Implementation</b>	Effective from 2013

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 175.

### B. Incentive Benefits

Goods imported for museums, zoos and other similar publicly accessible places as well as goods for nature conservation, such as:

- (i) goods, animals, and/or plants constituting the main elements in such places;

- (ii) goods that are actually used for the maintenance, care or protection of goods, animals and/or plants referred to in point (i); and/or
  - (iii) goods that are actually used for shows in such places,
- may be given an import duty exemption for their imports.

### **C. Parties Receiving the Incentives**

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This import duty exemption may be utilised by resident taxpayers in the form of bodies, institutions or government agencies.

### **D. Requirements**

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Import duty exemption for imports of goods for museums, zoos and nature conservation may be utilised if the applicant applies to the Minister of Finance through the Director General of Customs and Excise addressed to the Director of Customs Facilities attached with several documents. The attachment documents enclosed in the application letter between bodies or institutions and government agencies are different, as follows.

#### **D.1 Bodies or Institutions**

The following are attachment documents to the application letter for agencies or institutions.

- (i) The letter of determination as museums, zoos, other similar publicly accessible places or nature conservation from the relevant ministry;
- (ii) The recommendation to be granted the import duty exemption from officials at the minimum level of echelon II of the ministry or related technical agency stating the amount, type and purpose of use of the goods for which import duty exemption is requested;
- (iii) Details of the amount, types of goods, country of origin, estimated customs value, port of entry and explanation of the functions and relevance of the imported goods to the needs of the museums, zoos, other similar publicly accessible places or nature conservation in the form of hardcopy and softcopy; and
- (iv) The gift certificate from the grantor/aid provider supervises or cooperation agreement if the imported goods are sourced from a grant/aid or cooperation agreement.



## **D.2 Government Agencies**

The following is the list of attachment documents for the application letter submitted by government agencies.

- (i) The recommendation to be granted the import duty exemption from officials at the minimum level of echelon II of the ministry or related technical agency stating the quantity, types and purpose of use of the goods for which the import duty exemption is requested;
- (ii) details of the quantity, types of goods, country of origin, estimated customs value, port of entry and explanation of the functions and relevance of the imported goods to the needs of museums, zoos, other similar publicly accessible places or nature conservation in the form of hardcopy and softcopy; and
- (iii) The gift certificate from the grantor/aid provider supervises or cooperation agreement if the imported goods are sourced from a grant/aid or cooperation agreement.

## **D.3 Application Forms and Reports**

The following is the application format required to utilise the import duty exemption for imports of goods for museums, zoos and goods for nature conservation.

- (i) The application letter for the import duty exemption for imports of goods for museums, zoos, nature conservation or other similar publicly accessible places; and
- (ii) The list of details of the imported goods.

## **E. Application Scheme**

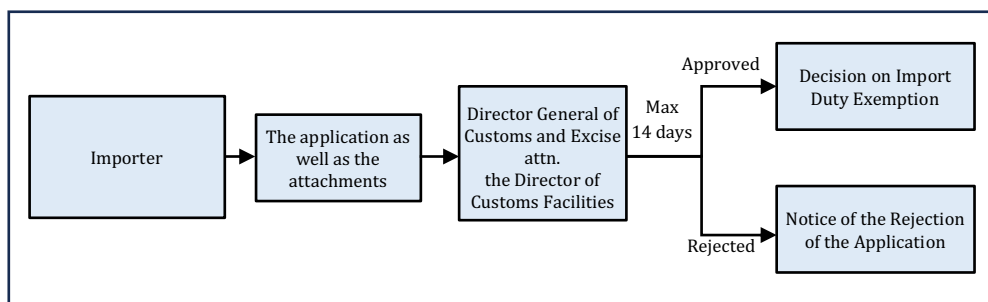
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A taxpayer may utilise import duty exemption using the following scheme:

- (i) submitting the application attached with several complementary documents to the Minister of Finance through the Director General of Customs and Excise addressed to the Director of Customs Facilities;
- (ii) for the application, the Director General of Customs and Excise on behalf of the Minister will approve or reject within a maximum period of 14 (fourteen) business days from the time the application is completely received;
- (iii) if the application is approved, the Director General of Customs and Excise on behalf of the Minister will issue the decision concerning the import duty exemption;

- (iv) the decision on the import duty exemption is valid for a maximum period of 12 (twelve) months from the date of the decision; and
- (v) if the application is rejected, the Director General of Customs and Excise prepares a notice concerning the rejection of the application stating the reasons for the rejection.

**F. Flow Chart**



Source: MoF Reg. 90/2012, processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

No provisions stipulating post-incentive-utilisation obligations are available.

**H. Special Provisions**

No other important information is available concerning the regulation of this incentive other than the above-mentioned description.

# Chapter 65

## Import Duty Exemption for Imports of Tools and Materials Used to Prevent Environmental Pollution

### A. Brief Description

<b>Description</b>	Import duty exemption facility for imports of tools and materials used to prevent or control environmental pollution
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs ( <a href="#">Law 17/2006</a> ); 2. Minister of Finance Regulation Number 32 of 2024 concerning the Exemption From Import Duty on Imports of Tools and Materials Used to Prevent Environmental Pollution ( <a href="#">MoF Reg. 32/2024</a> ).
<b>Economic sectors</b>	Water supply, rubbish management and sewage
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2024

Source: processed by the Author.

### B. Incentive Benefits

Import duty exemption for imports of tools, such as installations, machines and machinery, equipment and materials such as physical materials, biological materials, and/or chemicals which are solely used for monitoring, processing and/or utilising waste, thereby, when disposed of, it does not pollute or damage the environment to prevent or control environmental pollution.

### C. Parties Receiving the Incentives

This import duty exemption incentive is granted to:

- (i) business entities that fulfil the following criteria:
  - a. their production process generates waste, such as manufacturing;
  - b. their business activities generate waste, such as hospitals or laboratories; or
  - c. specifically engaged in waste treatment;
- (ii) third parties, in the event that business entities cannot directly perform imports as evidenced by cooperation agreements or contracts for the procurement of equipment and/or materials.

## **D. Requirements**

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### **D.1 General Requirements**

Imported equipment and/or materials are eligible for import duty exemption insofar as they fulfil the following provisions:

- (i) the imported goods have not been produced domestically;
- (ii) the imported goods have been produced domestically but do not fulfil the required specifications; or
- (iii) the imported goods have been produced domestically but the quantity is not sufficient to fulfil the needs,

based on the list of goods determined by the ministry that administers governmental affairs in the field of industry.

### **D.2 Application Forms and Reports**

No application letter format is available to utilise the import duty exemption for imports of tools and materials used to prevent environmental pollution.

## **E. Application Scheme**

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An importer may utilise import duty exemption using the following scheme.

- (i) Submitting the application attached with several complementary documents to the Minister through the Head of the Customs Office where customs obligations are settled;
- (ii) The application may be submitted through several channels:
  - a. through the Indonesia National Single Window System (INSW) System; atau
  - b. manually accompanied by:
    - attachment to the application in the form of hard copy; and

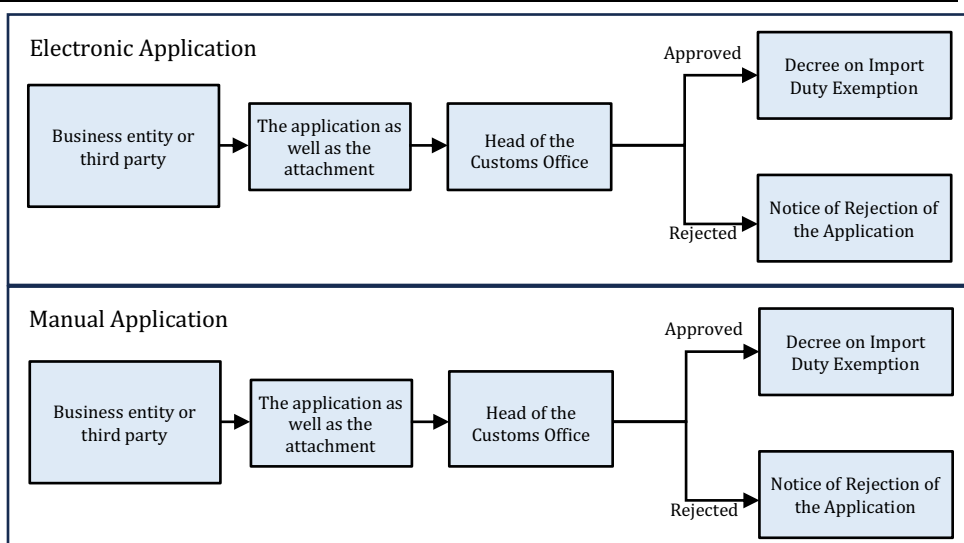
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**CHAPTER 65:**  
**IMPORT DUTY EXEMPTION FOR IMPORTS OF TOOLS AND MATERIALS USED TO  
PREVENT ENVIRONMENTAL POLLUTION**

- scans of the original documents in the form of softcopy stored in electronic data storage media;
- (iii) The submitted application at least contains information on:
- a. the identity of the business entity or third party;
  - b. details of the types, quantity, estimated price, function and use of equipment and/or materials for which the import duty exemption is requested;
  - c. the port of entry;
  - d. the attachments:
    - the recommendation to be granted import duty exemption from officials at the lowest level of primary executive officials of the ministry that administers governmental affairs in the field of environmental conservation and management. The recommendation at least contains the following:
      1. the identity of the business entity;
      2. details of the type, quantity, estimated customs value, and functions and uses of the equipment and/or materials;
      3. the port of entry;
      4. description of activities to prevent or control the generated environmental pollution; and
      5. information on the equipment and/or materials that have fulfilled the provisions referred to in the general requirements of this chapter;
    - invoices or documents equivalent to invoices issued/issued by the sellers/suppliers;
    - equipment and/or material brochures/catalogs; and
    - hardcopy of the cooperation agreement or contracts for the procurement of equipment and/or materials, in the event that the equipment and/or materials to prevent or control environmental pollution are imported by a third party;
- (iv) For the application, the Head of the Customs Office conducts an examination no later than 3 x 24 hours, counting from the time the application is completely received;
- (v) Based on the results of the examination, the Head of the Customs Office may issue several decrees based on the results of the examination, including:
- a. the results of the examination have fulfilled the requirements. The Head of the Customs Office on behalf of the Minister issues a ministerial decree concerning import duty exemption for the import of equipment and/or materials used to prevent environmental pollution;

- b. the results of the examination do not fulfil the requirements. The Head of the Customs Office on behalf of the Minister issues a notice of rejection stating the reasons for the rejection;
- (vi) the 2 (two) decrees will be submitted to the applicant within a period of:
  - a. 5 (five) working hours after the application is examined in the event that the application is submitted electronically; or
  - b. 1 (one) business day after the application is examined in the event that the application is submitted manually.

**F. Flow Chart**



Source: [MoF 32/2024](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

**G.1. Reporting on the Utilisation of Equipments and/or Materials**

Business entities are required to submit a report on the utilisation of equipment and/or materials to the Head of the Customs Office where customs obligations are settled. The reporting may be performed through the INSW System or manually.

The report must be submitted no later than January of the following year for the first 5 (five) years from the date of the import declaration. If the business entity does not perform reporting, it will be subject to a delay in the next import duty exemption services until the submission of the report on the utilisation of equipment and/or materials.

## **G.2 The Format of the Reporting on the Utilisation of Equipments and/or Materials**

Business entities can take advantage of the format of the report on the utilisation of equipment and/or materials that receive the import duty exemption facility.

## **H. Other Important Information**

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### **H.1 Provisions on Prohibitions and/or Restrictions**

Equipment and/or materials that receive import duty exemption must fulfil provisions on prohibitions and/or restrictions pursuant to applicable statutory provisions.

### **H.2 Provisions on the Utilisation of Equipment and/or Materials**

In the event of equipment and/or materials used not according to the purpose of the granting of the import duty exemption, the business entity must pay import duty payable and are subject to administrative penalties.

### **H.3 Settlement of Customs Obligations**

The customs obligations of the equipment and/or materials may be settled through:

- (i) transfers;
- (ii) re-exports; or
- (iii) destruction.

#### **H.3.1 Transfers**

Imported equipment that has obtained the import duty exemption facility may be transferred after being used for a minimum of 2 (two) years from the date of the import declaration and import duty on the import must be paid.

Business entities are excluded from the obligation to pay import duty when performing a transfer in the event that:

- (i) the equipment is transferred after 5 (five) years from the date of the import declaration;
- (ii) the transfer is conducted when force majeure occurs;
- (iii) the equipment is transferred to a business entity that obtains the import duty exemption facility for the release of equipment used to prevent environmental pollution.

The exclusion from the obligation to pay import duty does not apply if the equipment still has economic value. For such a transfer, the import duty facility will be cancelled and will be subject to the assessment of import duty with the following provisions:

- (i) if the import duty tariff amounts to 5% or higher, a 5% tariff is imposed; or
- (ii) if the import duty tariff is below 5%, a tariff according to the type of the goods is imposed.

### **H.3.2 Re-exports**

Equipment and/or materials are re-exported with the following provisions:

- (i) the re-export is conducted using an export declaration; and
- (ii) a physical inspection is conducted, pursuant to statutory provisions stipulating exports.

The re-export may be implemented after obtaining a permit from the Head of the Customs Office where the customs obligations are settled. Further, the importer will obtain a re-export permit that is valid for 60 (sixty) days from the date of the enactment and will be exempt from the obligation to pay import duty payable.

A re-export conducted without a permit will result in the business entity having to pay:

- (i) import duty payable; and
- (ii) administrative penalties in the form of fines pursuant to statutory provisions in the field of customs.

### **H.3.3 Destruction**

The equipment and/or materials may be destroyed after obtaining a permit from the Head of the Customs Office where customs obligations are settled. The business entity permit will be followed up with the issuance of a ministerial decree regarding the granting of a destruction permit which is valid for 60 (sixty) days from the date of enactment.

Before conducting the destruction, customs and excise officials will conduct a physical inspection of the equipment and/or materials to be destroyed and report the results of the physical inspection. Afterwards, the destruction is conducted until the equipment and/or materials can no longer be used and will be outlined in the official report of destruction.



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**CHAPTER 65:**  
**IMPORT DUTY EXEMPTION FOR IMPORTS OF TOOLS AND MATERIALS USED TO  
PREVENT ENVIRONMENTAL POLLUTION**

Destruction conducted through a permit will not change the status of the business entity in terms of the exemption from import duty payment. If destruction is conducted without a permit, the business entity is required to pay:

- (i) import duty payable; and
- (ii) administrative penalties in the form of fines pursuant to statutory provisions in the field of customs.



# Chapter 66

## Import Duty Exemption for Imports of Product Samples

### A. Brief Description

<b>Description</b>	Import duty exemption facility for imports of all goods specifically used as product samples
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs ( <a href="#">Law 17/2006</a> ); 2. Minister of Finance Decree Number 140/KMK.05/1997 concerning Import Duty and Excise Exemption for Imports of Product Samples ( <a href="#">MoF Decree 140/1997</a> ).
<b>Economic sectors</b>	Multisectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from 1998

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 178.

### B. Incentive Benefits

Import duty exemption for goods imported specifically, for example, for the manufacture of products to be exported or marketed domestically.

### C. Parties Receiving the Incentives

This import duty exemption is given to all importers insofar as they receive recommendations from the relevant technical departments.

### D. Requirements

Import duty exemption for imports of product samples may be utilised insofar as the requirements related to the goods and administration are fulfilled by the importer. The following are the requirements that need to be fulfilled.

### **D.1 Requirements for Product samples**

Imported product samples must fulfil the following several requirements:

- (i) excluding motor vehicles, including heavy equipment of any type and/or condition;
- (ii) solely intended for the introduction of new products;
- (iii) the import is performed of only 3 (three) goods for 1 (one) brand/model/type;
- (iv) Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak*/NPWP in Indonesian);
- (v) not constituting goods intended for further processing, except for quality Research and Development (R&D); and
- (vi) not to be transferred, sold or consumed domestically.

### **D.2 Administrative Requirements**

When applying to the Director General of Customs and Excise, the application letter must be attached with:

- (i) details of the quantity and types of goods for which an import duty exemption as well as their customs value is requested; and
- (ii) recommendations from the relevant technical department.

### **D.3 Application Forms and Reports**

No application letter format is available to utilise the import duty exemption for imports of product samples.

## **E. Application Scheme**

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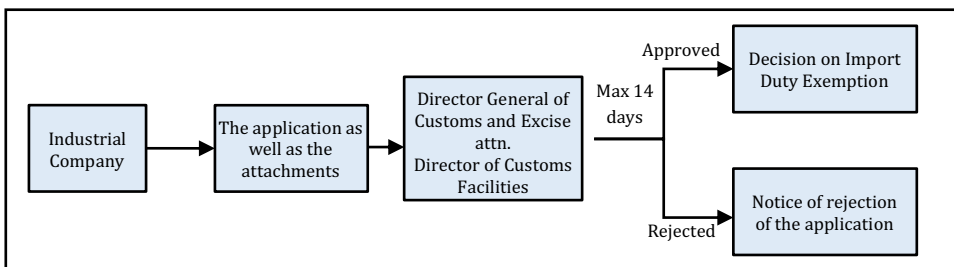
An importer may utilise import duty exemption using the following scheme:

- (i) submitting the application attached with several complementary documents to the Minister through the Director General of Customs and Excise;
- (ii) for the application, the Director General of Customs and Excise on behalf of the Minister may approve or reject the application for the import duty exemption;
- (iii) if the application is approved, the Director General of Customs and Excise on behalf of the Minister will issue the decision concerning the import duty exemption, the decision contains details of the quantity and estimated

customs value of the product samples granted the import duty exemption as well as the designation of the port of unloading; and

- (iv) if the application is rejected, the Director General of Customs and Excise prepares a notice concerning the rejection of the application for the importer stating the reasons for the rejection.

#### **F. Flow Chart**



Source: MoF Decree 140/1997, processed by the Author.

#### **G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning post-utilisation obligations in the provisions stipulating this incentive.

#### **H. Other Important Information**

No other important information is available concerning the regulation of this incentive other than the above-mentioned description.



# Chapter 67

## Import Duty Exemption for Imports of Goods for Scientific Research and Development

### A. Brief Description

<b>Description</b>	<b>Import duty exemption facility for imports of goods for scientific and technology Research and Development (R&amp;D)</b>
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs ( <a href="#">Law 17/2006</a> ); 2. Minister of Finance Regulation Number 200/PMK.04/2019 concerning Import Duty and Excise Exemption for Imports of Goods for Scientific Research and Development ( <a href="#">MoF Reg. 200/2019</a> ).
<b>Economic sectors</b>	Educational services
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 1998

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 176.

### B. Incentive Benefits

Import duty exemption is granted for several transactions related to goods and/or tools that are actually used to advance science, including for research or experimental activities to improve or develop science and technology. The following are the details.

- (i) Imports of goods for scientific R&D;

- (ii) Imports of goods through bonded storage (*Tempat Penimbunan Berikat/TPB* in Indonesian), Special Economic Zones (SEZs or *Kawasan Ekonomi Berikat/KEK* in Indonesian) or free zones; or
- (iii) Transfers of imported goods that have received import duty exemption from the recipient of import duty exemption.

### **C. Parties Receiving the Incentives**

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Import duty exemption for imports of goods for scientific R&D may be utilised by parties that frequently deal with scientific R&D activities, as follows:

- (i) higher education institutions;
- (ii) ministries/institutions; or
- (iii) business entities.

### **D. Requirements**

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The import duty exemption facility may be utilised by fulfilling the requirements related to imported goods and administrative requirements. The following are details related to the requirements to utilise the import duty exemption facility for imports of goods for scientific research and development.

#### **D.1 Requirements for Imported Goods Imported by Business Entities**

Goods imported by business entities must fulfil the following provisions:

- (i) the imported goods have not been produced domestically;
- (ii) the imported goods have been produced domestically but have not fulfilled the required specifications; or
- (iii) the imported goods have been produced domestically but the quantity is not sufficient to fulfil the needs,

according to the recommendations from relevant ministries/technical agencies.

The import duty exemption facility for business entities has exclusions, i.e., for imports of equipment and/or materials to be used in the business entity's production process.

#### **D.2 Administrative Requirements**

The utilisation of the import duty exemption facility for imports of goods for scientific R&D must also fulfil administrative requirements. The administrative requirements between higher education institutions, ministries/institutions, and business entities differ from one another.



### D.2.1 Higher Education Institutions

The following is the list of administrative requirements in the context of the utilisation of the import duty exemption facility by higher education institutions.

- (i) The application to the Minister through the Head of the Prime Customs and Excise Office (*Kantor Pelayanan Utama Bea dan Cukai/KPUBC* in Indonesian) or the Head of the Customs and Excise Office (*Kantor Pengawasan dan Pelayanan Bea dan Cukai/KPPBC* in Indonesian) at the place of entry of the goods, signed by an official at the lowest level of dean;
- (ii) The recommendation to obtain the import duty exemption, the differences in parties that may provide import duty exemption recommendations depend on the form of the higher education institutions:
  - a. state higher education institutions, the recommendation is given by the director of the higher education institution or the officials at the lowest level of echelon II appointed by the director of the higher education institution;
  - b. private higher education institutions, the recommendations are given by the director of the higher education institution; and
  - c. civil service higher education institutions, the officials at the lowest level of echelon II or the highest leader of the ministry/institution that supervises civil service higher education institutions;
- (iii) Documents for the acquisition of goods for scientific research and development include:
  - a. a photocopy of the gift certificate from the grantor/aid provider supervises or letter of cooperation agreement if the goods for scientific R&D are sourced from a grant/aid or cooperation agreement; or
  - b. a photocopy of the purchase document if the goods for scientific R&D are sourced from a purchase. The purchase document must also be completed by 2 (two) additional documents if the application for the facility is submitted by a state higher education institution:
    - a photocopy of the budget execution document (*Daftar Isian Pelaksanaan Anggaran/DIPA In Indonesian*) or a document equivalent to the budget execution document if the purchase uses the state budget (*Anggaran Penerimaan and Belanja Negara/APBN* in Indonesian) or the local government budget (*Anggaran Penerimaan and Belanja Daerah/APBD* in Indonesian); and
    - a photocopy of goods procurement agreement or contract stating that the price in the goods procurement agreement or contract

does not include payment of import duty, excise, and/or tax in the context of import, in the case of purchase and/or import of goods for scientific research and development carried out by a third party.

### **D.2.2 Ministries/Institutions**

The following is a list of administrative requirements in the context of the use of the import duty exemption facility by ministries/institutions.

- (i) The application to the minister through the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office of the entry of the goods, signed by officials at the lowest level of echelon II or primary executive officials;
- (ii) Documents for the acquisition of goods for scientific R&D include:
  - a. a photocopy of the gift certificate from the grantor/aid provider or cooperation agreement if the goods for scientific R&D purposes are sourced from a grant/aid or cooperation; or
  - b. a photocopy of the purchase document if the goods for scientific R&D purposes are sourced from a purchase. The purchase document must also be complemented with 2 (two) additional documents if the application for the facility is submitted by a state higher education institution:
    - a photocopy of the budget execution document or a document equivalent to the budget execution document if the purchase uses the state budget or the local government budget; and
    - a photocopy of the letter of agreement or contract for the procurement of goods stating that the price in the agreement or contract for the procurement of goods does not include the payment of import duty, excise and/or taxes on imports (*Pajak Dalam Rangka Imports of*/PDRI in Indonesian) if the purchase and/or import of goods for scientific R&D purposes is conducted by a third party.

### **D.2.3 Business Entities**

The following is the list of administrative requirements in the context of the utilisation of the import duty exemption facility by business entities.

- (i) The application is submitted to the Minister through the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office of the entry of goods, signed by officials at a minimum level of echelon II or primary executive officials;

- (ii) Recommendations to obtain the import duty exemption from officials at a minimum level of echelon II or primary executive officials of the ministry that administers governmental affairs in the industrial sector or the ministry/institution that supervises relevant business entities;
- (iii) Documents for the acquisition of goods for scientific research and development purposes in the form of:
  - a. a photocopy of the gift certificate from the grantor/aid provider or cooperation agreement if the goods for scientific R&D purposes are sourced from a grant/aid or cooperation; or
  - b. a photocopy of the purchase document if the goods for scientific R&D purposes are sourced from a purchase. The purchase document must also be complemented with 2 (two) additional documents if the application for the facility is submitted by a state higher education institution.

### **D.3 Application Forms and Reports**

The following is the format of the required letters and forms upon the application for the utilisation of the import duty exemption facility but not collected facility for imports of goods for scientific research and development.

- (i) The application letter for the import duty exemption for imports of goods for scientific R&D purposes; and
- (ii) Details of goods for scientific R&D purposes for which the application for import duty is submitted.

### **E. Application Scheme**

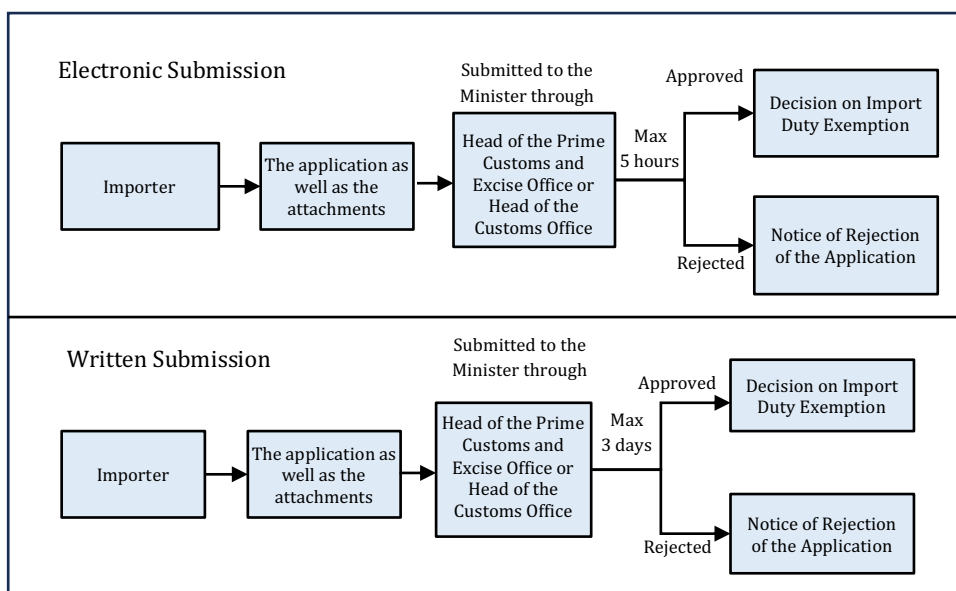
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An importer may utilise import duty exemption using the following scheme.

- (i) The importer applies electronically via the Directorate General of Customs and Excise (DGCE) Portal or the Indonesia National Single Window (INSW) System by attaching scans and complementary documents;
- (ii) The importer may also submit a written application if the DGCE Portal and the INSW System experience operational disruptions by attaching the application attachment in the form of hardcopy and scans of the original documents in electronic storage media in the form of softcopy;
- (iii) For the application, the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office will conduct an examination related to the fulfilment of the requirements and will approve or reject the application for the import duty exemption;
- (iv) The approval or rejection will be performed no later than

- a. for electronic submission, 5 (five) working hours after the application is received completely and correctly;
  - b. for written submission, 3 (three) business days after the application is received completely and correctly;
- (v) If the application is approved, the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office on behalf of the Minister will issue a Minister of Finance Decree concerning the import duty exemption for imports of goods for scientific research and development purposes; and
- (vi) If the application is rejected, the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office on behalf of the Minister prepares a notice concerning the rejection of the application to the importer stating the reason for the rejection.

**F. Flow Chart**



Source: MoF Reg. 200/2019, processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

**G.1 Utilisation Period**

The import duty exemption period related to the import of goods for scientific R&D is a maximum of 1 (one) year from the date of the enactment of the minister of finance decree.

## **G.2 Settlement of Customs Obligations**

The customs obligations of imported goods for scientific R&D may be settled in the following manners.

- (i) transferred;
- (ii) re-exported; or
- (iii) destroyed.

The transfer, re-export and destruction of goods for scientific R&D belonging to state higher education institutions, civil service higher education institutions and/or ministries/institutions, are implemented pursuant to statutory provisions stipulating state property.

### **G.2.1 Transfers**

Provisions on transfers are based on several things related to the use of imported goods. *First*, the transfer of imported goods is subject to import duties, excise, and/or taxes on imports. The customs obligations are imposed on the transfer of:

- (i) imported goods that have been used for a minimum of 2 (two) years from the date of the customs declaration. This provision does not apply if there is a force majeure or the imported goods are transferred to another party that obtains an import duty exemption; or
- (ii) imported goods cannot or are no longer suitable for use in scientific R&D activities based on recommendations from the relevant ministry/technical institution.

*Second*, the transfer of imported goods that are exempt from import duties, excise, and/or taxes on imports:

- (i) the transfer is conducted after 5 (five) years from the date of the import declaration;
- (ii) force majeure occurs as evidenced by a certificate from the competent agency; or
- (iii) transferred to another recipient of the import duty exemption.

*Third*, transfers of imported goods for scientific R&D. Specifically, imported goods for scientific R&D may be transferred after obtaining permission. The details are as follows:

- (i) imported goods other than motor vehicles performed up to 5 (five) years from the date of the customs declaration; or
- (ii) imported goods in the form of motor vehicles.

Further, the transfer permit is applied for by higher education institutions, ministries/institutions or business entities to the minister with the following scheme:

- (i) the transfer permit is submitted electronically through the DGCE Portal or the Indonesia National Single Window (INSW) System;
- (ii) the transfer permit may also be submitted in writing if the DGCE Portal and the INSW System experience operational disruptions by attaching the application in the form of hardcopy and a scan of the original document in electronic data storage media in the form of softcopy.
- (iii) for the application, the Head of the Prime Customs and Excise Office or Head of the Customs and Excise Office conducts examination related to the fulfilment of requirements and will approve or reject the application for the transfer;
- (iv) if the application is approved, the Head of the Prime Customs and Excise Office or Head of the Customs and Excise Office on behalf of the Minister issues:
  - a. a minister of finance decree concerning the transfer of goods for scientific research and development accompanied by the obligation to pay import duty, excise, and/or taxes in the context of import payable, in the case of transfer made to other than the recipient of import duty exemption; or
  - b. a minister of finance decree concerning the transfer of goods for scientific research and development without the obligation to pay import duty, excise, and/or taxes in the context of import payable, in the case of transfer made to fellow recipients of import duty exemption;
- (v) if the application is rejected, the Head of the Prime Customs and Excise Office or Head of the Customs and Excise Office on behalf of the Minister issues a notice of rejection stating the reasons for the rejection;
- (vi) the approval or rejection is decided no later than 3 (three) business days after the application for the transfer is received;
- (vii) the minister of finance decree concerning the transfer is valid for a maximum of 60 (sixty) days from the date of enactment.

Imported goods other than motor vehicles subject to import duty and/or taxes on imports are transferred pursuant to the minister of finance decree concerning the transfer of goods for scientific R&D. The calculation of import duty and/or

taxes on imports is based on the classification, imposition and customs value in the import declaration at the time of entry.

Import duty and/or taxes on imports on imported goods in the form of motor vehicles are paid pursuant to the following provisions:

- (i) if the transfer is performed up to 5 (five) years from the date of the customs declaration, the customs tariff and value applicable on the date of the import declaration;
- (ii) if the transfer is performed after 5 (five) years from the date of customs declaration:
  - a. the applicable tariff on the date of the import declaration; and
  - b. the applicable customs value at the time the motor vehicles are transferred

Import duty and/or taxes on imports on imported goods subject to force majeure are paid using the applicable customs tariff and value at the time of transfer.

### **G.2.2 Re-exports**

Customs obligations for imported goods settled using re-exports are settled using customs declaration pursuant to statutory provisions concerning exports. Importers, in this case, higher education institutions, ministries/institutions or business entities that re-export imported goods are exempt from the obligation to pay import duty, excise and/or taxes on imports payable.

### **G.2.3 Destruction**

Customs obligations for imported goods using destruction may be settled after 2 (two) years from the date of the customs declaration. Provisions related to the period do not apply in the event of force majeure. Imported goods that have been destroyed are exempt from the obligation to pay import duty, excise and taxes on imports.

Goods for scientific R&D of private higher education institutions and/or business entities are destroyed after obtaining a permit from the Head of the Prime Customs and Excise Office or the Head of the Customs and Excise Office on behalf of the Minister.

This permit is obtained after private higher education institutions and business entities shall comply with the following procedures:

- (i) the permit for the destruction is submitted electronically through the DGCE Portal or the INSW System;

- (ii) the permit for the destruction may also be submitted in writing if the DGCE Portal or the INSW System experiences operational disruptions by attaching the application in the form of hardcopy and scans of the original documents in electronic data storage media in the form of softcopy;
- (iii) for the application, the Head of the Prime Customs and Excise Office or Head of the Customs and Excise Office conducts an examination related to the fulfilment of the requirements and will approve or reject the application for destruction;
- (iv) if the application is approved, the Head of the Prime Customs and Excise Office or Head of the Customs and Excise Office issues an approval for destruction;
- (v) the approval for destruction is valid for a maximum of 1 (one) year.

When destruction is performed by private higher education institutions or business entities, the following are several things that need to be considered.

- (i) The destruction must be witnessed by:
  - a. representatives of private higher education institutions or business entities; and
  - b. customs and Excise officials, and stated in the official report of destruction.
- (ii) The destruction is performed by damaging the goods for scientific R&D, thereby, they cannot be used and repaired anymore.
- (iii) All expenses arising from the implementation of destruction are borne by the private higher education institutions or business entities.

### **G.3 Forms or Formats of the Post-Utilisation of Incentives Letters**

- (i) the format of the application for the settlement of customs obligations using transfers;
- (ii) the format of the application for the settlement of customs obligations using destruction; and
- (iii) the format of the official report of destruction.

## **H. Other Important Information**

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### **H.1 The Amendment to the Minister of Finance Decree concerning the Approval for Import Duty Exemption**

The minister of finance decree concerning approval for the utilisation of the import duty exemption facility may be amended in the event that:



- (i) misspellings or typos occur; and/or
- (ii) there are changes in the data of the person concerned.

The amendment may only be performed insofar as:

- (i) the customs declaration of the imported goods has not received a registration number at the Customs Office of entry; and
- (ii) the import period has not elapsed, which is a maximum of 1 (one) year from the date of the minister of finance decree.

The decree may be amended according to the information that should be included by complying with the following procedures:

- (i) the importer applies for the amendment to the minister of finance decree to the Minister through the Head of the Prime Customs and Excise Office or Head of the Customs and Excise Office by stating the reasons for the amendment and attaching documents supporting the reasons for the amendment;
- (ii) if the application is approved, the Head of the Prime Customs and Excise Office or Head of the Customs and Excise Office on behalf of the Minister issues a minister of finance decree concerning the amendment to the formerly issued Minister of Finance Decree;
- (iii) if the application is rejected, the Head of the Prime Customs and Excise Office or Head of the Customs and Excise Office on behalf of the Minister issues a notice of rejection stating the reasons for the rejection.

Imported goods that are used not according to the purpose of the granting of the import duty exemption, excise and/or taxes on imports payable, import duty, excise and/or taxes on imports payable must be paid and subject to administrative penalties pursuant to statutory provisions stipulating administrative penalties in the field of customs, excise and/or taxation.

## **H.2 Other Important Information Concerning the Settlement of Customs Obligations**

### **H.2.1 Transfers of Imported Goods in the Form of Motor Vehicles**

If goods imported for scientific R&D are motor vehicles, a transfer performed after 5 (five) years from the date of customs declaration is accompanied by the obligation to pay import duty and taxes on imports payable.

### **H.2.2 Transfers during Force Majeure**

In the event of force majeure and the imported goods still have economic value, a transfer performed up to 5 (five) years from the date of customs declaration is accompanied by the obligation to pay import duty and taxes on imports payable.

### **H.2.3 Provisions on the Settlement of Customs Obligations**

Transfers, re-exports and destruction of goods for scientific R&D belonging to state higher education institutions, civil service higher education institutions and/or ministries/institutions, are implemented pursuant to statutory provisions stipulating state property.

# Chapter 68

## Import Duty Exemption for Imports of Science Books

### A. Brief Description

<b>Description</b>	Import duty exemption facility for imports of science books
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs (<a href="#">Law 17/2006</a>);</li> <li>2. Minister of Finance Regulation Number 103/PMK.04/2007 concerning Import Duty Exemption for Imports of Science Books (<a href="#">MoF Reg. 103/2007</a>).</li> </ol>
<b>Economic sectors</b>	Educational services
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2015

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 172.

### B. Incentive Benefits

Import duty is exempt for imports of science and technology books, general textbooks, scriptures, religious textbooks and other science books. This facility is excluded from imports of books in the Indonesian language.

### C. Parties Receiving the Incentives

Import duty exemption may be utilised by all parties insofar as the imported books fulfil the criteria for books whose import duty on the imports are exempt.

## **D. Requirements**

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The import duty exemption facility may be utilised insofar as the imported books are included in the list of types of books whose import duty on the imports are exempt. The following is the list of types of the excluded books in this facility.

### **D.1 The List of Books that Receive the Import Duty Exemption**

The following is the list of books that receive the import duty exemption facility when imported.

- (i) Science and technology books;
- (ii) General textbooks;
- (iii) Scriptures;
- (iv) Religious textbooks; and
- (v) Other science books.

### **D.2 The List of Books Excluded from the Import Duty Exemption**

The following is the list of books excluded from the import duty exemption facility.

- (i) Entertainment books;
- (ii) Popular romance books;
- (iii) Magic books;
- (iv) Advertising books;
- (v) Business promotion books;
- (vi) Catalog books other than for educational purposes;
- (vii) Caricature books;
- (viii) Horoscope books;
- (ix) Horror books;
- (x) Comic books;
- (xi) Painting reproduction books; and
- (xii) Books that use the Indonesian language.

### **D.3 Attachment Documents**

When the application is submitted through the Director General of Customs and Excise, the application letter must be attached with:

- (i) details of type, title, quantity and estimated customs value; and

- (ii) the recommendation from the ministry that administers governmental affairs in the field of education and religion.

#### **D.4 Application Forms and Reports**

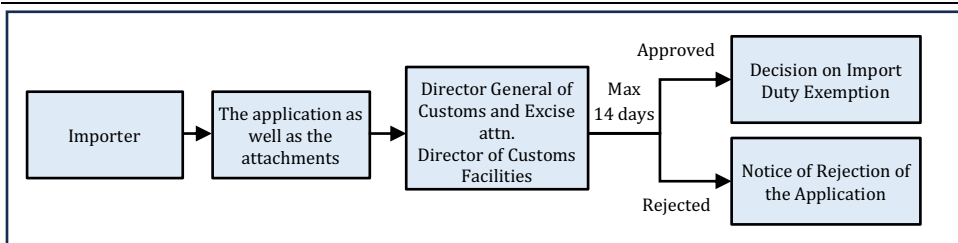
No application letter format is available to utilise the import duty exemption for imports of science books.

#### **E. Application Scheme**

An importer may utilise import duty exemption using the following scheme:

- (i) submitting the application attached with several complementary documents to the Minister through the Director General of Customs and Excise;
- (ii) for the application, the Director General of Customs and Excise on behalf of the Minister may approve or reject the application for the import duty exemption;
- (iii) if the application is approved, the Director General of Customs and Excise on behalf of the Minister will issue the decision concerning the import duty exemption, the decision contains details of the quantity and estimated customs value of the books granted the import duty exemption as well as the designation of the port of unloading; and
- (iv) if the application is rejected, the Director General of Customs and Excise prepares a notice concerning the rejection of the application for the importer stating the reasons for the rejection.

#### **F. Flow Chart**



Source: MoF Reg. 103/2007, processed by the Author.

#### **G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning post-utilisation obligations in the provisions stipulating this incentive.

## **H. Other Important Information**

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If at the time of import, the quantity, type, and/or specifications of goods are found to not correspond to those stated in the decree concerning the import duty exemption, the discrepancy is subject to import duty.

## Chapter 69

# Import Duty Exemption for Imports of Gifts or Grants for Natural Disaster Management

### A. Brief Description

<b>Description</b>	Import duty exemption facility for imports of gifts/grants for natural disaster management
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs ( <a href="#">Law 17/2006</a> ); 2. Minister of Finance Regulation Number 69/PMK.04/2012 concerning Import Duty and/or Excise Exemption for Imports of Gifts/Grants for Natural Disaster Management ( <a href="#">MoF Reg. 69/2012</a> ).
<b>Economic sectors</b>	Health services and social activities
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2012

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 174.

### B. Incentive Benefits

Import duty exemption is granted for imports of gifts/grants intended for natural disaster management, including logistics and tools. The tools are grouped into 2 (two) groups, namely:

- (i) motor vehicles and/or heavy equipment group; and
- (ii) goods other than motor vehicles and/or heavy equipment group.

The exemption facility is granted under certain conditions that have been stated in writing by the National Agency for Disaster Management (*Badan Nasional Penanggulangan Bencana*/BNPB in Indonesian), Regional Agency for Disaster Management (*Badan Penanggulangan Bencana Daerah*/BPBD in Indonesian) or local governments. The following are details of the specific conditions.

- (i) Disaster emergency response period;
- (ii) Transition period towards rehabilitation and reconstruction; or
- (iii) Rehabilitation and reconstruction period.

### **C. Parties Receiving the Incentives**

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Parties that may utilise import duty exemption for imports of gifts/grants for disaster management purposes are adjusted based on conditions set by the National Agency for Disaster Management, Regional Agency for Disaster Management or local governments. The following are details of parties that may utilise the incentive based on the conditions that occur.

- (i) Conditions during an emergency response period of a disaster:
  - a. bodies or institutions engaged in public worship, charity, social, or cultural activities;
  - b. the central government or local governments; or
  - c. international institutions or foreign non-governmental institutions;
- (ii) Conditions during the transitional period towards rehabilitation and reconstruction:
  - a. bodies or institutions engaged in public worship, charity, social, or cultural activities;
  - b. the central government or local governments; or
  - c. international institutions or foreign non-governmental institutions.
- (iii) Conditions during the rehabilitation and reconstruction period:
  - a. bodies or institutions engaged in public worship, charity, social or cultural activities; or
  - b. the central government or local governments.

### **D. Requirements**

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The import duty exemption facility may be utilised by fulfilling several requirements related to the requirements as an importer, requirements for the entry of consignment goods and administrative requirements for the application for the facility. The following are details of the requirements for the utilisation of the import duty exemption facility for imports of gifts/grants for natural disaster management.



### **D.1 Requirements for Importers**

A body or institution applying for import duty exemption must fulfil the following requirements.

- (i) The body or institution is a legal entity domiciled in the territory of the Unitary State of the Republic of Indonesia (*Negara Kesatuan Republik Indonesia*/NKRI in Indonesian);
- (ii) The legal entity referred to in number 1 is incorporated pursuant to statutory laws and regulations as evidenced by a notarial document; and
- (iii) The body or institution is non-profit.

### **D.2 Requirements for the Entry of Consignment Goods**

The import duty exemption facility is only granted for goods imported through international aid entry points designated by the National Agency for Disaster Management or Regional Agency for Disaster Management.

### **D.3 Administrative Requirements for the Application for the Facility**

The administrative requirements for the application for this facility are grouped based on conditions that have been set by the National Agency for Disaster Management or Regional Agency for Disaster Management. The following are details of the administrative requirements for the application for this facility based on the conditions that occur:

- (i) Conditions during an emergency response period of a disaster:
  - a. the written application to the Director General of Customs and Excise, is submitted through the Customs Office of the entry of goods;
  - b. the list of the goods for which the application for the import duty exemption is submitted, which has been legalised by the National Agency for Disaster Management, Regional Agency for Disaster Management or Governor in the disaster-stricken area or entry point of goods outside the natural disaster location;
  - c. the gift certificate from the giftor/grantor overseas whose procurement does not use Indonesian foreign exchange and there is a statement that the goods are gifts/grants; and
  - d. the recommendation from the National Agency for Disaster Management, Regional Agency for Disaster Management or Governor in the disaster-stricken area or entry point of goods outside the natural disaster location;
- (ii) Conditions during the transitional period towards rehabilitation and reconstruction:

- a. the written application to the Director General of Customs and Excise, is submitted through the Customs Office of the entry of goods;
  - b. the list of the goods for which the application for the import duty exemption is submitted, which has been legalised by the National Agency for Disaster Management, Regional Agency for Disaster Management or Governor in the disaster-stricken area or entry point of goods outside the natural disaster location;
  - c. the gift certificate from the giftor/grantor overseas whose procurement does not use Indonesian foreign exchange and there is a statement that the goods are gifts/grants; and
  - d. the recommendation from the National Agency for Disaster Management, Regional Agency for Disaster Management or Governor in the disaster-stricken area or entry point of goods outside the natural disaster location;
- (iii) Conditions during the rehabilitation and reconstruction period:
- a. the written application to the Director General of Customs and Excise, is submitted through the Customs Office of the entry of goods;
  - b. details of the quantity and types of goods for which the application for the import duty exemption is submitted as well as their customs value;
  - c. the gift certificate from the giftor/grantor overseas whose procurement does not use Indonesian foreign exchange and there is a statement that the goods are gifts/grants; and
  - d. the recommendation from the National Agency for Disaster Management or Regional Agency for Disaster Management.

#### **D.4 Application Forms and Reports**

The following is the format of the letters and forms required when applying for the utilisation of the import duty exemption facility for the import of gifts/grants for natural disaster management.

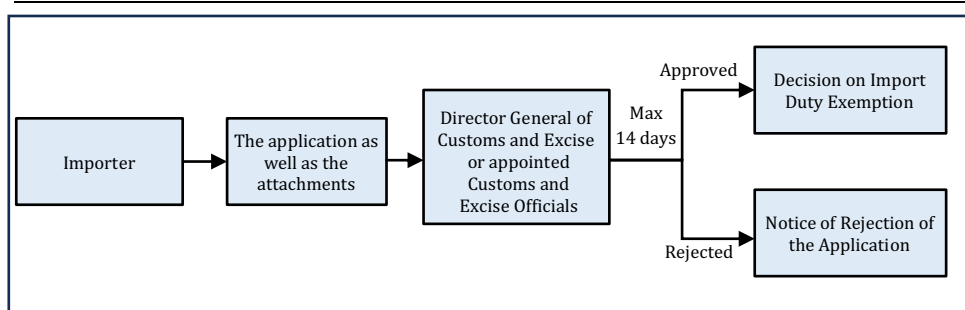
- (i) The format of the application letter for the import duty exemption for imports of gifts/grants for natural disaster management during an emergency response period of a disaster;
- (ii) The format of the application letter for the import duty exemption for imports of gifts/grants for natural disaster management during the transitional period towards rehabilitation and reconstruction; and
- (iii) The format of the application letter for the import duty exemption for imports of gifts/grants for natural disaster management during the rehabilitation and reconstruction period.

### **E. Application Scheme**

An importer may utilise import duty exemption using the following scheme.

- (i) The importer submits the application in writing to the Director General of Customs and Excise through the Head of the Customs Office of the entry of goods. The application is attached with several documents listed in the administrative requirements, according to the conditions that occur;
- (ii) For the application, the Head of the Customs Office forwards the application to the Director General of Customs and Excise or customs and excise officials appointed to approve or reject on behalf of the Minister;
- (iii) The approval or rejection is given no later than 14 (fourteen) business days from the date the application is completely received;
- (iv) If the application is approved, the Director General of Customs and Excise or customs and excise officials appointed on behalf of the Minister issues a decision on the import duty exemption;
- (v) If the application is rejected, the Director General of Customs and Excise or customs and excise officials appointed on behalf of the Minister submits a notice stating the reasons for the rejection.

### **F. Flow Chart**



Source: MoF Reg. 69/2012, processed by the Author.

### **G. Obligations during Incentive Utilisation**

For imports of gifts/grants for natural disaster management, approval is given for the release of imported goods to be used using a guarantee (*vooruitslag*). The use of guarantees for the release of imported goods is subject to provisions according to the occurring conditions, the following are details of the provisions for each condition.

### **G.1 Provisions on the *Vooruitslag* for Conditions during an Emergency Response Period of a Disaster and Conditions during the Transitional Period Towards Rehabilitation and Reconstruction**

In conditions during an emergency response period of a disaster and the transition period towards rehabilitation and reconstruction, the written guarantee shall comply with statutory laws and regulations concerning guarantees in the context of customs issued by the Head of the National Agency for Disaster Management, Head of the Regional Agency for Disaster Management or local government officials at the minimum level of echelon II.

In these conditions, the recommendation letters from several parties, as follows:

- (i) the National Agency for Disaster Management, the Head of the Regional Agency or Regional Agency for Disaster Management;
- (ii) the Governor in the disaster-stricken area; or
- (iii) the Governor in the entry point of goods outside the natural disaster location,

are treated as the application for the release of imported goods for home use using guarantees (*vooruitslag*).

The application for the release of imported goods for home use using guarantees has several stages. The following are details of the stages for the application.

- (i) The applicant, in this case, the importer, submits a recommendation letter to the Head of the Office of the entry of the consignment goods;
- (ii) The submission of the letter of recommendation must be attached with:
  - a. the list of the goods for which the application for the import duty exemption is submitted, which has been legalised by the National Agency for Disaster Management, Regional Agency for Disaster Management or Governor in the disaster-stricken area or entry point of goods outside the natural disaster location;
  - b. customs complementary documents (invoice, packing list, airwaybill or bill of lading);
  - c. the gift certificate from the gifter/grantor overseas whose procurement does not use Indonesian foreign exchange and there is a statement that the goods are gifts/grants; and
  - d. the written guarantee from the Head of the National Agency for Disaster Management, Head of the Regional Agency for Disaster Management or local government officials at the minimum level of echelon II.

## **G.2 Provisions on the *Vooruitslag* for Conditions during the Rehabilitation and Reconstruction Period**

In the conditions during the rehabilitation and reconstruction period, the following provisions apply.

- (i) Cash guarantee, customs bond or bank guarantee pursuant to statutory laws and regulations concerning guarantees in the context of customs for imports of gifts/grants by importers; or
- (ii) Written guarantee pursuant to statutory laws and regulations concerning guarantees in the context of customs issued by central government officials or local government officials at the minimum level of echelon II.

In the rehabilitation or reconstruction period, procedures for the application for the release of imported goods for home use using guarantee (*vooruitslag*) is implemented pursuant to statutory laws and regulations concerning the release of imported goods for home use using guarantee (*vooruitslag*).

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## **H. Post-Incentive-Utilisation Obligations**

### **H.1 Import Declarations**

The customs declaration for imports of gifts/grants for natural disaster management is declared using a special import declaration (*Pemberitahuan Impor Barang Khusus/PIBK* in Indonesian). Customs administration for the special import declaration the whose customs obligations have not been settled shall be fulfilled by integrating the decision concerning the granting of the import duty exemption that has been issued in the special import declaration file.

### **H.2 Settlement of Customs Obligations**

For gifts/grants for natural disaster management in the form of motor vehicles and/or heavy equipment, customs obligations may be settled in the following manners:

- (i) transferred;
- (ii) destroyed; or
- (iii) re-exported.

#### **H.2.1 Transfers**

Transfers, in this case, are in the form of transfers of rights, transfers of assets or changes in the use of aid goods for other activities outside their intended use by the recipient of the import duty exemption facility. The application for the

settlement of customs obligations by transfers may be submitted by several parties, as follows:

- (i) bodies or institutions engaged in in the field of public worship, charity, social or culture;
- (ii) the central government or local governments; or
- (iii) international institutions or foreign non-governmental institutions.

A transfer may be conducted insofar as the importer has submitted the application and obtained approval to conduct the transfer. In further detail, the following is the application scheme for the transfer of consignment goods in the form of motor vehicles and heavy equipment.

- (i) The applicant applies for the transfer to the Director General of Customs and Excise and appointed customs and excise officials. The application is submitted by the director or authorised officials of the applicant;
- (ii) The application must be attached with several supporting documents, including:
  - a. the decree concerning the granting of the import duty exemption facility;
  - b. the special import declaration;
  - c. original physical evidence in the form of photographs, physical check of the engine number and chassis number of the motor vehicle or heavy equipment; and
  - d. original form B or form B certificate issued by the the Customs and Excise Office of the entry of consignment goods;
- (iii) For the application, the Director General of Customs and Excise or appointed customs and excise officials on behalf of the Minister shall approve or reject within a maximum period of 14 (fourteen) business days from the date the application is completely received;
- (iv) If the application is approved, the Director General of Customs and Excise or appointed customs and excise officials on behalf of the Minister issue the decision concerning the import duty exemption; and
- (v) If the application is rejected, the Director General of Customs and Excise or appointed customs and excise officials on behalf of the Minister submit the notice stating reasons for the rejection.

### **H.2.2 Destruction**

Customs obligations of imported goods may be settled by destruction by several importers, as follows:

- (i) bodies or institutions engaged in in the field of public worship, charity, social or culture;
- (ii) the central government or local governments; or
- (iii) international institutions or foreign non-governmental institutions.

Destruction may be conducted insofar as the importer has submitted the application and obtained approval to conduct the destruction. In further detail, the following is the application scheme for the destruction of consignment goods in the form of motor vehicles and heavy equipment.

- (i) The applicant applies for the destruction to the Director General of Customs and Excise and appointed customs and excise officials by stating the reasons for the destruction;
- (ii) The application must be attached with several supporting documents, including:
  - a. the decree concerning the granting of the import duty exemption facility;
  - b. the special import declaration;
  - c. original physical evidence in the form of photographs, physical check of the engine number and chassis number of the motor vehicle or heavy equipment; and
  - d. original form B or form B certificate issued by the the Customs and Excise Office of the entry of consignment goods;
- (iii) For the application, the Director General of Customs and Excise or appointed customs and excise officials on behalf of the Minister shall approve or reject within a maximum period of 14 (fourteen) business days from the date the application is completely received;
- (iv) If the application is approved, the Director General of Customs and Excise or appointed customs and excise officials on behalf of the Minister issue the decision concerning the approval of the destruction without the obligation to pay import duty and/or excise; and
- (v) If the application is rejected, the Director General of Customs and Excise or appointed customs and excise officials on behalf of the Minister submit the notice stating reasons for the rejection.

### **H.2.3 Re-Exports**

Customs obligations of imported goods by being re-exported may be settled by several importers, namely:

- (i) bodies or institutions engaged in public worship, charity, social, or cultural activities;
- (ii) the central government or local governments; or
- (iii) non-governmental international institutions or foreign institutions.

The re-export may be performed insofar as the applicant, in this case, the importer, has submitted the application and obtained approval to perform the re-export. In further detail, the following is the application scheme for the re-export of consignment goods in the form of motor vehicles and heavy equipment.

- (i) The applicant applies for the re-export to the Director General of Customs and Excise or appointed customs and excise officials, stating the reasons for the re-export;
- (ii) The application must be attached with several supporting documents, including:
  - a. the decree concerning the granting of the import duty exemption facility;
  - b. the special import declaration;
  - c. original physical evidence in the form of photographs, physical check of the engine number and chassis number of the motor vehicle or heavy equipment; and
  - d. original form B or form B certificate issued by the the Customs and Excise Office of the entry of consignment goods;
- (iii) For the application, the Director General of Customs and Excise or appointed customs and excise officials on behalf of the Minister shall approve or reject within a maximum period of 14 (fourteen) business days from the date the application is completely received;
- (iv) if the application is approved, the Director General of Customs and Excise or appointed customs and excise officials on behalf of the Minister issues the decree concerning the approval for re-export without the obligation to pay import duty and/or excise; and
- (v) if the application is rejected, the Director General of Customs and Excise or appointed customs and excise officials on behalf of the Minister submits a notice stating the reasons for the rejection.



## **I. Other Important Information**

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### **I.1 Other Important Information Related to the Parties Receiving the Incentive**

If the entity applying for import duty exemption during the rehabilitation and reconstruction period is a non-governmental international institution or foreign institution, to the submission of the application, the provisions concerning the import duty exemption for international bodies and their officials shall apply.

### **I.2 Other Important Information Related to the Application for the Incentive**

The additional information related to the application for this incentive elucidates the provision that if there are consignment goods that are subject to the provisions on prohibitions and/or restrictions of imported goods and if the incentive applicant cannot attach the gift certificate from the gifter/grantor overseas. The following are details of different provisions that apply to each occurring condition.

#### **I.2.1 Applications in the Emergency Response Period of a Disaster and Transitional Period towards Rehabilitation and Reconstruction**

In the event that gifts/grants constitute goods that are subject to the provisions on prohibitions and/or restrictions of imported goods, in addition to fulfilling the provisions contained in the requirements, the application must be attached with:

- (i) a recommendation letter from the relevant technical agency authorised to enact regulations concerning the prohibitions and/or restrictions of imported goods; or
- (ii) the list of goods legalised by the National Agency for Disaster Management or the Regional Agency for Disaster Management after receiving delegation of authority from the relevant technical agency.

If the applicant cannot attach a gift certificate from the gifter/grantor overseas, the applicant may attach a gift/grant statement certificate or statement letter.

#### **I.2.2 Applications in the Rehabilitaton and Construction Period**

In the event that the gifts/grants constitute goods that are subject to provisions on prohibitions and/or restrictions of imported goods, in addition to fulfilling the provisions contained in the requirements, the application must be attached with a recommendation letter from the relevant technical agency authorised to enact regulations concerning prohibitions and/or restrictions of imported goods.

**I.3 Other Important Information Related to the *Vooruitslag***

- (i) In the event that the gifts/grants constitute goods that are subject to provisions on prohibitions and/or restrictions of imported goods, in addition to fulfilling the provisions stated in the section explaining *vooruitslag*, the application must be attached with:
  - a. a recommendation letter from the relevant technical agency authorised to enact regulations concerning the prohibitions and/or restrictions of imported goods; or
  - b. the list of goods for which the application for the import duty exemption facility is submitted legalised by the National Agency for Disaster Management or the Regional Agency for Disaster Management after receiving delegation of authority from the relevant technical agency referred to in letter a.
- (ii) If the applicant cannot attach a gift certificate from the giftor/grantor overseas, the applicant may attach a gift/grant statement certificate or statement letter

# Chapter 70

## Import Duty Exemption for Gifts or Grants for Public Worship, Charity, Social or Cultural Purposes

### A. Brief Description

<b>Description</b>	Import duty exemption for gifts/grants for public worship, charity, social or cultural purposes
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs ( <a href="#">Law 17/2006</a> ); 2. Minister of Finance Regulation Number 70/PMK.04/2012 concerning Import Duty and/or Excise Exemption for Imports of Gifts/Grants for Public Worship, Charity, Social or Cultural Purposes ( <a href="#">MoF Reg. 70/2012</a> ).
<b>Economic sectors</b>	Healthcare services and social activities
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2012

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 173.

### B. Incentive Benefits

Import duty is exempt for gifts/grants for public, charitable, social or cultural purposes. Further, the consignment goods are as follows:

- (i) goods required to construct or repair houses of worship, hospitals, polyclinics and/or schools as well as goods that will constitute their fixed asset inventory;
- (ii) clinic cars, means of transport for the sick, means of transport for mobile libraries or the like or means of transport for health workers;

- (iii) goods required for permanent use by associations and/or bodies for cultural purposes;
- (iv) goods required for public worship, such as prayer mats, rugs or cups for holy communions as well as gifts in celebration of religious holidays;
- (v) operational equipment or medical equipment used for social bodies;
- (vi) food, medicine and/or clothing to be given to people in need; and/or
- (vii) teaching and learning equipment for educational institutions intended to increase the people's intelligence.

### **C. Parties Receiving the Incentives**

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Import duty exemption may be utilised by bodies or institutions engaged in the fields of public worship, charity, social or culture.

### **D. Requirements**

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#### **D.1 Requirements for Bodies or Institutions that May Utilise the Incentive**

The application to obtain the import duty exemption for imports of gifts/grants may be submitted by a body or institution that fulfils the following requirements:

- (i) the body or institution is a legal entity domiciled in the territory of the Unitary State of the Republic of Indonesia;
- (ii) the incorporation of the legal entity referred to in letter a complies with statutory laws and regulations evidenced by a notarial document; and
- (iii) the body or institution is non-profit.

#### **D.2 Attachment Documents for the Application for the Utilisation of the Incentive**

When the application is submitted through the Director General of Customs and Excise, the application letter must be attached with:

- (i) details of the quantity and types of goods for which the import duty and/or excise is requested as well as their customs value;
- (ii) the gift certificate from the giftor/grantor overseas whose procurement does not use Indonesian foreign exchange and there is a statement that the goods are gifts/grants; and
- (iii) recommendations from the relevant technical agencies.

### **D.3 Application Forms and Reports**

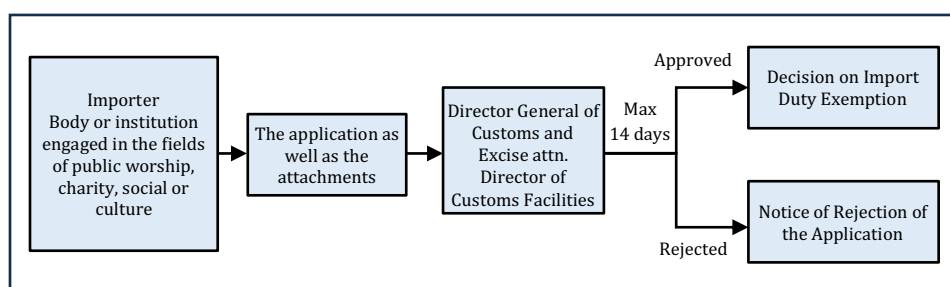
No application letter format is available to utilise the import duty exemption for gifts/grants for public, charitable, social or cultural purposes.

### **E. Application Scheme**

An importer may utilise import duty exemption using the following scheme:

- (i) submitting the application attached with several complementary documents to the Minister through the Director General of Customs and Excise;
- (ii) for the application, the Director General of Customs and Excise on behalf of the Minister may approve or reject the application for the import duty exemption within a period of 14 (fourteen) business days from the date the application is completely received;
- (iii) if the application is approved, the Director General of Customs and Excise on behalf of the Minister will issue the decision concerning the import duty exemption; and
- (iv) if the application is rejected, the Director General of Customs and Excise prepares a notice concerning the rejection of the application for the importer stating the reasons for the rejection.

### **F. Flow Chart**



Source: [MoF Reg. 70/2012](#), processed by the Author.

### **G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning post-utilisation obligations in the provisions stipulating this incentive.

## **H. Other Important Information**

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In the event that the gifts/grants for religious purposes are goods subject to provisions on prohibitions and/or restrictions of imported goods, the application must be attached with the recommendations from the relevant technical agency authorised to determine the regulation concerning prohibitions and/or restrictions of imported goods.

## Chapter 71

# Import Duty and Excise Exemption for Imports of Goods for the Special Needs of the Blind and Other Disabled People

### A. Brief Description

<b>Description</b>	Import duty exemption facility for imports of goods for special needs of the blind and other disabled people
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs ( <a href="#">Law 17/2006</a> ); 2. Minister of Finance Decree Number 142/KMK.05/1997 concerning Import Duty and Excise Exemption for Imports of Goods for the Special Needs of the Blind and Other Disabled People ( <a href="#">MoF Decree 142/1997</a> ).
<b>Economic sectors</b>	Health services and social activities
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 1998

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022: Book II*, (2023): 177.

### B. Incentive Benefits

Import duty exemption for imports of goods or tools that may only be used to assist the blind and other disabled people.

### C. Parties Receiving the Incentives

The import duty exemption may be utilised by social bodies that attend to the blind and other disabled people.

## **D. Requirements**

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Import duty exemption for imports of goods for special needs of the blind and other disabled people may be utilised insofar as the social agencies conducting the imports apply to the Minister of Finance through the Director General of Customs and Excise. The application must be attached with the following several additional documents.

### **D.1 Attachment Documents**

When the application is submitted to the Director General of Customs and Excise, the application letter must be attached with:

- (i) details of the quantity and type of goods for which the import duty exemption is requested as well as their customs value; and
- (ii) recommendations from the relevant technical department.

### **D.2 Application Forms and Reports**

No application letter format is available to utilise the import duty exemption for imports of goods for the special needs of the blind and other disabled people.

## **E. Application Scheme**

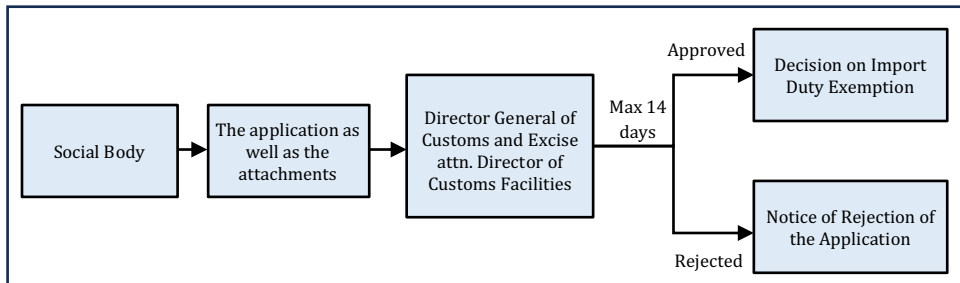
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An importer may utilise import duty exemption using the following scheme:

- (i) submitting the application attached with several complementary documents to the Minister through the Director General of Customs and Excise;
- (ii) for the application, the Director General of Customs and Excise on behalf of the Minister may approve or reject the application for the import duty exemption;
- (iii) if the application is approved, the Director General of Customs and Excise on behalf of the Minister will issue the decision concerning the import duty exemption, the decision contains details of the quantity and estimated customs value of the goods granted the import duty exemption as well as the designation of the port of unloading; and
- (iv) if the application is rejected, the Director General of Customs and Excise prepares a notice concerning the rejection of the application for the importer stating the reasons for the rejection.



**F. Flow Chart**



Source: MoF Decree 142/1997, processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning post-utilisation obligations in the provisions stipulating this incentive.

**H. Other Important Information**

No other important information is available concerning the regulation of this incentive other than the above-mentioned description.



## Chapter 72

### Import Duty Exemption for Imports of Personal Effects

#### A. Brief Description

<b>Description</b>	Import duty exemption for imports of personal effects of Indonesian workers ( <i>Tenaga Kerja Indonesia</i> /TKI in Indonesian) working overseas, students studying overseas, civil servants ( <i>Pegawai Negeri Sipil</i> /PNS in Indonesian), members of the Indonesian National Armed Forces ( <i>Tentara Nasional Indonesia</i> /TNI in Indonesia) or members of the Indonesian National Police ( <i>Kepolisian Republik Indonesia</i> /POLRI in Indonesian) who have served overseas for a minimum of 1 (one) year
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	1. Law Number 17 of 2006 concerning the Amendment to Law Number 10 of 1995 concerning Customs ( <a href="#">Law 17/2006</a> ); 2. Minister of Finance Regulation Number 28/PMK.04/2008 concerning Import Duty Exemption for Imports of Personal Effects ( <a href="#">MoF Reg. 28/2008</a> ).
<b>Economic sectors</b>	Transportation and warehousing
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 1997

Source: processed by the Author.

#### B. Incentive Benefits

This incentive provides an import duty exemption facility for household goods owned by people who were formerly domiciled supervises and subsequently brought into the country. However, this provision does not apply to personal effects categorised as merchandise or motor vehicles.

### C. Parties Receiving the Incentives

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This incentive may only be utilised by the following several parties.

- (i) Civil servants, members of the Indonesian National Armed Forces or members of the Indonesian National Police with the following criteria:
  - a. conducting overseas assignments for a minimum of 1 (one) year, with or without their family, as evidenced by the decision letter on overseas placement and the decision letter on the recall to Indonesia from the relevant agency;
  - b. conducting overseas study assignments for a minimum of 1 (one) year, with or without their family, as evidenced by an overseas education certificate from the relevant agency;
- (ii) Students, university students or people who study overseas for a minimum of 1 (one) year as evidenced by a certificate of completion of study;
- (iii) Indonesian workers who are placed at Indonesian embassies overseas for a minimum of 1 (one) year continuously, based on a work agreement with the Ministry of Foreign Affairs as evidenced by a certificate from the Republic of Indonesia embassies where they work and a work agreement with the Ministry of Foreign Affairs;
- (iv) Indonesian citizens (*Warga Negara Indonesia/WNI* in Indonesian) who due to their work move and reside overseas for a minimum of 1 (one) year continuously, as evidenced by a certificate of transfer and details of goods that have been legalised by the Republic of Indonesia embassies in the countries concerned.
- (v) Foreign nationals (*Warga Negara Asing/WNA* in Indonesian) who due to their work move into the Indonesian customs territory with their families after obtaining:
  - a. a limited stay permit from the Directorate General of Immigration as evidenced by a limited stay permit card for a minimum of 1 (one) year; and
  - b. a temporary work permit from the ministry in charge of manpower as evidenced by a temporary foreign worker work permit card for a minimum of 1 (one) year.

### D. Requirements

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Import duty exemption for personal effects may be utilised after the application is approved. In summary, to utilise this incentive, importers must fulfil several administrative requirements, the requirements for imported goods and the provisions on the arrival time of the goods. The following are details of the

requirements in the context of the utilisation of the import duty exemption for personal effects.

### **D.1 Administrative Requirements**

To obtain the import duty exemption for personal effects, the owner of the goods or his/her attorney submits an import declaration to the Customs Office of the entry of the personal effects, by attaching:

- (i) a list of the details of the quantity, type and estimated customs value of the goods for which the application for import duty is submitted that has been legalised;
- (ii) a certificate and/or related documents referred to in the Parties Receiving the Incentives subchapter; and
- (iii) a photocopy of the passport.

### **D.2 Requirements i Barang Impor**

This incentive provides a facility for personal effects in the form household goods of people formerly domiciled overseas, the goods are subsequently brought into the country. However, this provision does not apply to personal effects categorised as merchandise or motor vehicles.

### **D.3 Provisions on the Arrival Time of Imported Goods**

Imported personal effects and given the import duty exemption, must arrive together with the owner concerned or no later than 3 (three) months after or before the owner of the goods concerned arrives in Indonesia.

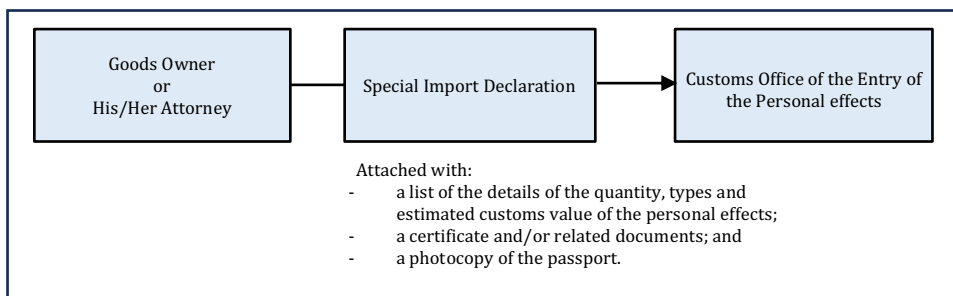
## **E. Application Scheme**

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To obtain import duty exemption for personal effects, the owner of the goods may comply with the following stages.

- (i) the owner of the goods or his or her attorney submits the special import declaration (*Pemberitahuan Impor Barang Khusus/PIBK* in Indonesian) to the Customs Office of the place of entry of the personal effects;
- (ii) The declaration is attached with several documents, as follows:
  - a. a list of the details of the quantity, types and estimated customs value of the goods for which the application for import duty is submitted that has been legalised;
  - b. a certificate and/or related documents; and
  - c. a photocopy of the passport.

## F. Flow Chart



Source: MoF Reg. 28/2008, processed by the Author.

## G. Post-Incentive-Utilisation Obligations

After the import declaration is submitted to the Head of the Customs Office of the entry of goods, the goods will be subject to a physical inspection. If the goods are declared safe and there are no prohibited or restricted goods, the customs authorities will issue an approval letter for release of goods (*Surat Persetujuan Pengeluaran Barang/SPPB* in Indonesian) wherein the customs process for the goods has been completed.

## H. Other Important Information

No other important information is available concerning the regulation of this incentive other than the above-mentioned description.

# Chapter 73

## Import Duty Exemption for Imports of Consignment Goods of Indonesian Migrant Workers

### A. Brief Description

<b>Description</b>	Imports of consignment goods by Indonesian migrant workers ( <i>Pekerja Migran Indonesia</i> /PMI in Indonesian) may be granted the import duty exemption facility.
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	Minister of Finance Regulation Number 141 of 2023 concerning the Provisions on Imports of Goods of Indonesian Migrant Workers ( <a href="#">MoF Reg. 141/2023</a> )
<b>Economic sectors</b>	Transportation and warehousing
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2023

Source: processed by the Author.

### B. Incentive Benefits

Imports of consignment goods of Indonesian migrant workers may be granted the import duty exemption facility insofar as the consignment goods:

- (i) are consigned by Indonesian migrant workers who are working and domiciled outside the territory of the Republic of Indonesia;
- (ii) are household items and/or consumer good;
- (iii) do not constitute excisable goods;
- (iv) do not constitute mobile phones, Handheld Computers and/or Tablets (HCT); and
- (v) are not for trading.

### **C. Parties Receiving the Incentives**

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This incentive may be utilised by Indonesian migrant workers who fulfil the following categories:

- (i) Indonesian migrant workers registered with non-ministerial government institutions tasked with implementing policies in Indonesian migrant workers' protection services; or
- (ii) Indonesian migrant workers other than those referred to in number (i), provided that they have a work contract that has been verified by representatives of the Government of the Republic of Indonesia supervises.

In this incentive, the consignee acts as an importer of consignment goods of Indonesian migrant workers. The consignee is responsible for the fulfilment of customs obligations. Pursuant to [MoF Reg. 141/2023](#), the obligations of imports of consignment goods of Indonesian migrant workers are managed by the postal operator as the customs broker (*Pengusaha Pengurusan Jasa Kepabeanan/PPJK* in Indonesian).

### **D. Requirements**

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To utilise the facility, Indonesian migrant workers importing consignment goods need to fulfil general requirements and special requirements. The following are details of the requirements to be fulfilled.

#### **D.1 General Requirements**

Imported consignment goods of Indonesian migrant workers must be packaged in packaging with a maximum size of:

- (i) length of 60 (sixty) centimetres;
- (ii) width of 60 (sixty) centimetres; and
- (iii) height of 80 (eighty) centimetres.

#### **D.2 Special Requirements**

Consignment goods of Indonesian migrant workers referred to in Subchapter C number (i) may be granted an import duty exemption with the following provisions:

- (i) the maximum number of consignments is 3 (three) times in 1 (one) calendar year; and



- (ii) the customs value of each consignment is a maximum of Free on Board (FOB) USD500.00 (five hundred United States Dollars).

In contrast, consignment goods of Indonesian migrant workers referred to in Subchapter C number (ii) may be granted an import duty exemption with the following provisions:

- (i) the maximum number of consignments is 1 (one) time in 1 (one) calendar year; and
- (ii) the customs value is a maximum of FOB USD500.00 (five hundred United States Dollars).

The number of consignments in 1 (one) calendar year is calculated based on the registration date of the Consignment Note (CN) which constitutes the customs declaration document.

### **D.3 Application Forms and Reports**

No sufficient information is available concerning forms and/or reports for the application for the utilisation of the incentive in the provisions stipulating this incentive.

## **E. Application Scheme**

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Consignment goods of Indonesian migrant workers that receive the facility may be released from the customs territory or other places that are treated the same as the temporary storage (*Tempat Penimbunan Sementara/TPS* in Indonesian) to be imported with the following steps.

- (i) The postal operator submits the CN to the Customs Office through the service computer system (*Sistem Pelayanan Komputer Pelayanan/SKP* in Indonesian);
- (ii) If the service computer system is not yet available or is experiencing technical disruptions within a period of 1 (one) hour), the CN is submitted in writing via electronic data storage media or electronic mail;
- (iii) Further, the service computer system examines the CN in respect of the fulfilment of the provisions on:
  - a. the categories of Indonesian migrant workers; and
  - b. the number of consignments in 1 (one) calendar year;
- (iv) After the CN is examined by the service computer system, the service computer system or customs and excise officials will conduct customs inspections that include the physical inspection of goods and document examination:

a. physical inspection of goods

The goods physical inspection is conducted by customs and excise officials who handle consignment goods by being witnessed by postal operator officers. The physical inspection is conducted if:

- based on scans using electronic devices and/or other information, there are indications that the goods do not correspond to the description listed in the declaration documents and/or do not fulfil the provisions on prohibitions or restrictions;
- the description of the quantity of goods, types of goods and/or customs value listed in the CN document are unclear or not listed in other customs complementary documents accompanying the consignment goods; and/or
- based on certain criteria set by the Head of the Customs Office or the Director tasked with evaluation and implementation in the field of customs and excise enforcement and investigation, a physical inspection must be carried out.

After a physical inspection is conducted, customs and excise officials will provide a special signature on the consignment goods packaging.

b. document examination

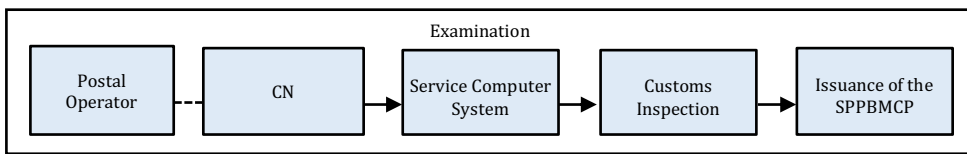
The document examination is performed by customs and excise officials who handle the consignment goods and/or the service computer system. customs and excise officials may request additional information from the consignor and/or postal operator in the context of document examination. The postal operator must provide the requested information within a maximum period of:

- 7 (seven) business days after the date of the request for information if the information is submitted by the appointed postal operator; or
- 5 (five) business days after the date of the request for information if the information is submitted by the courier service company;

(v) The consignee must fulfil the provisions on prohibitions and/or restrictions before being approved of the release of goods;

(vii) Customs and Excise officials and/or the service computer system shall assess the customs tariff and value based on the customs inspections. The assessment is performed by issuing a notice of import duty, excise and/or tax payment assessment (*Surat Penetapan Pembayaran Bea Masuk, Cukai, dan/atau Pajak/SPPBMCP* in Indonesian). The notice of assessment functions as the approval of the release of goods.

**F. Flow Chart**



Source: [MoF Reg. 141/2023](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning post-utilisation obligations in the provisions stipulating this incentive.

**H. Other Important Information**

In this incentive, the provisions on prohibition and restriction of imported consignment goods of Indonesian migrant workers apply. At the time of the release of goods, the consignee must not be subject to the provisions on prohibitions and/or restrictions or has fulfilled the provisions on prohibitions and/or restrictions.



# Chapter 74

## Import Duty Exemption for Imports of Battery Electric Vehicles

### A. Brief Description

<b>Description</b>	Imports of Completely-Knocked Down (CKD) Battery Electric Vehicles (BEVs or <i>Kendaraan Bermotor Listrik Berbasis Baterai</i> /BEV in Indonesian), Incompletely-Knocked Down (IKD), BEVs or main components for a certain quantity and period
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Presidential Regulation Number 55 of 2019 concerning the Acceleration of the Battery Electric Vehicle Programme for Road Transportation (<a href="#">Pres. Reg. 55/2019</a>);</li> <li>2. Presidential Regulation Number 79 of 2023 concerning the Amendment to Presidential Regulation Number 55 of 2019 concerning the Acceleration of the Battery Electric Vehicle Programme for Road Transportation (<a href="#">Pres. Reg. 79/2023</a>).</li> </ol>
<b>Economic sectors</b>	Multisectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2019

Source: processed by the Author.

### B. Incentive Benefits

For imports of CKD BEVs, IKD BEVs or main components for a certain quantity and period.

### C. Parties Receiving the Incentives

This incentive may be utilised by BEV industrial companies and/or BEV component industrial companies.

## **D. Requirements**

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### **D.1 General Requirements**

The import duty exemption may be granted provided that BEV industrial companies:

- (i) are committed to producing BEVs domestically in a certain quantity and within a certain period with Local Content Requirements (LCR or *Tingkat Komponen Dalam Negeri*/TKDN in Indonesian);
- (ii) are required submit a guarantee amounting to the granted incentive.

### **D.2 Special Requirements**

The BEV industry and BEV component industry are required to prioritise the use of the LCR. The following are the criteria for the LCR of two- and/or three-wheeled BEVs:

- (i) 2019-2026, the minimum LCR amounts to 40%;
- (i) 2027-2029, the minimum LCR amounts to 60%;
- (i) 2030 and onwards, the minimum LCR amounts to 80%.

For BEVs with four or more wheels, the LCR level is as follows:

- (i) 2019-2021, the minimum LCR amounts to 35%;
- (ii) 2022-2026, the minimum LCR amounts to 40%;
- (iii) 2027-2029, the minimum LCR amounts to 60%;
- (iv) 2030 and onwards, the minimum LCR amounts to 60%.

## **E. Application Forms and Reports**

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No sufficient information is available concerning the application forms and reports for the utilisation of the incentive in the provisions stipulating this incentive.

## **F. Application Scheme**

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No sufficient information is available concerning the application scheme the utilisation of the incentive in the provisions stipulating this incentive.

**G. Flow Chart**

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No sufficient information is available concerning flow chart for the application for the utilisation of the incentive in the provisions stipulating this incentive.

**H. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning post-utilisation obligations in the provisions stipulating this incentive.

**I. Other Important Information**

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If the required commitment is not fulfilled, the BEV industry will be subject to penalties amounting to the received incentives in proportion to the production volume commitment that is not fulfilled.





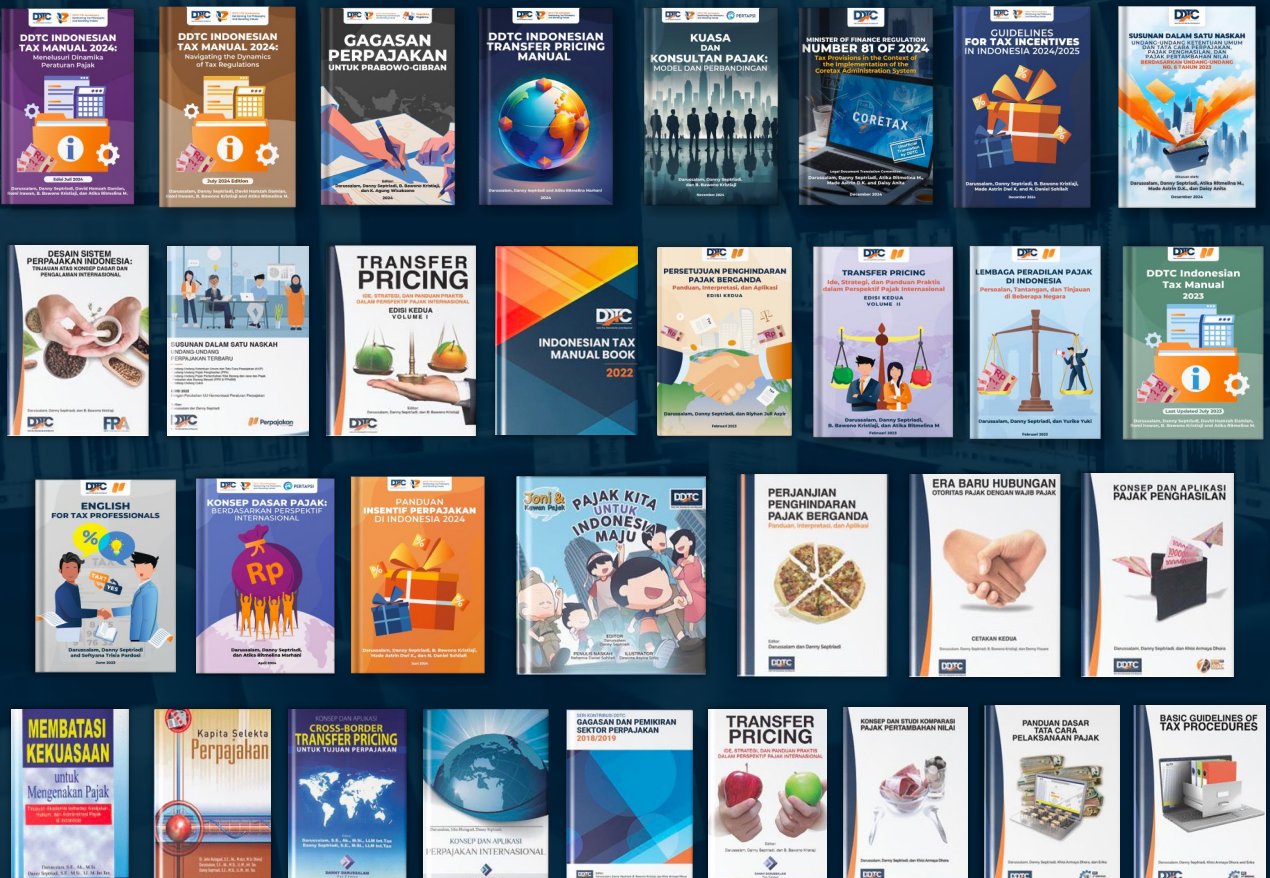
# SECTION IV

## LAND AND BUILDING TAX



**AN ODE TO TAXATION:**  
Our Concrete Contributions to  
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# **LAND AND BUILDING TAX REDUCTION**

# Chapter 75

## The Granting of Land and Building Tax Facilities in Upstream Oil and Gas Business with Gross Split Profit Sharing Contracts

### A. Brief Description

<b>Description</b>	The granting of Land and Building Tax (L&B Tax or <i>Pajak Bumi dan Bangunan/PBB</i> in Indonesian) facilities for L&B Tax taxable objects in the oil and gas mining sector (oil and gas L&B Tax) in upstream oil and gas business with gross split production sharing contracts. This provision is stipulated under Government Regulation Number 53 of 2017 concerning the Tax Treatment of Upstream Oil and Gas Business with Gross Split Production Sharing Contracts.
<b>Incentive type</b>	L&B Tax reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 12 of 1985 concerning Land and Building Tax as amended by Law Number 12 of 1994 (<a href="#">L&amp;B Tax Law</a>);</li> <li>2. Government Regulation Number 53 of 2017 concerning the Tax Treatment of Upstream Oil and Gas Business with Gross Split Production Sharing Contracts (<a href="#">Gov. Reg. No. 53/2017</a>);</li> <li>3. Minister of Finance Regulation Number 67/PMK.03/2020 concerning the Granting of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods As Well As Land and Building Tax Facilities in Oil and Gas Business with Gross Split Production Sharing Contracts (<a href="#">MoF Reg. 67/2020</a>).</li> </ol>
<b>Economic sectors</b>	Mining and quarrying
<b>Beneficiary subjects</b>	Oil and gas mining sector contractors
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from the 2020 tax year

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II* (2023): 200.

## **B. Incentive Benefits**

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The granting of the L&B Tax facility in the form of an L&B Tax reduction of 100% of the oil and gas L&B Tax payable listed in the notice of tax due (*Surat Pemberitahuan Pajak Terutang/SPPT* in Indonesian).

## **C. Parties Receiving the Incentives**

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The parties that may utilise the L&B Tax reduction facility are contractors in the oil and gas mining industry sector.

## **D. Requirements**

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The L&B Tax facility is granted by the Head of the Regional Office (*Kantor Wilayah/Kanwil* in Indonesian) of the Directorate General of Taxes (DGT) for and on behalf of the Minister of Finance. However, this facility may be granted if the following requirements are fulfilled.

### **D.1 General Requirements**

The general requirements that need to be considered to utilise the L&B Tax reduction facility are as follows:

- (i) granted at the exploration stage; and
- (ii) granted at the exploitation stage, until the start of commercial production.

### **D.2 Special Requirements**

The special requirement that needs to be considered is that the contractors allowed to utilise this facility are contractors with cooperation contracts according to the criteria. The following are the criteria for cooperation contracts.

- (i) The cooperation contract is signed before the entry of force of [Gov. Reg. No. 53/2017](#) and the form of the contract is changed into a gross split profit sharing contract that complies with the provisions under [Gov. Reg. No. 53/2017](#);
- (ii) The cooperation contract is in the form of a gross split profit sharing contract whose contract is signed before the entry of force of [Gov. Reg. No. 53/2017](#) and complies with the provisions stipulated under [Gov. Reg. No. 53/2017](#); or
- (iii) The cooperation contract is in the form of a gross split profit sharing contract whose contract is signed before the entry of force of [Gov. Reg. No.](#)

[53/2017](#) and complies with the provisions stipulated under [Gov. Reg. No. 53/2017](#).

The L&B Tax facility applies to one working area and is granted to contractors that fulfil the above criteria.

### **D.3 Application Forms or Reports**

The forms required during the L&B Tax reduction facility application process are as follows:

- (i) the application letter for the issuance of the gross split tax facility certificate (*Surat Keterangan Fasilitas Perpajakan/SKFP* in Indonesian);
- (ii) a certificate from the minister in the field of energy and mineral resources, this certificate contains an explanation that the contractor is in the exploration and exploitation stage until the start of commercial production and at least contains:
  - a. the name of the working area;
  - b. the list of the names of contractors holding participating interests in a working area;
  - c. the names of the operators in a working area; and
  - d. the effective date of the gross split profit sharing contract or the date of approval of the adjustment of the cooperation contract into a gross split profit sharing contract;
- (iii) a photocopy of the profit sharing contract;
- (iv) the notice of taxable objects (*Surat Pemberitahuan Objek Pajak/SPOP* in Indonesian); and
- (v) a photocopy of the gross split tax facility certificate and replacement gross split tax facility certificate.

### **E. Application Scheme**

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The application scheme to utilise this facility is implemented in 2 (two) stages, i.e., the application for the gross split tax facility certificate and the application for the L&B Tax reduction facility. Please note that this application is submitted by the operator or representative of the contractor holding the participating interest. *First*, the application for the tax facility certificate which may be obtained is submitted in the following manner.

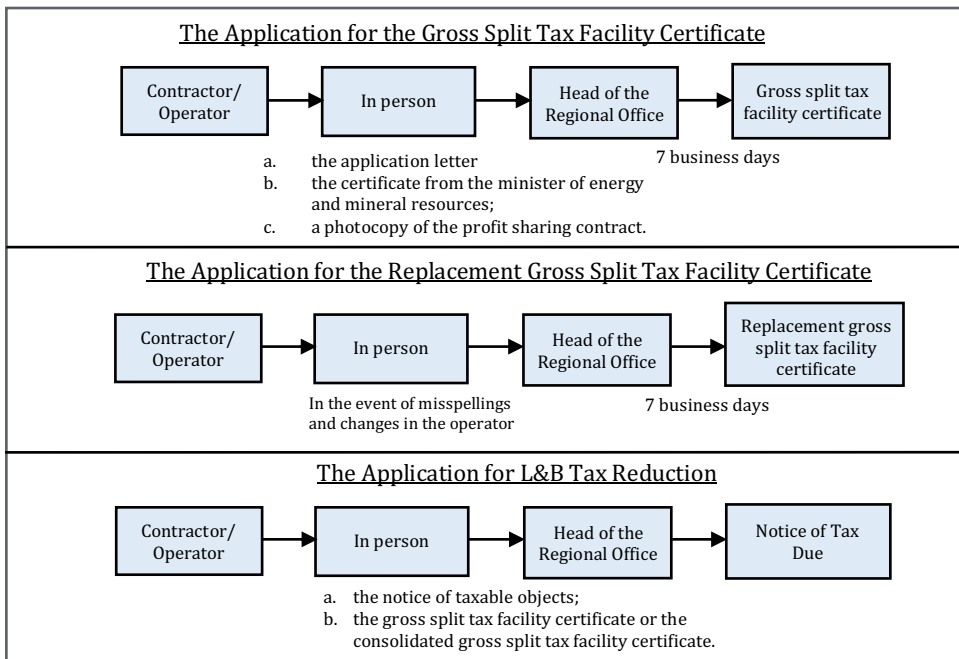
- (i) The operator applies in person to the Head of the Regional Office through the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the operator is registered by attaching:

- a. the application letter for the issuance of the gross split tax facility certificate;
  - b. a certificate from the minister in the field of energy and mineral resources;
  - c. a photocopy of the production sharing contract;
- (ii) If the application has been completely received, the Head of the Regional Office on behalf of the Minister of Finance will issue a gross split tax facility certificate no later than 7 (seven) days;
- (iii) In the event of misspellings or changes in the operator in a working area, a replacement gross split tax facility certificate may be issued based on the operator's application or *ex officio* accompanied by:
- a. a certificate from the minister in the field of energy and mineral resources containing an explanation that there has been a change in the operator in the working area concerned; and/or
  - b. the gross split tax facility certificate containing misspellings;
- (iv) The application for the issuance of a replacement tax facility certificate will be issued no later than 7 (seven) days after the application is completely received by the Head of the Regional Office on behalf of the Minister of Finance.

*Second*, the application for L&B Tax reduction. To obtain the L&B Tax reduction facility, contractors are required to undergo the following steps.

- (i) The contractor is required to submit:
- a. the notice of taxable objects pursuant to statutory provisions; and
  - b. a photocopy of the gross split tax facility certificate or the replacement gross split tax facility certificate,
- to the Head of the Tax Office where the L&B Tax taxable object is administered;
- (ii) The Director General of Taxes issues a notice of tax due based on the notice of taxable objects by stating the amount of L&B Tax reduction based on the gross split tax facility certificate; and
- (iii) If the tax facility certificate is submitted after the notice of tax due is issued, the contractor remains eligible to obtain the L&B Tax reduction facility.

**F. Flow Chart**



Source: [MoF Reg. 67/2020](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive.

**H. Other Important Information**

In the event that information is obtained that indicates that:

- (i) the tax facilities that have been granted are not intended for petroleum operations; and/or
- (ii) the gross split tax facility certificate is used by the contractor to obtain tax facilities even though it has been declared invalid,

the L&B Tax which should not obtain the reduction must be paid by the contractor acting as operator.





## Chapter 76

# Land and Building Tax Reduction for the Expensing of Operating Expenses of Joint Facilities and Indirect Expense Allocation Expenditures of the Head Office for Oil and Gas Mining Business

### A. Brief Description

<b>Description</b>	Land and Building Tax (L&B Tax or <i>Pajak Bumi dan Bangunan</i> /PBB in Indonesian) reduction for L&B Tax taxable objects in the oil and gas mining sector (oil and gas L&B Tax) at the exploration stage and at the exploitation stage (based on project economic considerations), for cooperation contract contractor ( <i>Kontraktor Kontrak Kerja Sama</i> /KKKS in Indonesian) taxpayers with production sharing contracts that comply with the provisions under Gov. Reg. No. 27/2017 concerning the Amendment to Government Regulation Number 79 of 2010 concerning Recoverable Operating Costs and Income Tax Treatment in the Upstream Oil and Gas Business Sector.
<b>Incentive type</b>	L&B Tax reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 12 of 1985 concerning Land and Building Tax as amended by Law Number 12 of 1994 (<a href="#">L&amp;B Tax Law</a>);</li> <li>2. Government Regulation Number 27 of 2017 concerning the Amendment to Government Regulation Number 79 of 2010 concerning Recoverable Operating Costs and Income Tax Treatment in the Upstream Oil and Gas Business Sector (<a href="#">Gov. Reg. No. 27/2017</a>);</li> <li>3. Minister of Finance Regulation Number 122/PMK.03/2019 concerning Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods, Land and Building Tax Facilities as Well as the Tax</li> </ol>

	Treatment of Head Office Indirect Expense Allocation Expenditures ( <a href="#">MoF Reg. 122/2019</a> ).
<b>Economic sectors</b>	Mining and quarrying
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from the 2020 tax year.

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*, (2023): 198.

## B. Incentive Benefits

The granting of the L&B Tax facility in the form of an L&B Tax reduction of 100% of the oil and gas L&B Tax payable listed in the notice of tax due (*Surat Pemberitahuan Pajak Terutang/SPPT* in Indonesian). This L&B Tax reduction facility is granted at the exploration and exploitation stage.

## C. Parties Receiving the Incentives

The parties that may utilise the L&B Tax reduction facility are contractors. The contractor refers to a business entity or a permanent establishment designated to conduct exploration and exploitation in a working area. In this case, exploration and exploitation are based on a cooperation contract with the special task force for upstream oil and gas business (*Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi/SKK Migas* in Indonesian).

## D. Requirements

The L&B Tax facility is granted by the Head of the Regional Office (*Kantor Wilayah/Kanwil* in Indonesian) of the Directorate General of Taxes (DGT) for and on behalf of the Minister of Finance. The Head of the Regional Office who receives the delegation of authority in the form of a mandate must consider statutory provisions. In addition, the Head of the Regional Office must be substantially responsible for the authority granted to the person concerned.

In this case, the facility must be granted based on the requirements and provisions. The requirements that need to be fulfilled are as follows.

### D.1 General Requirements

The general requirements that need to be considered to utilise the L&B Tax reduction facility are as follows:

- (i) granted at the exploration stage; and
- (ii) granted at the exploitation stage,

## **D.2 Special Requirements**

The special requirements that need to be taken into by contractors is the granting of L&B Tax reduction, specifically at the exploitation stage. At the exploitation stage, L&B Tax reduction facility is granted based on project economic considerations from the minister in the field of oil and gas business activities. The project economic considerations are only granted to Contractors that cannot achieve an internal rate of return based on the economic calculations in a profit sharing contract term. This also applies to contractors with the following working areas.

- (i) located in the deep sea;
- (ii) having hydrocarbon potential at reservoir depths characterised by:
  - a. high pressure;
  - b. high temperature; or
  - c. high impurities containing carbon dioxide (CO<sub>2</sub>) or hydrogen sulphide (H<sub>2</sub>S);
- (iii) located in an area where the existence of oil and gas supporting infrastructure is:
  - a. limited;
  - b. located offshore and no supporting infrastructure is available; or
  - c. located onshore and no supporting infrastructure is available;
- (iv) constituting the development of secondary fields and tertiary fields; and/or
- (v) constituting the development of unconventional fields.

## **D.3 Application Forms or Reports**

The forms required during the application process for the L&B Tax reduction facility are as follows:

- (i) the application letter for the issuance of the exploration tax facility certificate (*Surat Keterangan Fasilitas Perpajakan/SKFP* in Indonesian) or exploitation tax facility certificate;
- (ii) a certificate from the minister in the field of energy and mineral resources, this certificate contains an explanation that the contractor is in the exploration stage and at least contains:

- a. the name of the working area for the implementation of the exploration stage;
  - b. the list of names of the contractors holding participating interest in a working area;
  - c. the names of the operators in a working area; and
  - d. the effective date of the profit sharing contract and/or date of the approval of the adjustment to the cooperation contract; and
  - e. the date the exploration stage expires;
- (iii) a recommendation letter for project economic considerations which at the minimum contains:
- a. the name of the working area for the implementation of the exploitation stage;
  - b. the list of names of the contractors holding participating interest in a working area;
  - c. the names of the operators in a working area; and
  - d. the effective date of the profit sharing contract and/or date of the approval of the adjustment to the cooperation contract; and
  - e. the criteria for the working area;
  - f. the types and amount of tax facilities proposed to be granted; and
  - g. the validity period of the tax facilities;
- (iv) a photocopy of the profit sharing contract;
- (v) the notice of taxable objects (*Surat Pemberitahuan Objek Pajak/SPOP* in Indonesian); and
- (vi) a photocopy of the exploration tax facility certificate or exploitation tax facility certificate.

## **E. Application Scheme**

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The application scheme for the L&B Tax reduction facility is basically divided based on the exploration and exploitation stages. Each stage undergoes the process of applying for the tax facility certificate and applying for the L&B Tax facility. In this case, the application scheme will be distinguished. *First*, the contractor needs to apply for an exploration or exploitation tax facility certificate. This may be submitted in the following manner.

- (i) The operator applies in person to the Head of the Regional Office through the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the operator is registered by attaching:
  - a. the application letter for the issuance of the exploration/exploitation tax facility certificate;

**CHAPTER 76:**

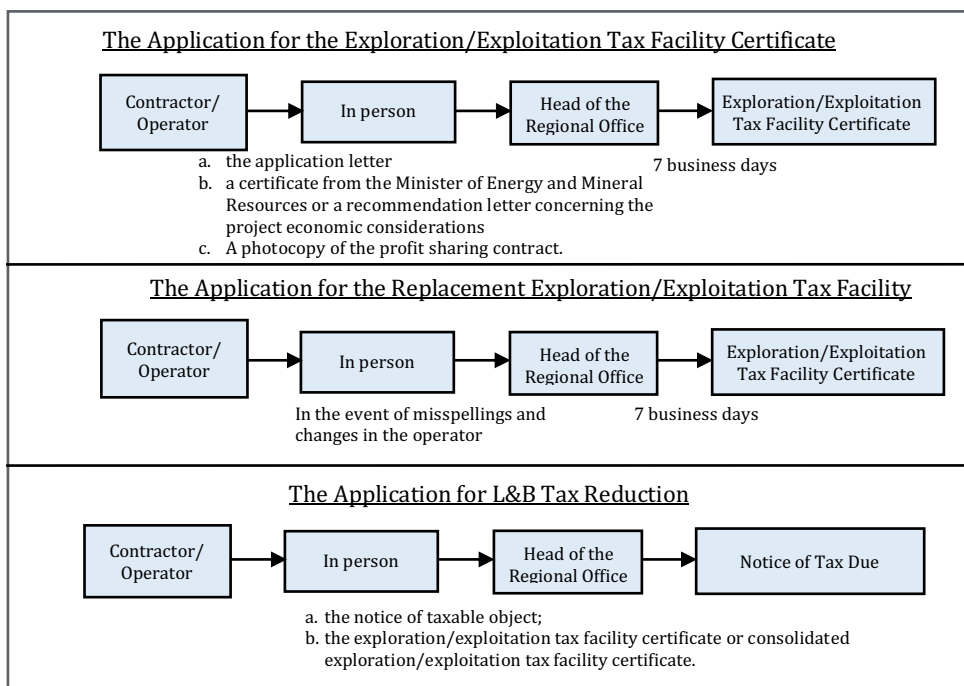
**LAND AND BUILDING TAX REDUCTION FOR THE EXPENSING OF OPERATING EXPENSES  
OF JOINT FACILITIES AND INDIRECT EXPENSE ALLOCATION EXPENDITURES OF THE  
HEAD OFFICE FOR OIL AND GAS MINING BUSINESS**

- b. for exploration, a certificate from the minister in the field of energy and mineral resources;
- c. for exploitation, a recommendation letter for project economic considerations accompanied by data from economic calculations;
- d. a photocopy of the production sharing contract;
- (ii) if the application has been completely received, the Head of the Regional Office on behalf of the Minister of Finance will issue a gross split tax facility certificate no later than 7 (seven) days;
- (iii) in the event of misspellings or changes in the operator in a working area, a replacement gross split tax facility certificate may be issued based on the operator's application or *ex officio* accompanied by:
  - a. a certificate from the minister in the field of energy and mineral resources containing an explanation that there has been a change in the operator in the working area concerned; and/or
  - b. the exploration/exploitation tax facility certificate containing misspellings;
- (iv) The application for the issuance of the replacement exploration/exploitation tax facility certificate will be issued no later than 7 (seven) days after the application is completely received by the Head of the Regional Office on behalf of the Minister of Finance.

Second, the application for L&B Tax reduction for the exploration or exploitation stage. To obtain the exploration or exploitation L&B Tax reduction facility, the contractor must undergo the following steps.

- (i) The contractor is required to submit:
  - a. notice of taxable objects pursuant to statutory provisions; and
  - b. a photocopy of the exploration or exploitation tax facility certificate or the replacement exploration or exploitation tax facility certificate, to the Head of the Tax Office where the L&B Tax taxable object is administered;
- (ii) The Director General of Taxes issues a notice of tax due based on the notice of taxable objects by stating the amount of L&B Tax reduction based on the exploration or exploitation tax facility certificate; and
- (iii) If the exploration or exploitation tax facility certificate is submitted after the notice of tax due is issued, the contractor remains eligible to obtain the L&B Tax reduction facility.

## F. Flow Chart



Source: [MoF Reg. 122/2019](#), processed by the Author.

## G. Post-Incentive-Utilisation Obligations

No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive.

## H. Other Important Information

In the event of further field development in one working area, the following provisions shall apply.

- (i) For contractors that cannot achieve the incremental internal rate of return in one working area, the operator may re-apply for the tax facility by attaching the project economic considerations; and
- (ii) for contractors that achieve the incremental internal rate of return in one working area, the minister in the field of oil and gas business must submit a notice to the Minister of Finance through the Director General of Taxes.

# Chapter 77

## Land and Building Tax Reduction for Mining or Geothermal Concession Business at the Exploration Stage

### A. Brief Description

<b>Description</b>	Land and Building Tax (L&B Tax or <i>Pajak Bumi dan Bangunan</i> /PBB in Indonesian) reduction for L&B Tax taxable objects in the mining sector for geothermal business (geothermal L&B Tax) is granted to geothermal L&B Tax taxpayers at the exploration stage of 100% of the geothermal L&B Tax on the earth's mantle payable based on the notice of tax due ( <i>Surat Pemberitahuan Pajak Terutang/SPPT in Indonesian</i> ) for the earth's mantle.
<b>Incentive type</b>	L&B Tax reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 12 of 1985 concerning Land and Building Tax as amended by Law Number 12 of 1994 (<a href="#">L&amp;B Tax Law</a>);</li> <li>2. Law Number 21 of 2014 concerning Geothermal (Law 21/2014);</li> <li>3. Minister of Finance Regulation Number 172/PMK.010/2016 concerning Land and Building Tax Relief for Mining/Geothermal Businesses at the Exploration Stage (<a href="#">MoF Reg. 172/2016</a>).</li> </ol>
<b>Economic sectors</b>	Mining and quarrying
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from the 2017 tax year

Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*: 196.

### B. Incentive Benefits

The L&B Tax facility in the form of an L&B Tax reduction is granted at 100% of the geothermal L&B Tax payable listed in the notice of tax due for the earth's mantle. The L&B Tax reduction may be granted annually for a maximum period

of 5 (five) years. This period is calculated from the time the geothermal permit is issued. The period may be extended for a maximum of 2 (two) years.

### **C. Parties Receiving the Incentives**

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The parties that may utilise the geothermal L&B Tax reduction facility are taxpayers that have a geothermal permit.

### **D. Requirements**

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In this case, the facility must be granted based on requirements and provisions. The requirements that need to be fulfilled are as follows.

#### **D.1 General Requirements**

The general requirement that needs to be considered to utilise the L&B Tax reduction facility is that taxpayers must have a geothermal permit after the entry of force of Law 21/2014.

#### **D.2 Special Requirements**

These special requirements concern the extension of the granting period of the geothermal L&B Tax reduction facility. The extension of the period is granted insofar as a recommendation letter has been obtained from the minister in the field of geothermal business stating that the geothermal L&B Tax object is still in the exploration stage.

#### **D.3 Application Forms or Reports**

The following are forms required during the application process for the L&B Tax reduction facility.

- (i) A recommendation letter from the minister in the field of geothermal business stating that the geothermal L&B Tax object is still at the exploration stage; and
- (ii) The notice of taxable objects (*Surat Pemberitahuan Objek Pajak/SPOP* in Indonesian).

### **E. Application Scheme**

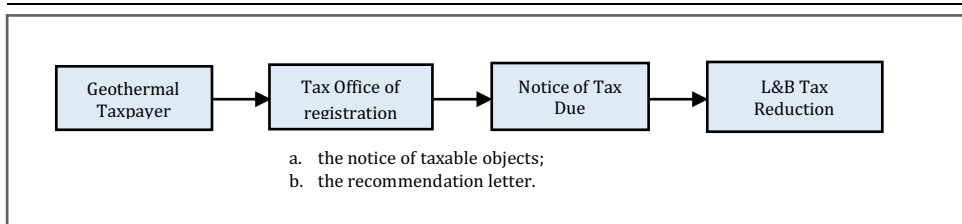
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The following is the application scheme for geothermal L&B tax reduction facility.



- (i) The taxpayer submits the notice of taxable objects and a recommendation letter from the minister in the field of geothermal business to the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian);
- (ii) Based on the notice of taxable objects and recommendation letter, the Tax Office issues a notice of tax due stating the amount of the L&B Tax reduction;
- (iii) The inclusion of the amount of the L&B Tax reduction in the notice of tax due is proof that L&B Tax has been reduced.

**F. Flow Chart**



Source: [MoF Reg. 172/2016](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive.

**H. Other Important Information**

No other important information is available in the provisions stipulating this incentive.



# Chapter 78

## Mining Sector Land and Building Tax Reduction for Oil and Gas Mining at the Exploration Stage

### A. Brief Description

<b>Description</b>	Land and Building Tax (L&B Tax or <i>Pajak Bumi dan Bangunan</i> /PBB in Indonesian) reduction for L&B Tax taxable objects in the oil and gas mining sector (oil and gas L&B Tax) for <a href="#">contractor taxpayers of cooperation contracts</a> ( <i>Kontraktor Kontrak Kerja Sama</i> /KKKS in Indonesian) with production sharing contracts that comply with the provisions under Government Regulation Number 79 of 2010. This facility is granted to oil and gas L&B Tax taxpayers at the exploration stage of 100% of oil and gas L&B Tax payable for the earth's mantle. The oil and gas L&B Tax payable is based on the notice of tax due ( <i>Surat Pemberitahuan Pajak Terutang</i> /SPPT in Indonesian) for the earth's mantle.
<b>Incentive type</b>	L&B Tax reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 12 of 1985 concerning Land and Building Tax as amended by Law Number 12 of 1994 (<a href="#">L&amp;B Tax Law</a>);</li> <li>2. Government Regulation Number 79 of 2010 concerning Recoverable Operating Costs and Income Tax Treatment in the Upstream Oil and Gas Business Sector (<a href="#">Gov. Reg. No. 79/2010</a>);</li> <li>3. Minister of Finance Regulation Number 267/PMK.011/2014 concerning Mining Sector Land and Building Tax Reduction for Oil and Gas Mining at the Exploration Stage (<a href="#">MoF Reg. 267/2014</a>).</li> </ol>
<b>Economic sectors</b>	Mining and quarrying
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting businesses

<b>Implementation</b>	<b>Effective from the 2015 tax year</b>
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Source: Fiscal Policy Agency, *Tax Expenditure Report 2022, Book II*: 194.

## **B. Incentive Benefits**

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Oil and gas L&B Tax taxpayers that are in the exploration stage may be granted the L&B Tax reduction for the earth's mantle. This L&B Tax reduction is granted at 100% of oil and gas L&B Tax payable. This L&B Tax reduction is granted annually for a maximum period of 6 (six) years. This period is calculated from the date the cooperation contract is signed. This period may be extended for a maximum period of 4 (four) years.

## **C. Parties Receiving the Incentives**

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The parties that may utilise the oil and gas L&B Tax reduction facility are oil and gas L&B Tax taxpayers.

## **D. Requirements**

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In this case, the facility must be granted based on requirements and provisions. The requirements that need to be fulfilled are as follows.

### **D.1 General Requirements**

The general requirement that needs to be considered to utilise the L&B Tax reduction facility is that taxpayers must sign the cooperation contracts after the entry of force of [Gov. Reg. No. 79/2010](#).

### **D.2 Special Requirements**

These special requirements concern the extension of the granting period of the oil and gas L&B Tax reduction facility. The extension of the period is granted insofar as a recommendation letter has been obtained from the minister in the field of oil and gas business stating that the oil and gas L&B Tax object is still in the exploration stage.

### **D.3 Application Forms or Reports**

The following are the forms required during the application process for the L&B Tax reduction facility.

- (i) A recommendation letter from the minister in the field of oil and gas business stating that the oil and gas L&B Tax object is still at the exploration stage; and

- (ii) The notice of taxable objects (*Surat Pemberitahuan Objek Pajak/SPOP* in Indonesian).

### **E. Application Scheme**

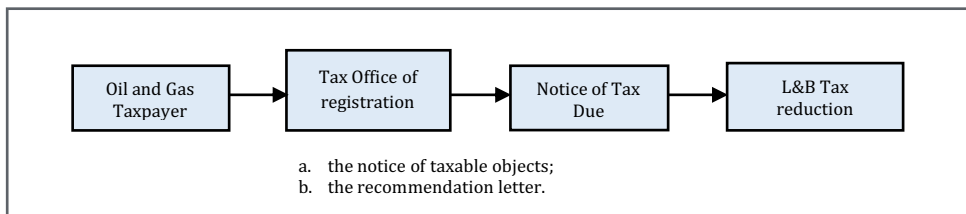
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The following is the application scheme for the application for the L&B tax reduction facility in the oil and gas mining sector.

- (i) The taxpayer submits the notice of taxable objects and a recommendation letter from the minister in the field of oil and gas business to the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian);
- (ii) Based on the notice of taxable objects and recommendation letter, the Tax Office issues a notice of tax due stating the amount of the L&B Tax reduction;
- (iii) The inclusion of the amount of the L&B Tax reduction in the notice of tax due is proof that L&B Tax has been reduced.

### **F. Flow Chart**

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Source: [MoF Reg. 267/2014](#), processed by the Author.

### **G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive.

### **H. Other Important Information**

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L&B Tax reduction is granted for notice of tax due starting the 2015 tax year.



# Chapter 79

## The Granting of Land and Building Tax Reduction in Certain Conditions

### A. Brief Description

<b>Description</b>	Land and Building Tax (L&B Tax or <i>Pajak Bumi dan Bangunan</i> /PBB in Indonesian) reduction may be granted to taxpayers subject to the obligation to pay tax, thereby, they constitute taxpayers pursuant to the Land and Building Tax Law (L&B Tax Law). This L&B Tax reduction is granted by the minister based on the taxpayer's application or <i>ex officio</i> .
<b>Incentive type</b>	L&B Tax reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 12 of 1985 concerning Land and Building Tax as amended by Law Number 12 of 1994 (<a href="#">L&amp;B Tax Law</a>);</li> <li>2. Minister of Finance Regulation Number 129 of 2023 concerning the Granting of Land and Building Tax Relief (<a href="#">MoF Reg. 129/2023</a>).</li> </ol>
<b>Economic sectors</b>	Plantation, forestry, mining sectors and other sectors.
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from 1 July 2023

Source: processed by the Author.

### B. Incentive Benefits

L&B Tax reduction may be granted to taxpayers subject to the obligation to pay L&B Tax, thereby, they constitute taxpayers pursuant to the [L&B Tax Law](#). The L&B Tax reduction is granted based on the taxpayer's application or *ex officio* by the Minister of Finance through the Director General of Taxes. The L&B Tax reduction may be granted:

- (i) if there are certain conditions of the taxable objects that are related to the tax subjects; or

- (ii) if the taxable objects are subject to natural disasters or other extraordinary causes.

The following are details of the granted L&B Tax reduction.

**Tabel 79.1 Details of L&B Tax Reduction**

<b>No.</b>	<b>Reason for the L&amp;B Tax Reduction</b>	<b>Basis of L&amp;B Tax Payable</b>	<b>Rate</b>
1.	Certain conditions of taxable objects that are related to tax subjects	<ul style="list-style-type: none"> <li>(i) The notice of tax due (<i>Surat Pemberitahuan Pajak Terutang/SPPT</i> in Indonesian);</li> <li>(ii) The notice of L&amp;B Tax assessment (<i>Surat Ketetapan Pajak Bumi dan Bangunan/SKP PBB</i> in Indonesian), in the form of amount or difference in L&amp;B Tax payable plus administrative fines.</li> </ul>	A maximum of 75%
2.	The taxable objects are subject to natural disasters or other causes.	<ul style="list-style-type: none"> <li>(i) The notice of tax due for the tax year the natural disasters or other extraordinary causes occur;</li> <li>(ii) The notice of L&amp;B Tax assessment for the tax year the natural disasters or other extraordinary causes occur;</li> <li>(iii) The notice of L&amp;B Tax collection (<i>Surat Tagihan Pajak Bumi dan Bangunan/STP PBB</i> in Indonesian) in the form of the principal amount of tax plus administrative fines issued for:                             <ul style="list-style-type: none"> <li>a. the notice of tax due; or</li> <li>b. the notice of L&amp;B Tax assessment, issued in the year the natural disasters or other extraordinary causes occur.</li> </ul> </li> </ul>	A maximum of 100%

Source: [MoF Reg. 129/2023](#), processed by the Author.

### **C. Parties Receiving the Incentives**

The parties that may utilise the L&B Tax reduction facility are taxpayers that own, control and/or utilise taxable objects. The following are L&B Tax objects owned, controlled and/or utilised by taxpayers.

- (i) Plantation sector;
- (ii) Forestry sector;
- (iii) Oil and gas mining sector, other than the earth's mantle exploitation with products;



- (iv) Mining sector for geothermal concession, other than the earth's mantle exploitation with products;
- (v) Mineral or coal mining sector, other than the earth's mantle production operations with products; and
- (vi) Other sectors, other than capture fisheries and fish farming with products.

#### **D. Requirements**

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There are requirements for this L&B Tax reduction to be utilised by taxpayers. These requirements apply generally and specifically. The following are details of the general requirements and special requirements.

##### **D.1 General Requirements**

The stipulated general requirements concern the difficulty in settling the L&B Tax payment liability and natural disasters or other causes. The following are the criteria for such conditions.

- (i) The taxpayer experiences commercial losses and insolvencies for 2 (two) consecutive years, provided that the commercial losses are sourced only from the concession of taxable objects at:
  - a. the end of the accounting year before the year the application for L&B Tax reduction is submitted, for taxpayers that maintain bookkeeping; or
  - b. the end of the calendar year before the year the application for L&B Tax reduction is submitted, for taxpayers that maintain recording;
- (ii) The natural disasters are caused by an event or series of events caused by nature;
- (iii) Other extraordinary causes in the form of non-natural disasters or social disasters caused by an event or a series of non-natural events or those caused by humans.

##### **D.2 Special Requirements**

Special requirements that need to be considered are those related to the submission of the application for L&B Tax reduction.

###### **D.2.1 Certain Conditions of Taxable Objects that Are Related to Tax Subjects**

*First*, the application for L&B Tax reduction due to certain conditions of taxable objects related to tax subjects for the notice of tax due or notice of L&B Tax assessment must fulfil the following provisions.

- (i) The taxpayer does not file an objection against the notice of tax due or notice of L&B Tax assessment. This provision also applies if the taxpayer files an objection against the notice of tax due or notice of L&B Tax assessment, but the objection is revoked by the taxpayer or is not deemed an application because it does not fulfil the requirements;
- (ii) The taxpayer does not apply for the relief of the administrative fines for the notice of L&B Tax assessment. This provision also applies if the taxpayer applies for the relief of the administrative fines for the notice of L&B Tax assessment, but the application is revoked by the taxpayer or is not deemed an application because it does not fulfil the requirements;
- (iii) The taxpayer does not apply for the relief or cancellation of an incorrect notice of tax due or notice of L&B Tax assessment. This provision also applies if the taxpayer applies for the relief or cancellation of an incorrect notice of tax due or notice of L&B Tax assessment, but the application is revoked by the taxpayer or is not deemed an application because it does not fulfil the requirements;
- (iv) The taxpayer is not applying for the amendment to the notice of tax due or notice of L&B Tax assessment or if an application for amendment is submitted, the amendment decision letter has been issued.

The application for L&B Tax reduction due to certain conditions of taxable objects related to tax subjects is submitted within a certain period. The following are the provisions on the submission period of this application.

- (i) Three months from the date the notice of tax due is received;
- (ii) One month from the date notice of L&B Tax assessment is received;
- (iii) One month from the date amendment decision letter for the notice of tax due or notice of L&B Tax assessment is received, insofar as:
  - a. the application for the amendment to the notice of tax due is submitted in a period of 3 (three) months from the date the notice of tax due is received; or
  - b. the application for the amendment to the notice of L&B Tax assessment is submitted within 1 (one) month from the date the notice of L&B Tax assessment is received.

## **D.2.2 Natural Disasters or Other Causes**

The application for L&B Tax reduction for a taxable object subject to natural disasters or other extraordinary causes must fulfil the following provisions.

- (i) Revoking the filing of an objection against the notice of tax due or notice of L&B Tax assessment before the date the summons is received by the taxpayer if an objection is being filed;
- (ii) Revoking the submission of the application for an appeal if the taxpayer is currently filing an appeal and for the filing of the appeal, no decision has been issued;
- (iii) Revoking the submission of the application for a civil review if the taxpayer is currently applying for a civil review and for the submission of the application for the civil review, no decision has been issued;
- (iv) Revoking the submission of the application for the amendment to the notice of tax due, notice of L&B Tax assessment or notice of L&B Tax collection if the taxpayer is currently applying for amendment and for the submission of the application for the amendment, no decision has been issued;
- (v) Revoking the submission of the application for the cancellation of the notice of tax due, notice of L&B Tax assessment or notice of L&B Tax collection if the taxpayer is currently applying for the cancellation of the notice of tax due, notice of L&B Tax assessment or notice of L&B Tax collection and for the submission of the application for the cancellation, no decision has been issued;
- (vi) Revoking the submission of the application for the relief of an incorrect notice of tax due or notice of L&B Tax assessment if the taxpayer is currently applying for the relief of the incorrect notice of tax due or notice of L&B Tax assessment and for the submission of the application for the relief, no decision has been issued;
- (vii) Revoking the submission of the application for the relief of the administrative fines for the notice of L&B Tax assessment or notice of L&B Tax collection if the taxpayer is currently applying for the relief of administrative fines and for the submission of the application for the relief, no decision has been issued; and
- (viii) Revoking the submission of the application for L&B Tax reduction if the taxpayer is currently applying for L&B Tax reduction and for the submission of the application for the relief, no decision has been issued.

The application must be submitted in the year the natural disasters or other extraordinary causes occur. The provision on the period does not apply if the taxpayer can prove that the period cannot be fulfilled due to circumstances beyond the taxpayer's control, accompanied by supporting evidence.

### **D.3 Application Forms or Reports**

The following are required application forms or reports to utilise the L&B Tax reduction.

- (i) The application letter for L&B Tax reduction;
- (ii) The application for L&B Tax reduction because of being subject to natural disasters or other extraordinary causes a, the application is attached with:
  - a. the taxpayer's statement letter that the taxable object is subject to natural disasters or other extraordinary causes;
  - b. a certificate from the relevant agency with supporting evidence stating that the taxable object is subject to natural disasters or other extraordinary causes;
- (iii) The application for L&B Tax reduction is submitted due to certain conditions of taxable objects related to tax subjects, the application is to be attached with:
  - a. financial statements for taxpayers that maintain bookkeeping but are not required to file income tax returns (*Surat Pemberitahuan/SPT* in Indonesian) to the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the taxable object is registered;
  - b. if the taxpayers that maintain bookkeeping are required to file income tax returns to the Tax Office, the financial statements do not need to be attached;
  - c. documents that at least contain assets, liabilities, capital, income and costs for taxpayers that maintain recording; and
  - d. documents that at least contain assets, liabilities, capital, income and costs, sourced from the concession of taxable objects, for taxpayers conducting the concession of taxable object business and other businesses.

### **E. Application Scheme**

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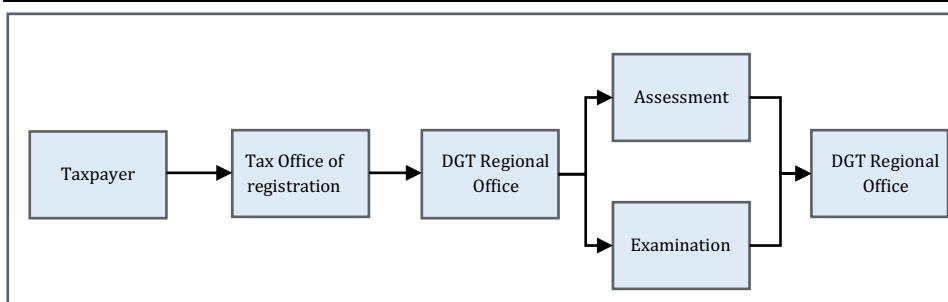
The application L&B Tax reduction must be submitted by fulfilling the following provisions.

- (i) 1 (one) application for L&B Tax reduction must be submitted for 1 (one) notice of tax due, notice of L&B Tax assessment or notice of L&B Tax collection;
- (ii) The application is submitted in writing in Indonesian by stating the percentage of L&B Tax reduction applied for as well as the reasons for the application;

- (iii) The application is signed by the taxpayer or if it is not signed by the taxpayer, the application is attached with a special power of attorney pursuant to statutory provisions;
- (iv) The application for L&B Tax reduction is submitted by attaching the attachments adjusted to the reason for the application;
- (v) The application for L&B Tax reduction may be submitted:
  - a. in person;
  - b. by post, a shipping company or courier services with proof of postage; or
  - c. electronically;
- (vi) The proof of postage and proof of electronic and in-person letter receipt constitute the receipt of the application for L&B Tax reduction;
- (vii) If the taxpayer's application is submitted through the Tax Office where the taxable object is registered, the Head of the Tax Office will forward the application to the Head of the Directorate General of Taxes (DGT) Regional Office;
- (viii) The application for L&B Tax reduction that is not submitted to the Tax Office where the taxable object is registered is followed up with:
  - a. the application for L&B Tax reduction is returned in person to the taxpayer if the application is submitted in person;
  - b. the application for L&B Tax reduction is returned to the taxpayer accompanied by written notification of the place where the taxpayer should submit the application for L&B Tax reduction if the application is submitted by post, a shipping company or courier services with proof of postage;
- (ix) The application will be followed up by the Head of the DGT Regional Office by conducting an assessment, examination and issuing a decision;
- (x) The assessment is conducted of the fulfilment of the provisions and requirements:
  - a. if the application does not fulfil the provisions and requirements, the Head of the DGT Regional Office returns the application for L&B Tax reduction through a letter of return accompanied by the reasons for the return to the taxpayer;
  - b. if the application fulfils the provisions and requirements, the application is continued to the examination stage;
- (xi) In conducting the examination, the Head of the DGT Regional Office may:
  - a. request documents, data, information and/or details by submitting a request letter for documents data, and/or details from the taxpayer;

- b. request additional documents, data, information and/or details by submitting a request letter for additional documents, data, information and/or details;
  - c. inspect the location of the taxable object, the taxpayer's domicile and/or other places deemed necessary which includes the identification, measurement, mapping and/or collection of data, details and/or evidence, concerning the taxable object for which the application for L&B Tax reduction submitted by submitting a notice of the implementation of inspection;
  - d. request information and/or details from other parties outside the DGT; and/or
  - e. discuss necessary matters by summoning the taxpayer through the submission of a summons;
- (xii) The period for the fulfilment of the request for documents, data, information and/or details is as follows:
- a. for the request for the initial documents, data, information and/or details, the taxpayer must fulfil the request no later than 15 (fifteen) business days from the date the request letter for the documents, data, information and/or details is sent by the Head of the DGT Regional Office;
  - b. for the request for additional documents, data, information and/or details, the taxpayer must fulfil the request no later than 5 (five) business days from the date the request letter for the additional documents, data, information and/or details is sent by the Head of the DGT Regional Office;
- (xiii) The decision may be in the form of granting in full, granting in part or rejecting the taxpayer's application; and
- (xiv) This decision is stated in a decision letter on the granting of L&B Tax reduction which must be issued within a maximum period of 4 (four) months from the date the application for L&B Tax reduction is received.

**F. Flow Chart**



Source: [MoF Reg. 129/2023](#), processed by the Author.

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**G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning the post-incentive-utilisation obligation in the provisions stipulating this incentive.

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**H. Other Important Information**

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Taxpayers may apply for the revocation of the application for L&B Tax reduction to the DGT through the Tax Office where the taxable object is registered before the decision letter is issued. The application for revocation of the application for L&B Tax reduction must fulfil the following requirements.

- (i) 1 (one) application for revocation for 1 (one) application for L&B Tax reduction;
- (ii) The application for revocation is submitted in writing in Indonesian accompanied by the reasons for revocation; and
- (iii) The application for revocation is signed by the taxpayer or if it is not signed by the taxpayer, the application for revocation is attached with a special power of attorney.





# SECTION V

## NUSANTARA CAPITAL



By 2024, DDTC has entered into MoUs and/or MoAs with **40 universities** in Indonesia



Universitas Indonesia



Universitas Gadjah Mada



Universitas Airlangga



Universitas Diponegoro



Universitas Brawijaya



Universitas Jambi



Universitas Jember



Universitas Sebelas Maret



Universitas Nasional



Universitas Trisakti



BINUS University



STHI Jentera



Universitas Negeri Padang



Universitas Negeri Malang



Universitas 17 Agustus 1945



Institut STIAM



STIE YKPN Yogyakarta



UPN Veteran Jakarta



Universitas Kristen Petra



Universitas Kristen Maranatha



Universitas Muhammadiyah Sukabumi



Universitas Surabaya



Universitas Gunadarma



Universitas Mercu Buana



Universitas Tidar



Universitas Islam Malang



Universitas Ibn Khaldun Bogor



Politeknik Wilmar Bisnis Indonesia



IBI Kwik Kian Gie



Universitas Multimedia Nusantara



Universitas Sultan Ageng Tirtayasa



Universitas Islam Indonesia



Perbanas Institute



PKN STAN



Universitas Pamulang



Universitas BSI



# Chapter 80

## Tax Holiday in the Nusantara Capital and Partner Regions

### A. Brief Description

<b>Description</b>	Taxpayers investing in the Nusantara Capital ( <i>Ibu Kota Nusantara</i> /IKN in Indonesian) and/or partner regions are given a corporate income tax reduction facility or commonly referred to as a tax holiday. The corporate income tax reduction is granted at 100% of the amount of corporate income tax payable. This facility may be utilised from the tax year of the start of commercial operation.
<b>Incentive type</b>	Tax reduction/exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 3 of 2022 concerning the State Capital as amended by Law Number 21 of 2023 (Nusantara Capital Law);</li> <li>2. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>3. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>);</li> <li>4. Director General of Taxes Regulation Number PER-03/PJ/2019 concerning Procedures for the Granting of Tax Clearance Certificates (<a href="#">PER-03/PI/2019</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	industries
<b>Tax policy objective</b>	Supporting the investment climate
<b>Implementation</b>	Effective from the 2024 tax year

Source: [MoF Reg. 28/2024](#), processed by the Author.

## B. Incentive Benefits

The corporate income tax reduction facility or tax holiday granted in the Nusantara Capital<sup>1</sup> and partner regions<sup>2</sup> amounts to 100% of the amount of corporate income tax payable. In addition, for other business sectors, the corporate income tax reduction is only given 50%. The corporate income tax reduction is described as follows.

**Table 80.1 Corporate Income Tax Reduction Period Based on the Types of Business Sectors**

Business Sectors	Forms of Investments		
	2023 - 2030	2031-2035	2036-2045
Infrastructure and Public Services in the Nusantara Capital	30 tax years	25 tax years	20 tax years
Infrastructure and Public Services in Partner Regions	25 tax years	20 tax years	15 tax years
Economic Revival	20 tax years	15 tax years	10 tax years
Other Business Sectors	10 tax years	10 tax years	

Source: [MoF Reg. 28/2024](#), processed by the Author.

Taxpayers granted the facility in the form of corporate income tax reduction are exempt from Withholding Tax (WHT) and income tax collection. The following is the scope of the exemption.

- (i) Income from main activities
  - Is granted the exemption from withholding or collection of:
    - a. Art. 22 Income Tax;
    - b. Art. 23 Income Tax;
    - c. Art. 4 paragraph (2) Income Tax on land and/or building rent; and
    - d. Art. 4 paragraph (2) Income Tax on construction service businesses, with an exemption certificate (*Surat Keterangan Bebas/SKB* in Indonesian) in the form of a decree on the approval of income tax reduction facility.
- (ii) Purchases or imports related to main activities

<sup>1</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

<sup>2</sup> Partner region is a certain area on the Island of Kalimantan established for the construction and construction of the Nusantara Capital's economic superhub, in collaboration with the Nusantara Capital Authority and enacted through the Chairperson of the Authority Decree.

This exemption is granted based on the decree on the approval of the income tax reduction facility as an exemption certificate.

The exemption rate for the withholding and collection shall comply with the granted facility rate, as follows:

- (i) corporate taxpayers with a 100% corporate income tax reduction are granted a 100% exemption or not subject to any WHT.
- (ii) corporate taxpayers with a 50% corporate income tax reduction are granted a 50% exemption, implying that the withholding agent withholds 50% or the taxpayer self-remits 50%.

### **C. Parties Receiving the Incentives**

The parties that may utilise this facility are taxpayers with the following criteria.

- (i) Constituting resident corporate taxpayers;
- (ii) Conducting business activities through the head office and/or business units located in the Nusantara Capital and/or partner regions;
- (iii) Constituting taxpayers with the status of an Indonesian legal entity;
- (iv) Performing investments with a minimum value of IDR10 billion; and
- (v) Performing investments:
  - a. in business sectors with strategic values to accelerate the construction and construction of Nusantara Capital; or
  - b. in the infrastructure and public service business sectors in partner regions.

The following are details of the special business sectors in the Nusantara Capital.

**Table 80.1 Details of Business Sectors and Forms of Investments of Resident Corporate Taxpayers in the Nusantara Capital**

<b>Business Sectors</b>	<b>Forms of Investment</b>
Infrastructure and Public Services	<ul style="list-style-type: none"> <li>▪ Power stations, including new and renewable energy;</li> <li>▪ The construction and operation of toll roads;</li> <li>▪ The construction and operation of seaports;</li> <li>▪ The construction and operation of airports;</li> <li>▪ The construction and provision of clean water;</li> <li>▪ The construction and operation of health facilities;</li> <li>▪ The construction and operation of educational units;</li> <li>▪ The construction and provision of telecommunication and informatics infrastructure;</li> <li>▪ The construction and management of urban forests;</li> <li>▪ The construction of housing, residential and office areas;</li> <li>▪ The construction and management of wastewater;</li> </ul>

Business Sectors	Forms of Investment
	<ul style="list-style-type: none"> <li>▪ The construction and management of underground utility network systems;</li> <li>▪ The construction and operation of industrial and science parks;</li> <li>▪ The construction and operation of people’s markets;</li> <li>▪ The provision of public transportation;</li> <li>▪ The construction and operation of passenger or goods transport vehicle terminals; and</li> <li>▪ The construction and operation of stadiums/sports facilities.</li> </ul>
Economic Revival	<ul style="list-style-type: none"> <li>▪ The construction and operation of shopping centres (malls);</li> <li>▪ The provision of tourism facilities and accommodation/star-hotel services;</li> <li>▪ The provision of meetings, incentive, convention and exhibition (mice) facilities; and</li> <li>▪ Refuelling and/or battery charging stations for electric vehicles.</li> </ul>
Other Business Sectors	<ul style="list-style-type: none"> <li>▪ Agricultural cultivation and/or urban fishery;</li> <li>▪ Value-added industry and/or industrial engineering;</li> <li>▪ Hardware and/or software industry;</li> <li>▪ Trading services;</li> <li>▪ Construction services;</li> <li>▪ Real estate brokerage services; and</li> <li>▪ Tourism services and creative economy.</li> </ul>

Source: [MoF Reg. 28/2024](#), processed by the Author.

In contrast, the business sectors that receive the income tax reduction facility in partner regions are infrastructure and public services. The following are details of the forms of investment in the infrastructure and public services business sectors.

- (i) Power stations, including new and renewable energy;
- (ii) The construction and operation of toll roads;
- (iii) The construction and operation of seaports;
- (iv) The construction and operation of airports;
- (v) The construction and provision of clean water.

On the other hand, the government has affirmed the criteria for certain services that receive the income tax reduction incentive. The criteria for these services include trading services, construction services, real estate brokerage services and tourism services. *First*, trading services are services located and deriving income from business activities in the Nusantara Capital. The following are the criteria for trading services.

- (i) Sourced from warehouses in the Nusantara Capital;

- (ii) Conducted through shops in the Nusantara Capital area; and/or
- (iii) The merchandise is sold to consumers residing in the Nusantara Capital.

*Second*, construction services are services in the form of construction consulting services, construction work and integrated construction work. The three construction services are services that are located and deriving income:

- (i) conducted through places of business located in the Nusantara Capital; and
- (ii) for construction services projects implemented in the Nusantara Capital.

*Third*, real estate brokerage services are service activities conducted by property trading brokerage companies located and deriving income from business activities in the Nusantara Capital. The following are the criteria for real estate brokerage services.

- (i) The property or real estate constituting the intermediary object is in the Nusantara Capital area; and
- (ii) The service user is a consumer residing or intending to reside, domiciled and/or conducting business activities in the Nusantara Capital based on facts and conditions.

*Fourth*, tourism and creative economy services. These services are services that derive income from business activities in the form of tourism and creative economy located in the Nusantara Capital.

## **D. Requirements**

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This corporate income tax reduction facility is granted insofar as the general and special requirements are fulfilled.

### **D.1 General Requirements**

There are 2 (two) provisions to be considered by corporate taxpayers wishing to apply for this facility. *First*, the general requirements that need to be fulfilled by taxpayers. The following are the requirements.

- (i) Applying through the Online Single Submission (OSS) system before the start of commercial operation and no later than 1 (one) year from the time the business permit is issued by the OSS system;
- (ii) The domestic shareholders must fulfil tax clearance;
- (iii) Fulfilling the requirements for fixed asset plan documents.

## D.2 Special Requirements

The special requirements stipulated under [MoF Reg. 28/2024](#) concern the investment criteria and fulfilment of tax clearance.

*First*, investments in the form of tangible fixed assets must fulfil the following criteria.

- (i) Acquired by the taxpayer in a new condition, unless it constitutes part of the machinery and equipment required for the implementation of investments in the health, research and innovation and construction sectors in the Nusantara Capital and/or partner regions;
- (ii) Acquired from the date the business permit is issued by the OSS institution;
- (iii) Acquired before the start of commercial operation; and
- (iv) Having never obtained:
  - a. the corporate income tax reduction facility;
  - b. the income tax facility for investments in certain business sectors and/or certain regions;
  - c. the corporate income tax reduction facility stipulated under the government regulations regarding the calculation of taxable income and the settlement of income tax in the current year;
  - d. the income tax facilities in respect of the administration of Special Economic Zones (SEZs or *Kawasan Ekonomi Khusus/KEK* in Indonesian); or
  - e. the net income reduction facility for new investments or spin-offs in certain business sectors constituting labour-intensive industries.

*Second*, the fulfilment of tax clearance for the application for a tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian). This aims to prove that the shares are directly held by other resident taxpayers (*Wajib Pajak Dalam Negeri/WPDN* in Indonesian). In this case, the tax clearance is fulfilled pursuant to [PER-03/PJ/2019](#) as follows:

- (i) having filed the annual income tax return for the last 2 (two) tax years for the last 2 (two) tax years and periodic Value Added Tax (VAT) returns for the last 3 (three) taxable periods;
- (ii) not having any tax liability or having tax liabilities but has been approved to defer or pay tax in instalments;
- (iii) not currently under the handling process of a tax crime and/or a money laundering crime whose predicate crime is a tax crime.



### D.3 Application Forms or Reports

The following are forms used to apply for the utilisation of the income tax reduction facility.

- (i) A soft copy of the tangible fixed asset plan;
- (ii) The realisation list of the investment in the form of tangible fixed assets as well as the layout drawings; and
- (iii) Documents evidencing that the commercial operation have started, which may be in the form of:
  - a. the transaction of the sale of goods or supply of services from the main business activity to the market for the first time, may be in the form of a tax invoice or an invoice; or
  - b. the products or services from the main business activity are subject to personal use for the first time for further production processes, may be in the form of a personal use report.
- (iv) An automated tax clearance certificate.

### E. Application Scheme

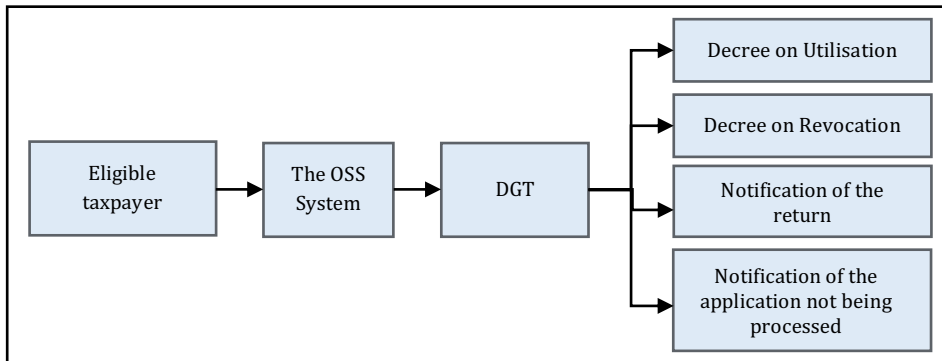
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The following are procedures for the application for the income tax reduction facility for resident corporate taxpayers investing in the Nusantara Capital and partner regions.

- (i) The OSS system will conduct a screening process for corporate taxpayers with a business permit of less than 1 (one) year;
- (ii) Eligible corporate taxpayers are permitted to apply by attaching a Certificate of Domicile (CoD or *Surat Keterangan Domisili*/SKD in Indonesian) and fixed asset plan documents;
- (iii) The Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal*/BKPM in Indonesian) will verify the conformity between the fixed asset data and the business activity data of the OSS system;
- (iv) If any non-conformity is found, the taxpayer will be notified to perform amendments no later than 5 (five) days;
- (v) If within a period of 5 (five) days, no amendment is performed, the application will be returned;
- (vi) If the submitted data conforms, the OSS system will notify the taxpayer that the proposal to grant income tax reduction facility is declared complete and correct;

- (vii) The issuance of the decree on the granting of facilities by the Minister of Investment/the Head of the Indonesian Investment Coordinating Board on behalf of the Minister of Finance within a period of (five) business days;
- (viii) The corporate taxpayer that has received notification may apply for the utilisation of the income tax reduction facility;
- (ix) The application must be attached with documents in the form of a list of investment realisation, proof that the commercial operations have started (invoice) and the tax clearance certificate;
- (x) After receiving the application for the utilisation of the income tax reduction facility from the taxpayer, the Director General of Taxes conducts a field audit. This field audit is conducted at the taxpayer's residence or domicile, place of business and/or other places deemed necessary;
- (xi) The field audit is conducted for a maximum period of 45 (forty-five) business days from the time the notice of audit is submitted to the taxpayer, the taxpayer's representative, the taxpayer's attorney or the taxpayer's employee;
- (xii) The findings of this field audit consist of 4 (four) parts:
  - a. The utilisation is approved  
The utilisation of the incentive is approved if the start of commercial operation (*Saat Mulai Berproduksi/SMB* in Indonesian) requirement, the minimum investment value of IDR10 billion requirement are fulfilled and complying with the investment plan related to the business sector and location. Thus, the decree on the utilisation will be issued by the Directorate General of Taxes (DGT) Regional Office (*Kantor Wilayah/Kanwil* in Indonesian) in the Nusantara Capital.
  - b. The utilisation is not approved  
The utilisation is not approved if the start of commercial operation requirement, minimum investment value requirement are not fulfilled and/or not complying with the investment plan. Thus, a revocation letter will be issued by the DGT Regional Office in the Nusantara Capital.
  - c. The application is returned  
The application is returned if the taxpayer has not fulfilled the start of commercial operation requirement at the time the application for utilisation is submitted. Thus, a notice will be sent that the application is returned.
  - d. The application cannot be processed  
The findings of the audit are issued if the taxpayer refuses to be subject to a field audit. Thus, a notice will be sent that the application cannot be processed.

## **F. Flow Chart**



Source: [MoF Reg. 28/2024](#), processed by the Author.

## **G. Post-Incentive-Utilisation Obligations**

Taxpayers that have obtained the income tax reduction facility are required to fulfil the following provisions.

- (i) Realising the investment no later than 2 (two) years from the approval of the income tax reduction facility, with a minimum of 50% of the investment plan;
- (ii) Submitting:
  - a. the investment realisation report from the time the decree is issued to the start of commercial operation; and
  - b. the business or production realisation report after the start of commercial operation until the end of the income tax reduction facility,  
no later than 30 (thirty) days from the time the tax year ends;
- (iii) Maintaining separate bookkeeping for investments that obtain the corporate income tax reduction facility and those that do not obtain the corporate income tax reduction facility; and
- (iv) Withholding and collecting income tax pursuant to statutory laws and regulations in the field of income tax.

## **H. Other Important Information**

Other important information concerns the prohibitions and revocation of this incentive. *First*, there are prohibitions to be considered in the utilisation of the income tax reduction facility. These prohibitions include the following.

- (i) Importing, purchasing or acquiring non-new capital goods, except for certain business sectors, such as health, research and innovation and construction;
- (ii) Using capital goods other than to grant the income tax reduction facility;
- (iii) Transferring the assets that have been given the corporate income tax reduction facility, except for efficiency and constituting an obligation that must be fulfilled pursuant to statutory provisions. This provision does not apply to real estate entrepreneurs;
- (iv) Relocating investment outside the Nusantara Capital and/or partner regions.

*Second*, the decree on the approval of the corporate income tax facility may be revoked if:

- (i) the findings of the audit related to the start of commercial operation, the amount of realisation value and the realisation and the main business activity plan do not conform;
- (ii) not fulfilling the minimum investment requirement of 50% of the investment plan;
- (iii) not submitting a report after being given 2 (two) written reprimands from the Director General of Taxes;
- (iv) committing the above-mentioned violations; and
- (v) no longer conducting business in the Nusantara Capital and/or partner regions.

# Chapter 81

## Income Tax Reduction for Transfers of Land and/or Buildings for the Construction of Certain Infrastructure and Economic Revival

### A. Brief Description

<b>Description</b>	The granting of an additional facility in the form of income tax reduction for income from the transfer of the right land and/or building in the Nusantara Capital ( <i>Ibu Kota Nusantara/IKN in Indonesian</i> ) for certain infrastructure and public service and economic revival business sectors. Specifically, this facility is provided to business sectors that transfer land and/or buildings for the construction of houses, settlements, traditional markets, industrial areas and shopping centres.
<b>Incentive type</b>	Tax reduction/exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 3 of 2022 concerning the State Capital as amended by Law Number 21 of 2023 (the Nusantara Capital Law);</li> <li>2. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>3. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>).</li> </ol>
<b>Economic sectors</b>	Certain infrastructure and public services and economic revival sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting the investment climate
<b>Implementation</b>	Effective from the 2024 tax year

Source: [MoF Reg. 28/2024](#), processed by the Author.

## B. Incentive Benefits

Corporate taxpayers that receive the approval of the income tax reduction facility in the Nusantara Capital<sup>1</sup> and partner regions<sup>2</sup> may be granted a 100% income tax reduction on a transfer of the right to land and/or building. This facility is granted to corporate taxpayers in certain infrastructure and public services and economic revival sectors.

In this case, the income tax reduction for the transfer of land and/or building is granted with a period adjusted to the granting of the corporate income tax reduction. The following are the details.

**Table 81.1 Income Tax Reduction Period for Transfers of the Right to Land and/or Building Based on the Types of Business Sectors**

Business Sectors	Form of Investments		
	2023 - 2030	2031-2035	2036-2045
Infrastructure and public services in the Nusantara Capital	30 tax years	25 tax years	20 tax years
Economic Revival	20 tax years	15 tax years	10 tax years

Source: [MoF Reg. 28/2024](#), processed by the Author.

## C. Parties Receiving the Incentives

Parties that may utilise the income tax reduction facility for the transfer of the right to land and/or building are resident corporate taxpayers that have been approved to obtain the income tax reduction facility. Specifically, this incentive may only be utilised by corporate taxpayers with the following business sectors:

- (i) Infrastructure and public services, consisting of:
  - a. construction of housing, residential areas, and offices;
  - b. construction and operation of industrial and science parks;
  - c. construction and operation of traditional markets; and
- (ii) Economic revival, namely the construction and operation of shopping centres (malls).

<sup>1</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

<sup>2</sup> Partner region is a certain area on the Island of Kalimantan established for the construction and construction of the Nusantara Capital's economic superhub, in collaboration with the Nusantara Capital Authority and enacted through the Chairperson of the Authority Decree.

## **D. Requirements**

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The income tax reduction facility for the transfer of land and/or buildings may be used insofar as it fulfils the general and special requirements.

### **D.1 General Requirements**

The following are general requirements to be considered for the granting of the income tax reduction facility for the transfer of land and/or buildings.

- (i) Constituting resident corporate taxpayers;
- (ii) Constituting taxpayers with conforming Indonesian standard industrial classification (*Klasifikasi Baku Lapangan Usaha/KBLI* in Indonesian);
- (iii) Constituting taxpayers that have obtained a decree on the approval of the corporate income tax reduction facility;
- (iv) Constituting income from the transfer of the right to land and/or building in the Nusantara Capital;
- (v) Applying for the income tax reduction facility to the Head of the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the taxpayer of head office status is registered.

### **D.2 Special Requirements**

There are special requirements that need to be considered, i.e., concerning the application for an exemption certificate (*Surat Keterangan Bebas/SKB* in Indonesian). The following are the requirements.

- (i) Obtaining a decree on the approval of income tax reduction facility;
- (ii) Having Indonesian standard industrial classification that complies with the specified business sector;
- (iii) Preparing a statement letter declaring that the transferred land and/or building is in the Nusantara Capital.

### **D.3 Application Forms or Reports**

The following are forms required for the application for the income tax reduction facility for the transfer of land and/or buildings.

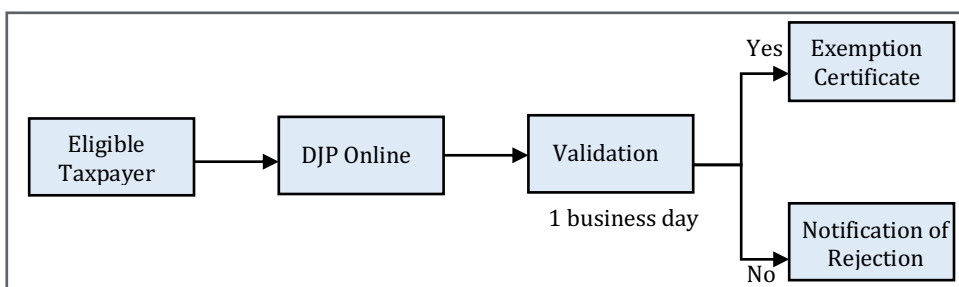
- (i) An application letter for the exemption certificate for the income tax reduction facility for the transfer of the right to land and/or building located in the Nusantara Capital;
- (ii) A statement letter declaring that the transferred land and/or building is in the Nusantara Capital.

### E. Application Scheme

The income tax reduction facility for income from the transfer of the right to land and/or building may be utilised in the following manners.

- (i) The taxpayer applies through the DJP online webpage to the Head of the Tax Office where the taxpayer of head office status is registered;
- (ii) The application is submitted for each transfer performed;
- (iii) The application must be accompanied by an [application letter for an exemption certificate](#) and a statement letter that the transferred land and/or building is located in the Nusantara Capital;
- (iv) The Directorate General of Taxes (DGT) processes the taxpayer's application by examining the requirements for the application;
- (v) The Head of the Tax Office issues:
  - a. an exemption certificate on behalf of the Head of the Tax Office where the taxpayer of head office status is registered if the requirements are fulfilled;
  - b. the notification and reasons for rejection if it does not fulfil the requirements,  
within a period of 1 (one) business day.

### F. Flow Chart



Source: [MoF Reg. 28/2024](#), processed by the Author.

### G. Post-Incentive-Utilisation Obligations

No sufficient information is available concerning post-incentive-utilisation obligations in the provisions stipulating this incentive.

### H. Other Important Information

No other important information is available in the provisions stipulating this incentive.



## Chapter 82

# Tax Holiday for the Financial Sector in the Nusantara Capital Financial Center

### A. Brief Description

<b>Description</b>	Taxpayers conducting financial sector business activities in the financial center in the Nusantara Capital ( <i>Ibu Kota Nusantara/IKN in Indonesian</i> ) are granted an income tax reduction facility.
<b>Incentive type</b>	Tax reduction/exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 3 of 2022 concerning the State Capital as amended by Law Number 21 of 2023 (the Nusantara Capital Law);</li> <li>2. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>3. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>); and</li> <li>4. Director General of Taxes Regulation Number PER-03/PJ/2019 concerning Procedures for Granting Fiscal Statement Letters (<a href="#">PER-03/PJ/2019</a>).</li> </ol>
<b>Economic sectors</b>	Financial sector
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting the investment climate
<b>Implementation</b>	Effective from the 2024 tax year

Source: [MoF Reg. 28/2024](#), processed by the Author.

## B. Incentive Benefits

Income tax facilities are granted for the financial sector in the Nusantara Capital<sup>1</sup> Financial Center<sup>2</sup> in the form of a corporate income tax reduction. The corporate income tax reduction is granted according to the financial business sector with the following details:

**Table 82.1 Details of Business Activities, Amount of Reduction and Incentive Utilisation Periods**

Business Activities	Amount	Details
a. Banking; b. Insurance; c. Sharia finance.	100%	Income from investments in construction in the Nusantara Capital and/or partner regions
a. Capital markets, derivative finance and carbon exchanges; b. International commodity trading.	85%	Income from foreign investors
a. Pension funds; b. Financing; c. Venture capital; d. Financial sector technological innovations; e. Guarantees; f. Bullion; g. Trusts; h. Special purpose vehicles; i. Financial holding companies; j. Financial market infrastructure; k. Money market, foreign exchange market and the derivative transactions; l. The operation of payment system services; m. Other financial services.	85%	Income derived from entrepreneurs and/or communities located in the Nusantara Capital

Source: [Gov. Reg. 12/2023](#), processed by the Author.

<sup>1</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

<sup>2</sup> Financial Center, hereinafter referred to as the Financial Center, is an area designated as the concentration of financial services as well as a centre for technology construction and supporting services in the financial services sector.

The corporate income tax reduction facility is granted for:

- (i) 25 tax years for investments from 2023 to 2035;
- (ii) 20 tax years for investments from 2036 to 2045.

The start of these investments is calculated from the date of issuance of the business permit through the Online Single Submission (OSS) system for financial sector investments located in the Nusantara Capital Financial Center. This corporate income tax reduction facility is utilised from the tax year of the start of commercial operation (*Saat Mulai Beroperasi/SMB* in Indonesian).

In contrast, taxpayers that have obtained a decree on the income tax reduction facility are given an exemption from Withholding Tax (WHT) or income tax collection by other parties. The rate of the exemption from withholding and collection is adjusted to the rate of the granted income tax reduction facility. The following is the scope of the exemption.

- (i) Income from main activities

An exemption from the withholding or collection of the following shall be granted.

- a. Art. 22 Income Tax;
- b. Art. 23 Income Tax;
- c. Art. 4 paragraph (2) Income Tax on income from deposits and other savings accounts, stock transactions on the stock exchange, interest on bonds and state securities, interest or discounts on short-term securities traded on the money market,

with an exemption certificate (*Surat Keterangan Bebas/SKB* in Indonesian) in the form of a decree on the approval of income tax reduction facility.

- (ii) Purchases or imports related to main activities

This exemption is granted based on the decree on the approval of the income tax reduction facility as the exemption certificate.

The rates of the exemption from withholding and collection correspond to the granted facility rates, as follows:

- (i) corporate taxpayers with a 100% corporate income tax reduction, are granted a 100% exemption or not subject to any withholding.
- (ii) corporate taxpayers with a 85% corporate income tax reduction are granted an 85% exemption, implying that the withholding agent withholds 15%.

### **C. Parties Receiving the Incentives**

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The parties that may utilise this facility are resident corporate taxpayers or Permanent Establishments (PEs or *Bentuk Usaha Tetap*/BUT in Indonesian), which are limited to the following financial sector business activities.

- (i) Banking;
- (ii) Insurance;
- (iii) Sharia finances;
- (iv) Capital markets, financial derivatives and carbon exchanges;
- (v) Pension funds;
- (vi) Financing;
- (vii) Venture capital;
- (viii) Financial sector technological innovations;
- (ix) Guarantees;
- (x) International commodity trading;
- (xi) Bullion;
- (xii) Trusts;
- (xiii) Special purpose vehicles;
- (xiv) Financial holding companies;
- (xv) Financial market infrastructure;
- (xvi) Money market, foreign exchange market and the derivative transactions thereto;
- (xvii) The operation of payment system services; and/or
- (xviii) Other financial services.

Further, the following are details of other financial services that are permitted to receive this tax incentive.

- (i) Pawnshops;
- (ii) Secondary housing finance companies;
- (iii) Information technology-based joint funding service providers;
- (iv) Microfinance institutions;
- (v) Non-bank foreign exchange business activities;
- (vi) Rupiah currency processing service providers;
- (vii) Digital financial assets, including crypto assets;
- (viii) Cooperatives conducting activities in the financial services sector;

- (ix) The Social Security Administrative Body (*Badan Penyelenggara Jaminan Sosial/BPJS* in Indonesian) in the field of health;
- (x) Social security administrative body in the field of employment;
- (xi) Government-owned companies in the field of national private business construction;
- (xii) Indonesia Eximbank;
- (xiii) Government-owned companies in the field of cooperative, small and medium enterprise development;
- (xiv) Secondary housing finance companies;
- (xv) Infrastructure finance companies; and
- (xvi) The People's Housing Savings Management Agency (*Badan Pengelolaan Tabungan Perumahan Rakyat/BP Tapera* in Indonesian).

#### **D. Requirements**

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The corporate income tax reduction facility in the Nusantara Capital Financial Center is granted insofar as fulfilling the general and special requirements. The following are the requirements.

##### **D.1 General Requirements**

The corporate income tax reduction facility for the Nusantara Capital Financial Center may be utilised by resident corporate taxpayers by fulfilling the following provisions.

- (i) Taxpayers of legal entity status in Indonesia or PEs;
- (ii) Conducting financial sector activities in the Nusantara Capital Financial Center;
- (iii) Having a business permit through the Online Single Submission (OSS) system;
- (iv) The investment has never been given a tax holiday.

##### **D.2 Special Requirements**

To utilise this incentive, resident corporate taxpayers and PEs must fulfil special requirements. The following are the requirements.

- (i) Applying through the OSS system before the commercial operation and no later than 1 (one) year since the business permit is issued by the OSS system;

- (ii) Having a tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian) or fulfilling tax clearance as stipulated under [PER-03/PI/2019](#);
- (iii) Fulfilling the requirements for investment plan documents and business activity plans.

### **D.3 Application Forms or Reports**

Several forms need to be prepared to apply for the Financial Center corporate income tax reduction. The following are details of the required forms.

- (i) The list of Investment realisation in the Nusantara Capital Financial Center;
- (ii) Documents showing that the financial sector business activities in the Nusantara Capital Financial Center have been operating commercially, for example, the invoice for first income;
- (iii) The automated tax clearance certificate.

### **E. Application Scheme**

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The following are procedures for the application for the income tax reduction facility in the Nusantara Capital Financial Center.

- (i) The OSS system will conduct a screening process for corporate taxpayers that fulfil the criteria according to the requirements;
- (ii) Corporate taxpayers that have received OSS notification are allowed to apply by attaching the soft copy of the investment plan and the financial sector business activity plan documents in the Nusantara Capital Financial Center;
- (iii) The application that has been complemented by the documents will be submitted by the OSS system to the Minister as a proposal for the granting of the income tax reduction facility;
- (iv) Based on the proposal, the OSS system notifies the taxpayer that the application is being processed;
- (v) Based on the proposal, the correctness will be examined to ensure data conformity, this examination will be conducted for 5 (five) business days;
- (vi) If any non-conformity is found, the taxpayer will be notified to perform amendments no later than 5 (five) days;
- (vii) If within a period of 5 (five) days, no amendment is performed, the application will be returned;

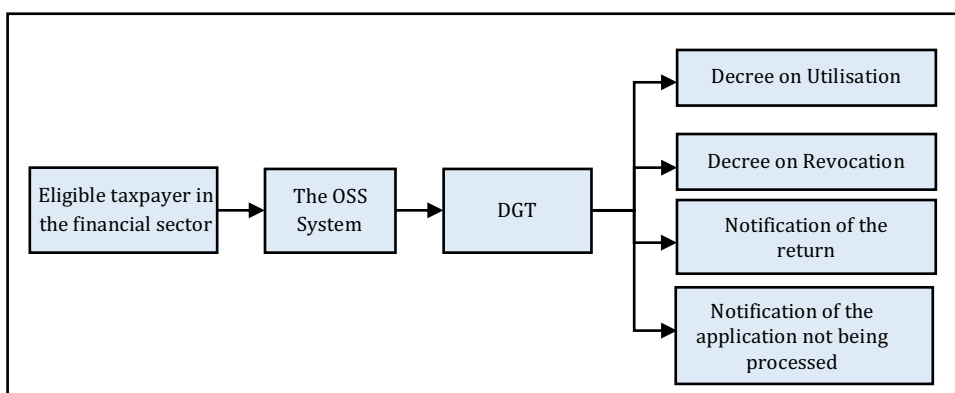
- (viii) If the submitted data conforms, the OSS system will notify the taxpayer that the proposal to grant income tax reduction facility is declared complete and correct;
- (ix) The issuance of the decree on the granting of facilities by the Minister of Investment/the Head of the Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM* in Indonesian) on behalf of the Minister of Finance;
- (x) The corporate taxpayer that has received notification may apply for the utilisation of the income tax reduction facility in the Nusantara Capital Financial Center;
- (xi) The application must be attached with documents in the form of a list of investment realisation in the Nusantara Capital Financial Center and documents showing that the financial sector business activities in the Nusantara Capital Financial Center have been operating commercially as well as an automated tax clearance certificate;
- (xii) After receiving the application for the utilisation of the facility, the Director General of Taxes shall conduct a field audit. This field audit shall be conducted at the taxpayer's residence or domicile, place of business activity, and/or other places deemed necessary;
- (xiii) The field audit is conducted within a maximum period of 45 (forty-five) business days from the time the notice of audit is submitted to the taxpayer, taxpayer's representative, taxpayer's attorney, or taxpayer's employee;
- (xiv) The findings of this field audit consist of 4 (four) parts:
  - a. The utilisation is approved  
The utilisation of the incentive is approved if the start of commercial operation requirement is fulfilled, the commercial operation has started at the time the application for utilisation is submitted and there is conformity in the realisation of the main business activity in the financial sector in the Nusantara Capital Financial Center. Thus, a decree on the utilisation will be issued by the Directorate General of Taxes (DGT) Regional Office (*Kantor Wilayah/Kanwil* in Indonesian) in the Nusantara Capital.
  - b. The utilisation is not approved  
The utilisation is not approved if the start of commercial operation requirement is not fulfilled, there is non-conformity with the investment plan and the realisation is carried out after 2 (two) years the decree on approval is issued. Thus, a revocation letter will be issued by the DGT Regional Office in the Nusantara Capital.
  - c. The application is returned

The application is returned if the taxpayer has not started the commercial operation at the time the application for the utilisation is submitted. Thus, a notice will be sent that the application is returned.

d. The application cannot be processed

The findings of the audit are issued if the taxpayer refuses to be subject to a field audit. Thus, a notice will be sent that the application cannot be processed.

**F. Flow Chart**



Source: [MoF Reg. 28/2024](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

Taxpayers that have obtained the income tax reduction facility are required to fulfil the following obligations.

- (i) Realising the investment plan no later than 2 (two) years from the approval of the granting of the income tax reduction facility;
- (ii) Submitting the investment realisation report and business realisation report;
- (iii) The realisation report must be submitted no later than 30 (thirty) days from the end of the tax year;
- (iv) Maintaining separate bookkeeping for investments that obtain the corporate income tax reduction facility and those that do not obtain the corporate income tax reduction facility; and
- (v) Withholding and collecting income tax pursuant to statutory laws and regulations in the field of income tax.



## **H. Other Important Information**

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Other important information concerns the prohibitions and revocation of this incentive. *First*, there are prohibitions that need to be considered in the utilisation of the income tax reduction facility. These prohibitions include the following.

- (i) Relocating business entities or PEs that have been given the facility to conduct financial activities in the Nusantara Capital Financial Center to outside the Nusantara Capital or partner regions;
- (ii) Other entrepreneurs that obtain loans from banks in the Nusantara Capital Financial Center are prohibited from using the loans for purposes other than construction in the Nusantara Capital.

*Second*, the decree on the approval of the corporate income tax facility may be revoked if:

- (i) the findings of the audit related to the start of commercial operation, the amount of realisation value and realisation with the main business activity plan do not match;
- (ii) not fulfilling the minimum investment of 50% of the investment plan requirement;
- (iii) not submitting a report after being given 2 (two) written reprimands from the Director General of Taxes;
- (iv) committing the above-mentioned violations; and
- (v) no longer conducting business in the Nusantara Capital and/or partner regions.

In addition, the following are consequences that must be borne by corporate taxpayers if the decree on revocation is issued by the DGT Regional Office.

- (i) Tax facilities that have been utilised must be repaid;
- (ii) Subject to administrative penalties according to statutory laws and regulations;
- (iii) Income tax facilities cannot be granted in the Nusantara Capital Financial Center.



# Chapter 83

## Income Tax Exemption for Income from Investments in the Nusantara Capital Financial Center Received by Non-Tax Residents

### A. Brief Description

<b>Description</b>	Income derived from investments in the financial sector in the Nusantara Capital ( <i>Ibu Kota Nusantara</i> /IKN in Indonesian) Financial Center received or accrued by non-tax residents ( <i>Subjek Pajak Luar Negeri</i> /SPLN in Indonesian) is exempt from Withholding Tax (WHT) or income tax collection. This exemption is granted for a period of 10 (then) years from the start of the first deposit of funds at the Nusantara Capital Financial Center.
<b>Incentive type</b>	Tax reduction/exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 3 of 2022 concerning the State Capital as amended by Law Number 21 of 2023 (Nusantara Capital Law);</li> <li>2. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>3. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>).</li> </ol>
<b>Economic sectors</b>	Financial sector
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting the investment climate
<b>Implementation</b>	Effective from the 2024 tax year

Source: [MoF Reg. 28/2024](#), processed by the Author.

## **B. Incentive Benefits**

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Income derived from investments in the financial sector in the Nusantara Capital<sup>1</sup> Financial Center<sup>2</sup> received or accrued by non-tax residents is exempt from WHT or income tax collection. This exemption is granted for a period of 10 (ten) years starting from the first time funds are deposited in the Nusantara Capital Financial Center.

## **C. Parties Receiving the Incentives**

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The parties that may utilise this facility are non-tax residents with certain criteria. The following are the non-tax residents.

- (i) Bodies or individuals not included in Permanent Establishments (PEs or *Bentuk Usaha Tetap*/BUT in Indonesian);
- (ii) The beneficial owners.

## **D. Requirements**

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There are several requirements that must be fulfilled by non-tax residents to utilise this incentive. These requirements consist of general requirements and special requirements.

### **D.1 General Requirements**

Non-tax residents allowed to utilise this exemption incentive are those that fulfil the beneficial owner criteria. A beneficial owner shall fulfil the following criteria.

- (i) For individual non-tax residents, not acting as an agent or nominee;
- (ii) For corporate non-tax residents, including:
  - a. not acting as an agent, nominee or conduit;
  - b. having control to use or enjoy funds, assets or rights that generate income from Indonesia;
  - c. no more than 50% of the company's income is used to fulfil liabilities to another party;
  - d. assuming risks of their assets, capital or liabilities; and

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<sup>1</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

<sup>2</sup> Financial Center, hereinafter referred to as the Financial Center, is an area designated as the concentration of financial services as well as a centre for technology construction and supporting services in the financial services sector.

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**INCOME TAX EXEMPTION FOR INCOME FROM INVESTMENTS IN THE NUSANTARA  
CAPITAL FINANCIAL CENTER RECEIVED BY NON-TAX RESIDENTS**

- e. having no written or unwritten obligation to assign part or all of the income received from Indonesia.

Please note that there are specific definitions for an agent, nominee and conduit. *First*, an agent, in this case, refers to an individual or an entity acting as the intermediary and conducting actions and/or on behalf of another party.

*Second*, a nominee is a term for an individual or entity constituting the legal owner of assets and/or income. Generally, this is for the benefit of or based on the mandate of the party constituting the actual owner of the assets and/or beneficial owner of income.

*Third*, a conduit refers to a company that obtains exemption from WHT or income tax collection in connection with income from investments in the Nusantara Capital Financial Center. In contrast, the economic benefits from the income are held by individuals or bodies that will not be eligible for the exemption from the income if the income is received directly.

## **D.2 Special Requirements**

Several special requirements must be fulfilled for non-tax residents to utilise this incentive. The following are the special requirements

- (i) The non-tax resident must provide the data on the tax identification number or the passport number of the non-tax resident;
- (ii) The non-tax resident must submit the statement letter of the commencement date of funds deposit in the Nusantara Capital Financial Center (Statement Letter of the Start Date of Funds Deposit in the Nusantara Capital Financial Center by Non-Residents); and
- (iii) The Nusantara Capital Financial Center taxpayer must submit a realisation report on non-tax resident's investment in the Nusantara Capital Financial Center through the Online Single Submission (OSS) system no later than the 20<sup>th</sup> of the following month after the taxable period ends.

## **D.3 Application Forms or Reports**

The following are forms required for the application for the facility by non-tax residents.

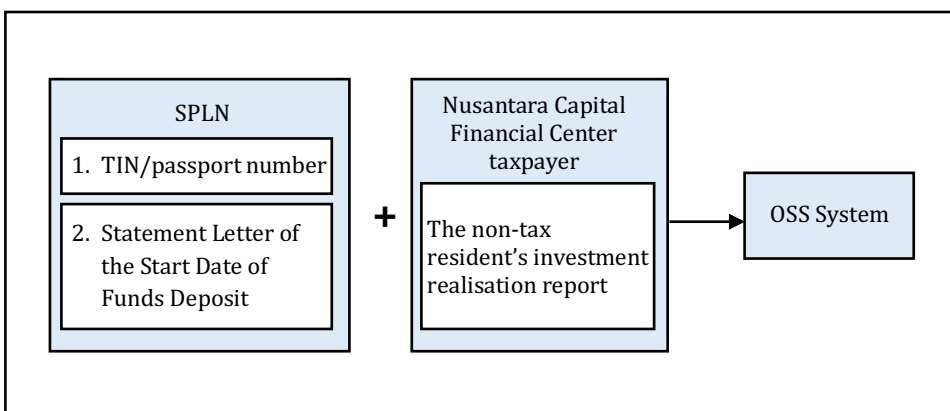
- (i) Statement Letter of the Start Date of Funds Deposit in the Nusantara Capital Financial Center by Non-Residents; and
- (ii) Investment realisation report by the Nusantara Capital Financial Center taxpayer.

### E. Application Scheme

The application for the exemption facility may be submitted with the following stages.

- (i) The non-tax resident applies by attaching a Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak*/NPWP in Indonesian) or passport number and a statement letter of the start date of funds deposit in the Nusantara Capital Financial Center;
- (ii) The taxpayer conducting financial sector business activities in the Nusantara Capital Financial Center must report the non-tax resident's investment realisation report in the Nusantara Capital Financial Center through the Online Single Submission (OSS) system;
- (iii) The investment realisation report is submitted no later than the 20<sup>th</sup> of the following month after the taxable period ends.

### F. Flow Chart



Source: [MoF Reg. 28/2024](#), processed by the Author.

### G. Post-Incentive-Utilisation Obligations

No sufficient information is available concerning post-incentive-utilisation obligations in the provisions stipulating this incentive.

### H. Other Important Information

Noteworthy important information for non-tax residents and taxpayers conducting business activities in the Nusantara Capital Financial Center is related to supervision efforts and violations. *First*, the Director General of Taxes

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**INCOME TAX EXEMPTION FOR INCOME FROM INVESTMENTS IN THE NUSANTARA  
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will supervise the compliance of non-tax residents that are exempt from WHT or income tax collection. The compliance supervision is delegated to the head of the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the taxpayer of head office status is registered.

*Second*, in the event that the taxpayer does not submit an investment realisation report and/or submits a report, but it does not comply, the Head of the Tax Office where the taxpayer of the head office status is registered will issue a written reprimand letter to the taxpayer. If after a period of 14 (fourteen) days from the time the written reprimand letter is submitted, the taxpayer fails to submit a report or does not fulfil the provisions, the Head of the Tax Office will issue a second written reprimand letter.

If by the second reprimand letter, the taxpayer has not fulfilled the obligation to report the investment realisation report, the taxpayer is required to pay income tax payable for the taxable period concerned.





## Chapter 84

# Tax Holiday for the Incorporation or Relocation of the Head Office or Regional Offices to the Nusantara Capital

### A. Brief Description

<b>Description</b>	Corporate income tax reduction facility or tax holiday is granted to entrepreneurs incorporating and/or relocating the head office and/or regional offices to the Nusantara Capital ( <i>Ibu Kota Nusantara</i> /IKN in Indonesian). The tax holiday is granted for the incorporation and/or relocation of the head office and/or regional offices to the Nusantara Capital conducted until 31 December 2045.
<b>Incentive type</b>	Tax reduction/exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 3 of 2022 concerning the State Capital as amended by Law Number 21 of 2023 (Nusantara Capital Law);</li> <li>2. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>3. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>);</li> <li>4. Director General of Taxes Regulation Number PER-03/PJ/2019 concerning Procedures for the Granting of Tax Clearance Certificates (<a href="#">PER-03/PJ/2019</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting the investment climate
<b>Implementation</b>	Effective from the 2024 tax year

Source: [MoF Reg. 28/2024](#), processed by the Author.

## **B. Incentive Benefits**

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The income tax reduction facility (tax holiday) is granted for the incorporation and/or relocation of the head office and/or regional offices into the Nusantara Capital. The tax holiday is granted at 100% of the amount of corporate income tax payable for 10 (ten) tax years. After the period ends, taxpayers are given a corporate income tax reduction of 50% of the corporate income tax payable for 10 (ten) years. This facility is granted until 31 December 2045.

Taxpayers granted the facility in the form of the corporate income tax reduction are exempt from Withholding Tax (WHT) and collection. The following is the scope of the exemption.

(i) Income from main activities

Is granted the exemption from the withholding or collection of:

a. Art. 22 Income Tax;

b. Art. 23 Income Tax;

with an exemption certificate (*Surat Keterangan Bebas/SKB* in Indonesian) in the form of a decree on the approval of income tax reduction facility.

(ii) Purchases or imports related to main activities

This exemption is granted based on the decree on the approval of the income tax reduction facility as the exemption certificate.

The rate of the exemption from withholding and collection correspond to the rates of the granted facility, as follows:

(i) corporate taxpayers with a 100% corporate income tax reduction are granted a 100% exemption or not subject to any withholding.

(ii) corporate taxpayers with a 50% corporate income tax reduction are granted an 50% exemption, implying that the withholding agent withholds 50%.

## **C. Parties Receiving the Incentives**

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Parties that may utilise this incentive are entrepreneurs that constitute:

(i) non-tax residents that incorporate and/or relocate their head office and/or regional offices to the Nusantara Capital; and

(ii) resident taxpayers that incorporate the head office and/or regional offices in the Nusantara Capital.

## **D. Requirements**

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The corporate income tax reduction facility is granted insofar as the requirements are fulfilled. The following are the requirements.

### **D.1 General Requirements**

The following are general requirements to be considered.

- (i) Having economic substance in the Nusantara Capital;
- (ii) Incorporating a legal entity in the form of a limited liability company in Indonesia;
- (iii) Having the commitment to start realising the incorporation and/or the relocation of the head office and/or the regional office to Nusantara Capital no later than 1 (one) year after the issuance of the decree on the approval of corporate income tax reduction
- (iv) Holding a business permit issued by the Online Single Submission (OSS) system; and
- (v) No decree concerning the granting of the income tax reduction facility has been issued.

In contrast, different provisions apply to resident taxpayers and non-tax residents wishing to relocate their head or regional offices to the Nusantara Capital. Resident taxpayers are required to have a new business and do not result from a dissolution, liquidation, merger, consolidation, split-off, acquisition or business transfer from the taxpayer and/or the taxpayer's business group located outside the Nusantara Capital. Non-tax residents, on the other hand, are required to have a minimum of 2 (two) affiliated units and/or related business entities outside Indonesia.

The economic substance referred to in these general provisions refers to several criteria which include:

- (i) having business activities managed independently and the management is adequate;
- (ii) conducting strategic activities for the company and/or business group, such as implementing strategic company decisions, consolidating the implementation of new investments, spin-offs, mergers, acquisitions, dissolution of affiliates and consolidating financial management and/or human resources (HR or *Sumber Daya Manusia*/SDM in Indonesian);
- (iii) having annual operational expenses of a minimum of IDR15 billion;

- (iv) employing a minimum of 50 (fifty) Indonesian workers of permanent employee status who are workers reported in the Art. 21 Income Tax return; and
- (v) having business income other than income in the form of dividends, interest, royalties and/or capital gains.

## **D.2 Special Requirements**

To utilise this facility, entrepreneurs must fulfil several special provisions and fulfil the tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian). *First*, the following are special requirements to be considered by taxpayers.

- (i) The taxpayer applies through the OSS system before the start of commercial operation and no later than 1 (one) year after the OSS permit;
- (ii) The domestic shareholders must fulfil tax clearance;
- (iii) The taxpayer fulfils the requirements of investment realisation plan documents and the statement of the commitment to fulfilling the criteria for economic substance and has entities overseas.

*Second*, the following are the fulfilment of tax clearance pursuant to [PER-03/PI/2019](#).

- (i) Having filed annual income tax returns for the last 2 (two) tax years and periodic Value Added Tax (VAT) returns for the last 3 (three) taxable periods;
- (ii) not having any tax liability or having tax liabilities but have been approved to instal or defer the payment;
- (iii) Not currently under the handling process of a tax crime and/or a money laundering crime whose predicate crime is a tax crime.

## **D.3 Application Forms or Reports**

The following are forms required to apply for the income tax reduction facility.

- (i) A soft copy of the statement letter of the commitment to incorporating and/or relocating the head office and/or regional offices to the Nusantara Capital documents;
- (ii) A soft copy of the documents indicating the ownership of a minimum of 2 (two) affiliated units and/or related business entities outside Indonesia for non-tax residents;
- (iii) A soft copy of the statement letter of the fulfilment of the criteria documents for resident taxpayers; and

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**CHAPTER 84:**

**TAX HOLIDAY FOR THE INCORPORATION OR RELOCATION OF THE HEAD OFFICE OR REGIONAL OFFICES TO THE NUSANTARA CAPITAL**

- (iv) A soft copy of the statement letter of the commitment to fulfilling the economic substance in the Nusantara Capital documents.

In contrast, the following are documents required for the application for the utilisation of the facility.

- (i) The proof of the realisation of the incorporation or relocation of the head office or regional offices in the Nusantara Capital;
- (ii) Documents indicating the fulfilment of the economic substance commitment in the Nusantara Capital; and
- (iii) An automated tax clearance certificate.

### **E. Application Scheme**

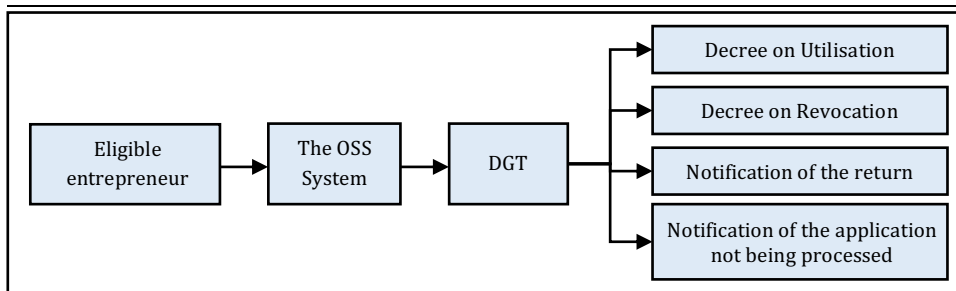
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Entrepreneurs wishing to apply for the utilisation of the income tax reduction incentive may undergo the following stages.

- (i) An entrepreneur wishing to apply for the income tax reduction facility must obtain a business permit from the OSS system;
- (ii) The entrepreneur applies by uploading the soft copy of the required documents according to the entrepreneur's criteria;
- (iii) The application that has been complemented by the documents will be submitted by the OSS system to the Minister as a proposal for the granting of the income tax reduction facility;
- (iv) Based on the proposal, the OSS system notifies the taxpayer that the application for the approval of the corporate income tax facility is being processed;
- (v) This proposal will be examined to ensure the conformity of data conducted in 5 (five) business days;
- (vi) If the data conforms, the OSS system will notify that the proposal for the granting of the income tax reduction facility is declared complete and correct;
- (vii) If the data does not conform, the OSS system will notify the entrepreneur to perform amendments in 5 (five) business days after the notification is received;
- (viii) If the entrepreneur does not submit the amendment until the period expires, the application is returned to the taxpayer;
- (ix) The decree on the approval of the income tax reduction facility is issued no later than 5 (five) business days after the proposal is declared complete and correct;

- (x) Next, the application for the utilisation of the income tax reduction facility is submitted after the start of commercial operation (*Saat Mulai Beroperasi Komersial/SMB* in Indonesian);
- (xi) The application for the utilisation of the income tax reduction facility is submitted by the entrepreneur through the OSS system by uploading:
  - a. the proof of the realisation of the incorporation and/or the relocation of the head office and/or the regional office in the Nusantara Capital;
  - b. documents indicating the fulfilment of the economic substance commitment in the Nusantara Capital; and
  - c. an automated tax clearance certificate;
- (xii) A field audit is conducted by the Director General of Taxes after receiving the application for the utilisation of the income tax reduction facility from an entrepreneur;
- (xiii) This field audit is conducted for 45 (forty-five) days by the delegation by the Director General of Taxes, i.e. to the Head of the Directorate General of Taxes (DGT) Regional Office whose working area includes the Nusantara Capital;
- (xiv) The findings of this field audit consist of 4 (four) parts:
  - a. The utilisation is approved  
If having started the commercial operation during utilisation, realising in 1 (one) year from the decree on approval and having 2 (two) affiliate units overseas requirements are fulfilled.
  - b. The utilisation is not approved  
If commercial operation has started realising after 1 (one) year from the decree on the approval but does not have 2 (two) affiliate units overseas.
  - c. The application is returned  
The application is returned if the taxpayer has not started commercial operation when applying for the utilisation. Thus, a notice that the application is returned will be submitted.
  - d. The application cannot be processed  
If the taxpayer refuses to be subject to an audit, a notice will be submitted that the application cannot be processed.

### **F. Flow Chart**



Source: [MoF Reg. 28/2024](#), processed by the Author.

### **G. Post-Incentive-Utilisation Obligations**

Taxpayers that have obtained the income tax reduction facility are required to fulfil the following obligations.

- (i) Starting the realisation of the relocation of the head office and/or regional offices no later than 1 (one) tax year from the time the approval of the granting of the income tax reduction facility is issued;
- (ii) Submitting the realisation report on the incorporation and/or relocation of the head office and/or regional offices no later than 30 (thirty) days after the end of the tax year concerned;
- (iii) The DGT will issue a reprimand letter 2 (two) times if the taxpayer does not fulfil the realisation report obligation;
- (iv) Maintaining separate bookkeeping for investments that obtain the corporate income tax reduction facility and those that do not obtain the corporate income tax reduction facility; and
- (v) Withholding and collecting income tax pursuant to statutory laws and regulations in the field of income tax.

### **H. Other Important Information**

Other important information concerns the prohibitions, revocation, consequences and scheme of the income tax reduction incentive. *First*, the following are prohibitions to be considered in the utilisation of the income tax reduction facility.

- (i) Relocating the head office and/or the regional office outside the Nusantara Capital; or

- (ii) Dissolving or relocating the Taxpayer's business and/or the Taxpayer's business group located outside the Nusantara Capital to the Nusantara Capital.

*Second*, the decree on the approval of the corporate income tax facility may be revoked if:

- (i) the findings of the audit show that the taxpayer has started to realise or relocate the head office or regional offices to the Nusantara Capital after a period of 1 (one) year or the taxpayer does not have a minimum of 2 (two) affiliated units and/or related business entities outside Indonesia for non-tax residents.
- (ii) no longer conducting activities as the head office and/or regional offices in the Nusantara Capital.
- (iii) not fulfilling the reporting obligation after being reprimanded 2 (two) times by the DGT.
- (iv) proven to have committed matters contained in the provisions on prohibitions.
- (v) not fulfilling the provisions on the minimum number of overseas affiliations.

*Third*, noteworthy consequences for entrepreneurs granted the revocation of approval of the income tax reduction facility. The following are the consequences.

- (i) Taxes that have been utilised must be repaid;
- (ii) Subject to administrative penalties pursuant to statutory laws and regulations;
- (iii) The corporate income tax facility can no longer be provided for the head office or regional offices.

*Fourth*, the income tax reduction incentive scheme for the relocation of the head office or regional offices. To encourage the inflow of quality investments, the tax holiday for the relocation of the head office requires the fulfilment of economic substance in the Nusantara Capital. For relaxation, this facility scheme is designed on-off. This implies that this facility:

- (i) may be utilised as long as the criteria are fulfilled that year;
- (ii) cannot be utilised if the criteria are not fulfilled, the facility is not revoked but the taxpayer must pay tax pursuant to applicable provisions;
- (iii) the granted period remains running.



# Chapter 85

## Super Tax Deduction for Vocational Industries in the Nusantara Capital

### A. Brief Description

<b>Description</b>	Taxpayers organising and/or involving Human Resources (HR or <i>Sumber Daya Manusia</i> /SDM in Indonesian) in educational and/or training activities in the Nusantara Capital ( <i>Ibu Kota Nusantara</i> /IKN in Indonesian) for job training, internship and/or apprenticeship activities for the coaching and development of certain competency-based HR are granted a gross income reduction facility.
<b>Incentive type</b>	Additional gross income reduction (super tax deduction)
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 3 of 2022 concerning the State Capital as amended by Law Number 21 of 2023 (Nusantara Capital Law);</li> <li>2. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>3. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>)</li> <li>4. Director General of Taxes Regulation Number PER-03/PJ/2019 concerning Procedures for the Granting of Tax Clearance Certificates (<a href="#">PER-03/PJ/2019</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting the investment climate
<b>Implementation</b>	Effective from the 2024 tax year

Source: [MoF Reg. 28/2024](#), processed by the Author.

## **B. Incentive Benefits**

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The super tax deduction facility for industrial vocational activities is a maximum gross income reduction of 250%<sup>1</sup> of the total expenses incurred in the Nusantara Capital.<sup>2</sup> The maximum gross income reduction of 250% includes:

- (i) gross income reduction of 100%; and
- (ii) additional gross income reduction of a maximum of 150%,  
of the amount of expenses incurred for the job training, internship and/or apprenticeship activities.

All of the super tax deduction facility is granted until 2035.

## **C. Parties Receiving the Incentives**

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The vocational super tax deduction facility in the Nusantara Capital may be utilised by resident corporate taxpayers incurring expenses for job training, internship and/or apprenticeship activities. These activities must be based on the objectives of coaching and developing certain competency-based HR in the Nusantara Capital.

## **D. Requirements**

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The super tax deduction facility for industrial vocational activities in the Nusantara Capital may be utilised by corporate taxpayers insofar as fulfilling the requirements. The following are details of the requirements to be considered for the submission of the application for the facility.

### **D.1 General Requirements**

The general requirements that need to be fulfilled to utilise the vocational super tax deduction facility in the Nusantara Capital are the following criteria.

- (i) Constituting resident corporate taxpayers;
- (ii) Conducting job training, internship and/or apprenticeship activities in the context of coaching and developing certain competency-based HR;
- (iii) Having a cooperation agreement; and

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<sup>1</sup> Basically, taxpayers remain able to categorise expenses arising from industrial vocational activities as a deductible expense of 100% insofar as fulfilling the 3M expenses requirement, even without this facility.

<sup>2</sup> The Capital of the State named Nusantara and hereinafter referred to as Nusantara Capital is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

- (iv) Having an automated tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian) as stipulated under [PER-03/PJ/2019](#).

## D.2 Special Requirements

The special requirement to be considered is the forms of job training and/or internship activities as well as apprenticeship activities. *First*, job training and/or internship activities organised by resident corporate taxpayers. The job training and/or internship may be attended by:

- (i) pupils, educators and/or education staff in vocational high schools (*Sekolah Menengah Kejuruan/SMK* in Indonesian) and/or vocational *madrasah aliyah*;
- (ii) university students, educators and/or education staff in diploma program tertiary institutions in vocational education; and/or
- (iii) trainees, instructors and/or trainers in job training centres (*Balai Latihan Kerja/BLK* in Indonesian);
- (iv) individuals without any employment relationship with any party coordinated by the Ministry of Manpower, the Nusantara Capital Authority, the provincial government or regency/municipal governments,

as part of the vocational education curriculum to master skills or expertise in a certain field.

*Second*, apprenticeship activities refer to apprenticeship activities conducted by parties assigned by the taxpayer to teach in vocational high schools, vocational *madrasah aliyah*, diploma program tertiary institutions in vocational education and/or job training centres located in the Nusantara Capital.

Please note that there are references for expenses for job training, internship or apprenticeship activities that receive the additional gross income reduction. The following are expenses allowed in the context of super tax deduction for the Nusantara Capital industrial vocation.

- (i) The provision of special physical facilities in the form of training centres;
- (ii) Supporting expenses for special physical facilities, including electricity, water, fuel, maintenance costs and other related costs to organise job training and/or internship activities;
- (iii) Instructors or teachers as supervisors for the job training, internship and/or apprenticeship activities;
- (iv) Goods and/or materials to organise for the implementation of job training, internship and/or apprenticeship activities;
- (v) Honoraria, reimbursements and/or similar payments given to pupils, university students, trainees, individuals without any employment

relationship with any party and/or instructors constituting job trainees and/or interns; and/or

- (vi) Competency certification expenses for pupils, university students, trainees, individuals without any employment relationship with any party and/or instructors constituting job trainees and/or interns by institutions authorised to conduct competency certification.

### **D.3 Application Forms or Reports**

The following are forms required to apply for the super tax deduction incentive for industrial vocation in the Nusantara Capital.

- (i) The cooperation agreement, that at least contains:
- a. the number and date of the cooperation agreement;
  - b. the name and Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak*/NPWP in Indonesian);
  - c. the type of competency being taught;
  - d. the names of the vocational high schools, vocational *madrasah aliyah*, diploma program tertiary institutions in vocational education, job training centres and/or agencies that administer governmental affairs in the field of employment, the Nusantara Capital Authority, provincial governments or regency/municipal governments
  - e. the effective date and validity period of the cooperation;
  - f. the estimated number of job training and/or internship participants;
  - g. the estimated number of employees and/or Another Party assigned to the apprenticeship; and
  - h. the estimated amount of expenses;
- (ii) An automated tax clearance certificate as stipulated by under [PER-03/PJ/2019](#).

### **E. Application Scheme**

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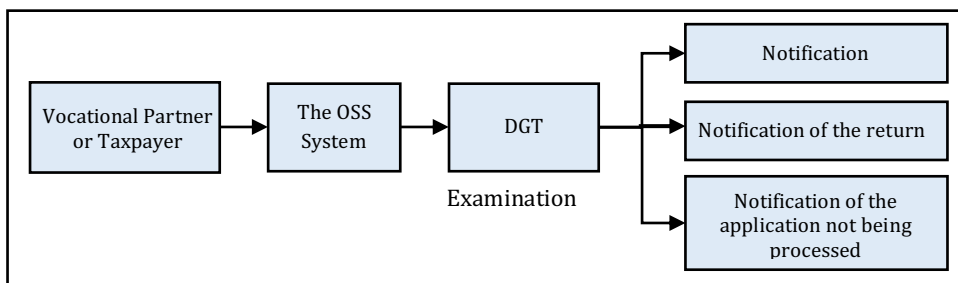
To obtain the additional gross income reduction, a taxpayer may apply using the following scheme.

- (i) The taxpayer notifies the Director General of Taxes through the Online Single Submission (OSS) system by attaching the tax clearance certificate and cooperation agreement;
- (ii) The notification is submitted no later than before the job training, internship and/or apprenticeship in the context of coaching and developing certain competency-based HR start;
- (iii) The Director General of Taxes shall examine the application within a maximum period of 5 (five) business days by delegating the authority to

the Head of the Directorate General of Taxes (DGT) Regional Office where the taxpayer is registered;

- (iv) The results of the examination may be in the form of:
  - a. conformity with the general requirements;
  - b. non-conformity with the general requirements;
  - c. conformity with the cooperation agreement criteria; or
  - d. non-conformity with the cooperation agreement criteria;
- (v) If the result of the examination is:
  - a. conformity with the general requirements and the cooperation agreement criteria, a notification of approval of the notification will be submitted to the taxpayer through the OSS system;
  - b. conformity with the general requirements but non-conformity with the cooperation agreement criteria, the DGT will submit a request for the notification of amendment to the taxpayer through the OSS system;
  - c. the non-conformity with the general requirements, the DGT will notify through the OSS system that the notification cannot be further processed;
- (vi) The notification is issued within a maximum period of 5 (five) business days from the time the notification is completely and correctly received;
- (vii) The notification is carbon copied to the Chairperson of the Nusantara Capital Authority, the Director General of Taxes and the Head of the Fiscal Policy Agency (*Badan Kebijakan Fiskal/BKF* in Indonesian);
- (viii) The taxpayer must submit the amendment of the notification within a period of 7 (seven) business days after the results of the examination are received by the taxpayer.

## F. Flow Chart



Source: [MoF Reg. 28/2024](#), processed by the Author.

### **G. Post-Incentive-Utilisation Obligations**

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Taxpayers that have utilised the additional gross income reduction are required to submit a report on details of the expenses for job training, internship and/or apprenticeship activities. This report is submitted to the Director General of Taxes, Head of the Fiscal Policy Agency and the Chairperson of the Authority the Nusantara Capital through the OSS system no later than:

- (i) on the filing deadline of the annual corporate income tax return for the tax year concerned; or
- (ii) simultaneously with the annual corporate income tax return for the tax year concerned if the taxpayer files the tax return before the filing deadline of the annual corporate income tax return.

This report is submitted accompanied by a letter of submission of the report on the expenses for job training, internship and/or apprenticeship activities.

### **H. Other Important Information**

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Other important information on the industrial vocation super tax deduction is noteworthy. The important information includes the fact that the additional gross income reduction applies with the following provisions:

- (i) The acquisition expenses for the tangible and intangible assets  
For tangible and intangible assets with a useful life of more than 1 (one) year, calculated from the depreciation or amortisation expenses of the tangible and intangible assets. In this case, the expenses are expenses in the month the job training and/or internship activities are conducted.
- (ii) Expenses for other than the provisions of special physical facilities  
The additional gross income reduction is calculated from the expenses actually incurred in the tax year concerned.
- (iii) Expenses for the provision of training centres  
The additional gross income reduction is calculated proportionally based on the utilisation period in 1 (one) tax year.
- (iv) Expenses for electricity, water and fuel  
Supporting expenses that are indistinguishable between costs for commercial purposes and those for job training and/or internship activities are calculated proportionally.
- (v) Honorarium expenses for activity participants  
Honoraria is provided to activity participants with:
  - a. family members related by blood within a lineage of 1 (one) degree;

b. business; and/or

c. ownership or control,

with the owner, commissioners, directors and/or management of the taxpayer cannot be granted the additional gross income reduction.

- (vi) Expenses for physical facilities, materials and/or goods used in commercial production

The additional gross income reduction may only be granted for instructor or teacher expenses, honorarium expenses and competency certification expenses.





# Chapter 86

## Super Tax Deduction for Certain Research and Development Activities in the Nusantara Capital

### A. Legal basis

<b>Description</b>	Resident taxpayers ( <i>Wajib Pajak Dalam Negeri</i> /WPDN in Indonesian) with a domicile and/or place of business conducting certain Research and Development (R&D) activities in the Nusantara Capital ( <i>Ibu Kota Nusantara</i> /IKN in Indonesian) are granted an additional gross income reduction. This facility is granted at a maximum of 350% of the amount of expenses incurred for certain R&D activities that are <a href="#">charged</a> within a certain period.
<b>Incentive type</b>	Super tax deduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 3 of 2022 concerning the State Capital as amended by Law Number 21 of 2023 (Nusantara Capital Law);</li> <li>2. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>3. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>)</li> <li>4. Director General of Taxes Regulation Number PER-03/PJ/2019 concerning Procedures for the Granting of Tax Clearance Certificates (<a href="#">PER-03/PJ/2019</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving businesses
<b>Implementation</b>	Effective from the 2024 tax year

Source: [MoF Reg. 28/2024](#), processed by the Author.

## **B. Incentive Benefits**

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The gross income reduction amounts to a maximum of 350%<sup>1</sup> of the total expenses incurred for R&D activities. This maximum gross income reduction includes:

- (i) gross income reduction of 100%; and
- (ii) additional gross income reduction of a maximum of 250% which consists of:
  - a. 50% of domestic patents and Plant Variety Protection (PVP or *Perlindungan Varietas Tanaman/PVT* in Indonesian) rights;
  - b. 25% of foreign patents and PVP rights;
  - c. 125% if reaching the commercialisation stage; and/or
  - d. 50% if collaborating with R&D institutions of the central and local governments and/or higher education institutions in Indonesia.

In this case, all the R&D super tax deduction facilities for the Nusantara Capital<sup>2</sup> may be granted until 2035. The following are further provisions on R&D expenses.

## **C. Parties Receiving the Incentives**

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The super tax deduction facility may be utilised by taxpayers with a domicile and/or place of business conducting certain R&D activities in the Nusantara Capital.

## **D. Requirements**

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The super tax deduction facility for R&D activities may be utilised by corporate taxpayers insofar as fulfilling the requirements. The following are details of the requirements.

### **D.1 General Requirements**

The general requirement that needs to be fulfilled to utilise this facility is that the taxpayers must fulfil the following criteria.

- (i) Constituting resident corporate taxpayers;

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<sup>1</sup> Basically, taxpayers remain able to categorise expenses arising from R&D activities as a deductible expense of 100% insofar as fulfilling the 3M expenses requirement, even without this facility.

<sup>2</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

- (ii) Conducting certain R&D activities in the Nusantara Capital;
- (iii) Having a proposal for R&D activities; and
- (iv) Having an automated tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian) pursuant to [PER-03/PJ/2019](#).

## **D.2 Special Requirements**

The additional gross income reduction may be granted insofar as the following criteria are fulfilled.

- (i) Aiming to obtain new inventions;
- (ii) Based on original concepts or hypotheses;
- (iii) Having uncertainty about the final outcome;
- (iv) Planned and with a budget; and
- (v) Aiming to create items that may be freely transferred or traded on the market.

Please note that the super tax deduction facility specifically stipulates R&D expenses eligible for the facility and activities ineligible for the facility. *First*, R&D expenses eligible for the facility include:

- (i) the full implementation of engineering in production activities at the initial stage of the commercial operation;
- (ii) quality control during commercial operation, including routine testing of the products;
- (iii) repair of damage that occurs during commercial operation;
- (iv) repair, addition, enrichment or other routine quality developments of existing products;
- (v) the adjustment to existing capabilities to specific requests or customer needs as part of ongoing commercial activities;
- (vi) seasonal or periodic design changes to existing products;
- (vii) routine design of equipment and moulds;
- (viii) construction engineering and design in connection with the construction, relocation, rearrangement or start-up of facilities and equipment;
- (ix) marketing research; and/or
- (x) other activities not included in R&D.

*Second*, the types of R&D expenses that may be granted the additional gross income reduction:

- (i) assets, including buildings, in the form of:

- a. depreciation expenses for tangible fixed assets and/or amortisation expenses for non-tangible assets; and
- b. supporting expenses for tangible fixed assets which include electricity, water, fuel and maintenance expenses;
- (ii) goods and/or materials;
- (iii) salaries, honoraria or similar payments paid to employed employees, researchers and/or engineers;
- (iv) the processing to obtain intellectual property rights (*Hak Kekayaan Intelektual*/HaKI in Indonesian) in the form of patents or PVP rights;
- (v) remunerations paid to:
  - a. R&D institutions; and/or
  - b. higher education institutions, located in Indonesia and contracted by the taxpayers to conduct R&D activities without having rights to the products of the R&D.

Further, please note that the above-mentioned expenses must be expensed based on each R&D proposal. If the expenses are indistinguishable for each R&D proposal, the expenses are expensed proportionally based on each proposal based on the utilisation or assignment period.

The additional gross income reduction cannot be granted if the assets used constitute part of the investment that receives the following facilities.

- (i) The Nusantara Capital tax holiday;
- (ii) Tax allowance;
- (iii) Tax holiday for pioneer industries;
- (iv) Special Economic Zone (SEZ or *Kawasan Ekonomi Khusus*/KEK in Indonesian) income tax facilities; or
- (v) Investment allowance.

### **D.3 Application Forms or Reports**

To obtain the additional gross income reduction, a taxpayer must apply by attaching:

- (i) R&D proposal, which at least contains:
  - a. the number and date of the R&D proposal;
  - b. the name and Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak*/NPWP in Indonesian);
  - c. the focus, theme and topic of the R&D;
  - d. the R&D output plan that includes:
    - domestic patent registration;

- overseas patent registration; and/or
  - commercialisation;
  - e. the name and TIN of the partner if R&D are conducted through collaboration;
  - f. the estimated required time to achieve the expected final outcome of the R&D activities;
  - g. the estimated number of employees and/or other parties involved in the R&D activities; and
  - h. the estimated amount of expenses;
- (ii) an automated tax clearance certificate.

### **E. Application Scheme**

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The application for the additional gross income reduction may be submitted in 2 (two) stages, namely the application process for the granting of the facility and the application for the utilisation of the facility. The following are the stages for the approval of the granting of the facility.

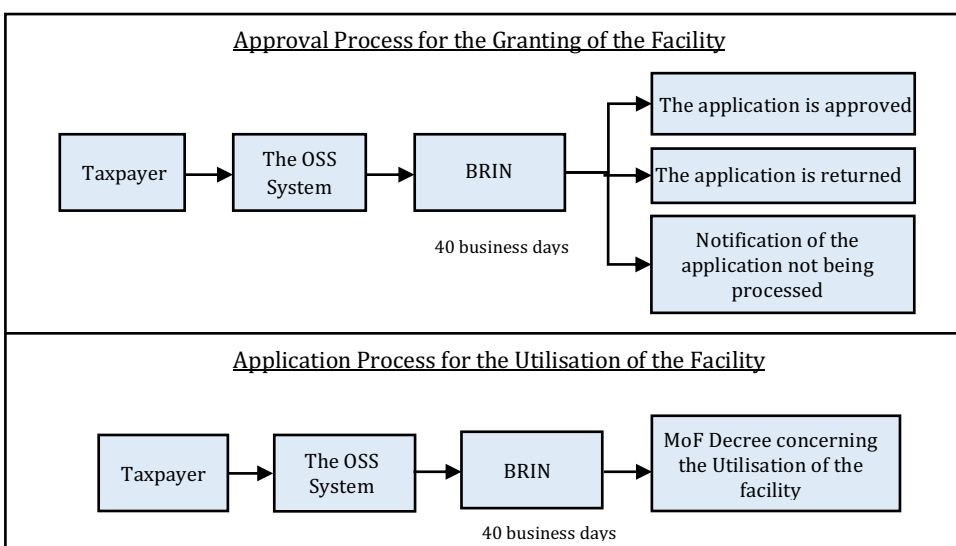
- (i) The application is submitted through the Online Single Submission (OSS) system by attaching the R&D proposal and several required documents;
- (ii) Based on the application, the National Research and Innovation Agency (*Badan Riset and Inovasi Nasional*/BRIN in Indonesian) examines the conformity with the R&D proposal criteria within a maximum period of 40 business days;
- (iii) The results of this examination may be in the form of:
  - a. conformity with R&D criteria;
  - b. non-conformity with R&D criteria;
  - c. conformity with research activity proposal;
  - d. non-conformity with research activity proposal.
- (iv) If the result of the examination is:
  - a. conformity with the R&D requirements and the research activity proposal criteria, the Directorate General of Taxes (DGT) shall submit the approval of the application to the taxpayer through the Online Single Submission (OSS) system;
  - b. conformity with the R&D requirements but not-conformity with the research activity proposal criteria, the DGT shall submit a request for the amendment of the application to the taxpayer through the OSS system;
  - c. non-conformity with the R&D requirements, the DGT shall submit notification through the OSS system that the application cannot be further processed;

- (v) The taxpayer must submit the amendment of the notification within a period of 7 (seven) business days after the results of the examination are received by the taxpayer.

*Second*, the application process for the utilisation of the facility. The process consists of the following several stages.

- (i) The taxpayer submits notification accompanied by supporting evidence that the R&D has obtained a patent or PVP right and/or reached the commercialisation stage;
- (ii) The National Research and Innovation Agency will examine the conformity with the focus and theme in the approved application and the realisation of R&D activities within a maximum period of 40 (forty) business days;
- (iii) The results of the verification will be submitted to the taxpayer;
- (iv) The results of the verification will state that the taxpayer may utilise the additional gross income reduction or the taxpayer cannot utilise the additional gross income reduction.

**F. Flow Chart**



Source: [MoF Reg. 28/2024](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

A taxpayer that has received notification is required to submit:

- (i) a letter of submission of the report on the utilisation of the gross income reduction for R&D activities in the Nusantara Capital;
- (ii) the report on R&D expenses for each tax year;
- (iii) report on the utilisation of the additional gross income reduction for each tax year;

to the Director General of Taxes, the Head of the Fiscal Policy Agency (*Badan Kebijakan Fiskal/BKF* in Indonesian) and the Chairperson of the Authority.

#### **H. Other Important Information**

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Important information to be considered is if R&D activities are conducted through collaboration between 1 (one) or more taxpayers. If each taxpayer bears part or all the R&D expenses, they are required to prepare 1 (one) joint R&D proposal. The treatment of the additional gross income reduction is determined based on:

- (i) the accumulation of R&D expenses borne by each taxpayer; and
- (ii) the percentage of the additional gross income reduction according to ownership of intellectual property rights in the form of patents or PVP rights and/or the condition of reaching the commercialisation stage of each taxpayer.





# Chapter 87

## Gross Business Income Reduction for Donations and/or Non-Profit Expenses in the Nusantara Capital

### A. Brief Description

<b>Description</b>	Resident taxpayers ( <i>Wajib Pajak Dalam Negeri</i> /WPDN in Indonesian) providing donations and/or expenses for the construction of public, social and/or other non-profit facilities in the Nusantara Capital ( <i>Ibu Kota Nusantara</i> /IKN in Indonesian) are granted the gross income reduction facility.
<b>Incentive type</b>	Super tax deduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 3 of 2022 concerning the State Capital as amended by Law Number 21 of 2023 (Nusantara Capital Law);</li> <li>2. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>3. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>);</li> <li>4. Director General of Taxes Regulation Number PER-03/PI/2019 concerning Procedures for the Granting of Tax Clearance Certificates (<a href="#">PER-03/PI/2019</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving businesses
<b>Implementation</b>	Effective from the 2024 tax year

Source: [MoF Reg. 28/2024](#), processed by the Author.

## **B. Incentive Benefits**

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The gross income reduction facility is granted at a maximum of 200%<sup>1</sup> of the total donations and/or expenses incurred for the construction of public facilities, social facilities and/or other non-profit facilities in the Nusantara Capital.<sup>2</sup> The reduction includes:

- (i) gross income reduction of 100% of the amount of donations and/or costs given; and
- (ii) additional gross income reduction of a maximum of 100% (one hundred percent) of the amount of donations and/or costs given.

The facility is granted until 2035.

## **C. Parties Receiving the Incentives**

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The gross income reduction facility may be utilised by taxpayers that provide donations and/or expenses for the construction of public, social and/or other non-profit facilities in the Nusantara Capital. Specifically, taxpayers that may utilise this incentive are resident taxpayers with a fiscal net income based on the previous tax year's annual income tax return (*Surat Pemberitahuan/SPT* in Indonesian) and tax clearance certificate (*Surat Keterangan Fiskal/SKF* in Indonesian).

## **D. Requirements**

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The gross income reduction facility may be utilised by taxpayers insofar as they fulfil the requirements. The following are details of the requirements that must be fulfilled by the taxpayers.

### **D.1 General Requirements**

The following are general requirements that need to be fulfilled to utilise this facility.

- (i) The taxpayer has fiscal net income based on the annual income tax return for the previous tax year;

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<sup>1</sup> Basically, taxpayers remain able to categorise expenses arising from the provision of donations as a deductible expense of 100% insofar as fulfilling the 3M expenses requirement, even without this facility.

<sup>2</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

- (ii) The donations and/or expenses do not result in a loss in the tax year the donations and/or expenses are granted;
- (iii) Supported by valid evidence; and
- (iv) Obtain the approval of technical and specifications from the Nusantara Capital Authority if the donations are granted in the form of goods and/or expenses for the construction of public, social and/or other non-profit facilities;
- (v) The taxpayer has an automated tax clearance certificate pursuant to [PER-03/PI/2019](#).

The valid evidence may be in the form of:

- (i) a bank transfer slip;
- (ii) a goods received note issued by the Chairperson of the Nusantara Capital Authority;
- (iii) the official report of project completion handover issued by the Chairperson of the Nusantara Capital Authority;
- (iv) other documents related to the provision of donations and/or expenses issued by the Chairperson of the Nusantara Capital Authority.

## **D.2 Special Requirements**

Special requirements that need to be fulfilled are related to the value of donations and/or expenses. The following is the determination of the value based on the type of donations and/or expenses.

- (i) Donations and/or expenses in the form of money  
Determined based on the nominal amount of money granted.
- (ii) Donations and/or expenses in the form of goods  
Determined based on:
  - a. the acquisition value if the donated goods have not been depreciated;
  - b. the tax book value if the donated goods have been depreciated; or
  - c. the Cost of Goods Sold (COGS or *Harga Pokok Penjualan/HPP* in Indonesian) if the donated goods are self-manufactured.
- (iii) Donations and/or expenses in the form of construction expenses  
Determined based on the amount actually incurred to construct public facilities, social facilities and/or other non-profit facilities.

## **D.3 Application Forms or Reports**

The following are forms required to apply for this facility.

- (i) The application letter for the gross income reduction facility for the provision of donations and/or expenses for the construction of public, social and/or other non-profit facilities in the Nusantara Capital, which at least contains:
  - a. the name, address and Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian) of the provider of the donations and/or expenses;
  - b. the form of the donations and/or expenses;
  - c. the estimated value of the donations and/or expenses; and
  - d. the plan of the types and estimated timing of the provision of the donations and/or expenses;
- (ii) An automated tax clearance certificate;
- (iii) The cooperation agreement documents:
  - a. the name, address and TIN of each taxpayer;
  - b. the estimated total value of the donations and/or expenses; and
  - c. the estimated value of the donations and/or expenses constituting the share of each Taxpayer.

## **E. Application Scheme**

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Procedures for the submission of the application for this facility consist of the following stages.

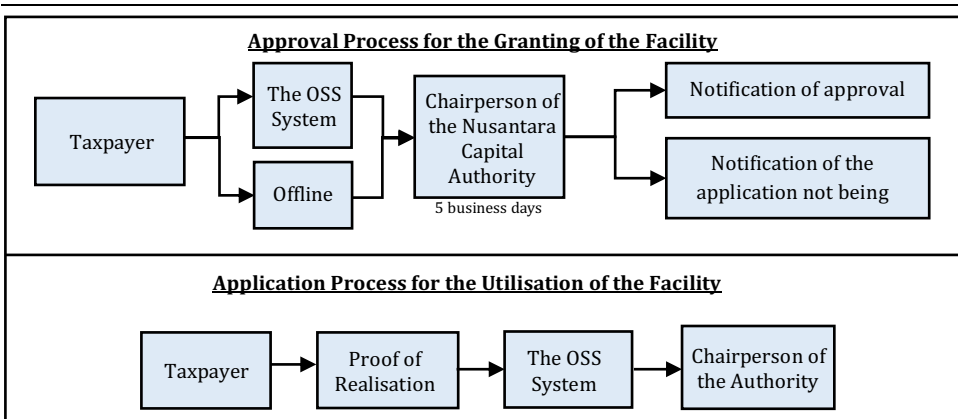
- (i) The taxpayer applies to the Chairperson of the Nusantara Capital Authority through the Online Single Submission (OSS) system or offline no later than before the donations are handed over;
- (ii) The Chairperson of the Authority issues notification to the taxpayer:
  - a. stating that the taxpayer may provide donations in the form of money, it conforms to the development needs of Nusantara Capital; and/or
  - b. stating that the taxpayer may provide donations and/or construction expenses for the receipt of donations in the form of goods and/or expenses for the construction of public facilities, social facilities and/or other non-profit facilities, after verifying the conformity between the plan for the provision of the donations and the development needs of Nusantara Capital,in the event that the application fulfils the provisions on the application.
- (iii) If the application:
  - a. does not fulfil the provisions on the application;
  - b. the planned donations in the form of money do not conform with the development needs of Nusantara Capital; or

- c. the planned donations in the form of goods and/or expenses for the construction of public, social and/or other non-profit facilities do not conform with the development needs of Nusantara Capital, the Chairperson of the Authority the Nusantara Capital notifies that the application cannot be further processed.
- (iv) The notification of the decision of the Chairperson of the Authority the Nusantara Capital is issued within a maximum period of 5 (five) business days from the time the application is received;
- (v) The notification is submitted to the taxpayer through the Online Single Submission (OSS) system or offline.

*Second*, a flow of the utilisation of the facility is to be considered by taxpayers. The following are the stages.

- (i) The taxpayer that has received the notification may utilise the facility for donations and/or construction expenses referred to in Article 110 insofar as the following has been realised:
  - a. the provision of donations in the form of money;
  - b. the provision of donations in the form of goods; or
  - c. the construction of public facilities, social facilities and/or other non-profit facilities;
- (ii) The proof of realisation of donations is attached to the annual income tax return for the tax year of the utilisation of the facility for the donations and/or construction expenses;
- (iii) The proof of realisation will be verified by the Chairperson of the Authority the Nusantara Capital, assisted by professionals and/or other parties.

**F. Flow Chart**



Source: [MoF Reg. 28/2024](#), processed by the Author.

## **G. Post-Incentive-Utilisation Obligations**

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There are post-incentive-utilisation obligations that need to be fulfilled by the provider of donations and/or expenses and the Chairperson of the Authority. *First*, the donations and/or expenses must be recorded according to their designation by the provider of donations and/or expenses. Procedures for the expensing may be implemented in the tax year of expenditure or when additional facilities are recognised in the tax year the donations are handed over to the Nusantara Capital Authority. The assessment of these donations is based on the type of donations, namely:

- (i) Donations in the form of money  
Based on the nominal value.
- (ii) Donations in the form of goods  
Based on the acquisition value if the goods have not been depreciated, the tax book value if the goods have been depreciated and the cost of goods sold if constituting self-manufactured products.
- (iii) Donations in the form of construction expenses  
Based on the amount actually incurred to construct the facilities.

*Second*, the Chairperson of the Authority must submit the report on the receipt of donations and/or expenses to the Director General of Taxes and the Fiscal Policy Agency (*Badan Kebijakan Fiskal*/BKF in Indonesian) no later than 30 (thirty) days after the end of the year of the donations and/or expenses are received. The report on the receipt of donations at least contains:

- (i) the name, TIN and address of the provider of the donations and/or expenses;
- (ii) the number and date of the notification of the approval of the facility;
- (iii) the number and date of the receipt of the donations and/or expenses;
- (iv) the form and value of the donations and/or expenses;
- (v) the date of the handover of the donations and/or expenses; and
- (vi) the use of donations and/or expenses.

## **H. Other Important Information**

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Noteworthy important information the context of this facility is that the donations may be provided by 1 (one) or more taxpayers and the determination of additional gross income reduction. *First*, if the donations are provided by several parties, the parties may enter into a cooperation agreement. *Second*, the

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**CHAPTER 87:**

**GROSS BUSINESS INCOME REDUCTION FOR DONATIONS AND/OR NON-PROFIT  
EXPENSES IN THE NUSANTARA CAPITAL**

Director General of Taxes is authorised to determine that additional gross income reduction cannot be granted if:

- (i) the taxpayer does not submit the application; or
- (ii) the form and value of donations and/or expenses are not reported correctly.





## Chapter 88

### Government-Borne Final Article 21 Income Tax Facility in the Nusantara Capital

#### A. Brief Description

<b>Description</b>	Income received or accrued by employees in connection with employment must be subject to Withholding Tax (WHT) by the employer pursuant to Art. 21 of the Income Tax Law (ITL). Please note that Art. 21 Income Tax on income received by certain employees is given the government-borne ( <i>Ditanggung Pemerintah/DTP</i> in Indonesian) and final income tax facility.
<b>Incentive type</b>	Government-borne income tax
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Law Number 3 of 2022 concerning the State Capital as amended by Law Number 21 of 2023 (Nusantara Capital Law);</li> <li>2. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>3. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving businesses
<b>Implementation</b>	Effective from the 2024 tax year

Source: [MoF Reg. 28/2024](#), processed by the Author.

## **B. Incentive Benefits**

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The government-borne income tax and final facility is granted for income received by certain employees in the Nusantara Capital<sup>1</sup> (*Ibu Kota Nusantara/IKN* in Indonesian) subject to Art. 21 Income Tax. Government-borne and final Art. 21 Income Tax facility is valid until 2035.

## **C. Parties Receiving the Incentives**

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The government-borne income tax facility may be utilised by certain employees with the following criteria.

- (i) Employees who receive or accrue income from certain employers;
- (ii) Employees who reside in the Nusantara Capital;
- (iii) Employees who have a Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP*) registered at the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) whose working area includes the Nusantara Capital.

In addition, the certain Employees referred to in the context of this facility include permanent employees and/or non-permanent employees.

## **D. Requirements**

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Art. 21 Income Tax and final facility may be utilised by recipients of income subject to Art. 21 Income Tax collected insofar they fulfil the requirements. The following are details of the requirements that need to be fulfilled by recipients of income and certain employers.

### **D.1 General Requirements**

General requirements that need to be fulfilled are related to the provisions on certain employers. The following are the criteria for certain employers.

- (i) Residing, domiciled or having places of business in the Nusantara Capital;
- (ii) Having a TIN registered with the Tax Office whose working area includes the Nusantara Capital or having a tax identity at the places of business located in the Nusantara Capital;

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<sup>1</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

- (iii) Having submitted a notice of the utilisation of the government-borne and final Art. 21 Income Tax to the Director General of Taxes and has received validation by the Director General of Taxes; and
- (iv) Having submitted the realisation report on the utilisation of the government-borne and final Art. 21 Income Tax facility to the Director General of Taxes

## **D.2 Special Requirements**

The following are special requirements that need to be fulfilled related to the provisions on income related to this facility.

- (i) Income other than fixed and regular income from the state budget (*Anggaran Penerimaan dan Belanja Negara/APBN* in Indonesian)/local state budget (*Anggaran Penerimaan dan Belanja Daerah/APBD* in Indonesian) received by state official, a civil servant (*Pegawai Negeri Sipil/PNS* in Indonesian), the Indonesian National Armed Forces (*Tentara Nasional Indonesia/TNI* in Indonesian)/the Indonesian National Police (*Kepolisian Republik Indonesia/POLRI* in Indonesian) subject to final income tax also receives the government-borne Art. 21 Income Tax facility;
- (ii) Income sourced from outside the Nusantara Capital and/or other than income received in connection with employment remains subject to income tax pursuant to the provisions under the ITL;
- (iii) Certain employees remain required to file annual income tax returns (*Surat Pemberitahuan/SPT* in Indonesian).

## **D.3 Application Forms and Reports**

The following are forms and reports required to apply for this incentive.

- (i) The notice of the utilisation of the government-borne and final Art. 21 Income Tax facility;
- (ii) The TIN and/or tax identity at the employer's place of business;
- (iii) The business permit number in the Nusantara Capital issued by the Online Single Submission (OSS) system if the employer is an entrepreneur; and
- (iv) The realisation report of government-borne and final Art. 21 Income Tax.

## **E. Application Scheme**

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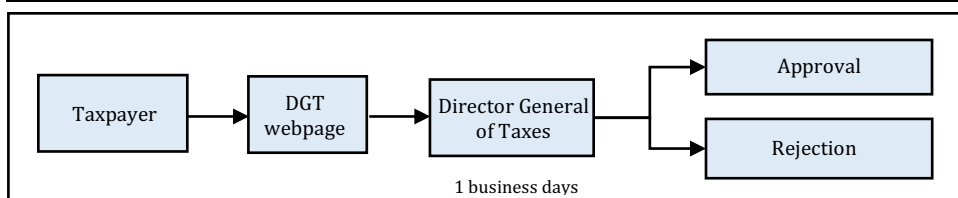
The government-borne and final Art. 21 Income Tax facility may be utilised in the following application stages.

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## GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025

- (i) The employer with the taxpayer of head office status is required to notify through certain channels on the Directorate General of Taxes' (DGT) webpage;
- (ii) Next, the Director General of Taxes is authorised to issue an approval or rejection letter related to the utilisation of the government-borne and final Art. 21 Income Tax facility;
- (iii) The approval letter for the utilisation is issued within a maximum period of 1 (one) day from the time the notification is completely and correctly submitted;
- (iv) The Director General of Taxes delegates the authority to issue the letter to the Head of the Tax Office where the taxpayer of head office status is registered;
- (v) The government-borne and final Art. 21 Income Tax facility is utilised starting the time the approval is issued;
- (vi) The government-borne and final Art. 21 Income Tax must be paid in cash by the employer at the time income is paid to the employee;
- (vii) Government-borne and final Art. 21 Income Tax received by the employee is considered as income subject to tax.

### F. Flow Chart



Source: [MoF Reg. 28/2024](#), processed by the Author.

### G. Post-Incentive-Utilisation Obligations

The following are post-incentive-utilisation obligations that need to be fulfilled for the employer.

- (i) Preparing government-borne and final Art. 21 withholding receipts;
- (ii) Filing the withholding receipts in periodic the Art. 21 Income Tax returns;
- (iii) Submitting the realisation report of the utilisation of the government-borne and final Art. 21 Income Tax facility through electronic channels in the Ministry of Finance.

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**H. Other Important Information**

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Important information to be considered is related to the realisation report. In this case, the realisation report must be submitted by the employer no later than the 20<sup>th</sup> of the following month after the taxable period ends. The realisation report must at least contain:

- (i) the TIN and/or tax identity at the place of business and the name of the employer;
- (ii) the TIN and name of the employee who receives the facility;
- (iii) the amount of gross income received by the employee; and
- (iv) the amount of government-borne and final Art. 21 WHT.



# Chapter 89

## 0% Final Income Tax Facility for Income from Certain Gross Business Turnover in Micro, Small and Medium Businesses in the Nusantara Capital

### A. Brief Description

<b>Description</b>	A facility in the form of a 0% final income tax rate is granted to resident taxpayers ( <i>Wajib Pajak Dalam Negeri/WPDN</i> in Indonesian) in the form of Micro, Small and Medium Enterprises (MSMEs or <i>Usaha Mikro, Kecil, dan Menengah/UMKM</i> in Indonesian) in the Nusantara Capital ( <i>Ibu Kota Nusantara/IKN</i> in Indonesian) that fulfil certain requirements.
<b>Incentive type</b>	Preferential rates
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>2. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>).</li> </ol>
<b>Economic sectors</b>	Various sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2024

Source: [MoF Reg. 28/2024](#), processed by the Author.

### B. Incentive Benefits

MSME taxpayers, whether individuals or entities and non-Permanent Establishments (PEs or *Bentuk Usaha Tetap/BUT* in Indonesian) investing less

than IDR10 billion in the Nusantara Capital<sup>1</sup> are eligible for the 0% final income tax facility. This facility is granted to income from gross turnover of up to IDR50 billion in 1 (one) tax year derived through industrial activities and/or supplies of goods and/or services conducted in the Nusantara Capital.

In addition to the above benefits, this incentive also targets every transaction of sales of goods or supplies of services constituting the object of Withholding Tax (WHT) or income tax collection. When conducting the transaction, a withholding or collecting agent must withhold or collect final income tax of 0% on MSME taxpayers that have been approved to utilise this facility. The utilisation period for this incentive starts from the issuance of the approval of incentive utilisation until 2035.

### **C. Parties Receiving the Incentives**

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This facility may be utilised by taxpayers that fulfil the following requirements.

- (i) Resident taxpayers:
  - a. individuals; or
  - b. entities and non-entities;
  - c. PEs;
- (ii) Investing in the Nusantara Capital with a value of less than IDR10 billion; and
- (iii) Fulfilling general and special requirements.

### **D. Requirements**

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The 0% final income tax facility may be utilised insofar as an MSME fulfils the following requirements.

#### **D.1 General Requirements**

The application for the 0% final income tax facility may be submitted if MSME taxpayers have filed the annual income tax returns (*Surat Pemberitahuan/SPT* in Indonesian) for the last 2 (two) tax years.

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<sup>1</sup> The Capital of the State named Nusantara and hereinafter referred to as Nusantara Capital is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.



## D.2 Special Requirements

The following are special requirements that must be fulfilled by MSME taxpayers to utilise the 0% final income tax facility.

- (i) Residing or domiciled and/or having a branch in the Nusantara Capital;
- (ii) Conducting business activities in the Nusantara Capital;
- (iii) Registered as a taxpayer with the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) whose working area includes the Nusantara Capital or having a tax identity at a place of business located in the Nusantara Capital;
- (iv) Having performed an investment in the Nusantara Capital as well as having MSME qualifications issued by the competent agency; and
- (v) Having applied to utilise the final income tax facility no later than 3 (three) months after the investment from the date the business permit is issued by the Online Single Submission (OSS) system.

## D.3 Application Forms or Reports

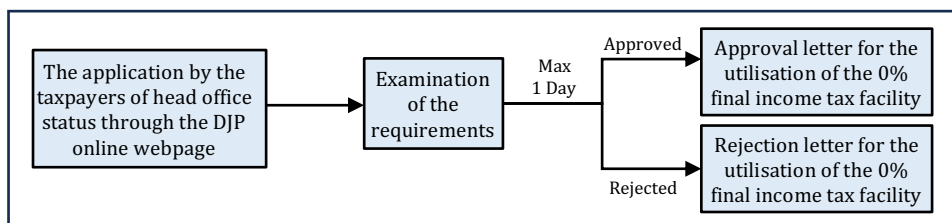
To utilise this incentive, there is a letter format that may be used as an application by taxpayers of head office status, i.e., the application letter for the utilisation of the 0% (zero percent) final income tax facility for income from certain gross business turnover in the Nusantara Capital.

## E. Application Scheme

MSME taxpayers may utilise the 0% final income tax for income from certain gross business turnover with the following scheme.

- (i) The taxpayer of head office status submits an application letter to the Head of the Tax Office where the taxpayer of head office status is registered through channels on the Directorate General of Taxes' (DGT) webpage;
- (ii) For the application, the Head of the Tax Office where the taxpayer of head office status is registered examines the fulfilment of the requirements;
- (iii) Based on the examination, the Head of the Tax Office where the taxpayer of head office status is registered is entitled to issue:
  - a. the approval letter for the utilisation of the final income tax facility if the taxpayer fulfils the requirements; and
  - b. the rejection letter for the utilisation of the final income tax facility if the taxpayer does not fulfil the requirements,
 no later than 1 (one) business day from the time the application is completely received.

## F. Flow Chart



Source: [MoF Reg. 28/2024](#), processed by the Author.

## G. Post-Incentive-Utilisation Obligations

### G.1 Post-Incentive-Utilisation Realisation Report

MSME taxpayers that utilise this facility must submit a realisation report on the utilisation of the 0% final income tax facility through certain channels on the DGT's webpage. The realisation report contains all final income tax payable on business income in the Nusantara Capital, including from transactions with withholding or collecting agents. The realisation report must be submitted no later than the 20<sup>th</sup> of the following month after the taxable period ends.

MSME taxpayers that utilise this facility are required to report gross business turnover and income tax payable on business income in the Nusantara Capital in:

- (i) unified periodic income tax returns; and
- (ii) annual income tax returns.

MSME taxpayers may use several report formats to fulfil post-incentive-utilisation obligations incentives, as follows:

- (i) forms for the report on the utilisation of the final income tax facility; and
- (ii) forms for the report on gross business turnover and the utilisation of the 0% final income tax facility payable on income from business activities conducted in the Nusantara Capital.

### G.2 Provisions If Taxpayers Do Not Fulfil the Realisation Report

The following is a series of provisions if taxpayers do not fulfil the realisation report after utilising the 0% final income tax incentive.

- (i) If the MSME taxpayer does not submit a report or submit a report but does not fulfil the requirements, the Head of the Tax Office shall issue a written reprimand letter to the taxpayer;

- (ii) If within 14 (fourteen) days from the time the written reprimand letter is submitted and the taxpayer fails to submit a report or submits a report but does not fulfil the requirements, the Head of the Tax Office shall issue a second written reprimand letter;
- (iii) If within 14 (fourteen) days from the time the second written reprimand letter is submitted and the taxpayer does not follow up on the second reprimand letter, the Head of the Tax Office shall supervise and/or assess the taxpayer's compliance.

## **H. Other Important Information**

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### **H.1 Excluded Income**

In this incentive, the following several incomes are excluded.

- (i) Income of individual taxpayers from services in connection with independent personal services;
- (ii) Income of limited partnership taxpayers or firms incorporated by several individual taxpayers with special expenses and supply services similar to independent personal services;
- (iii) Income from services performed other than in the Nusantara Capital and/or utilised by service users residing or domiciled other than in the Nusantara Capital;
- (iv) Income subject to final income tax under separate provisions, except for income that has been subject to final income tax pursuant to Gov. Reg. 55/2022 (MSME income tax at a rate of 0.5%); and
- (v) Income not constituting an income tax object.

### **H.2 Procedures for Cancellation and Revocation**

The Director General of Taxes is authorised to coach, examine, supervise and/or assess the compliance of taxpayers that utilise the 0% final income tax facility. Further, the Director General of Taxes is authorised to issue a cancellation or revocation letter for the approval letter for the utilisation of the final income tax facility. The following are matters resulting in the cancellation or revocation of the approval letter for the utilisation of the 0% final income tax facility.

#### **H.2.1 Cancellation**

Based on the examination and/or supervision, there is an error in the issuance of the approval letter for the utilisation of the facility. The error results from the

fact that for the MSME taxpayer, no approval letter should be issued because such a taxpayer does not fulfil the requirements to utilise the 0% final income tax.

### **H.2.2 Revocation**

Based on the examination and/or supervision, it is found that the MSME taxpayer that initially fulfils the requirements to be subject to 0% final income tax no longer fulfils the criteria for the utilisation of the facility, thereby, the approval of the utilisation by the MSME taxpayer is revoked.

Procedures for the cancellation and revocation are implemented by the Head of the Tax Office where the taxpayer of head office status is registered. Both cancellation and revocation are valid from the time the requirements to be subject to 0% final income tax are not fulfilled.

If the taxpayer of head office status is registered outside the Nusantara Capital, the following provisions apply to examination and/or supervision activities.

- (i) The Tax Office where the taxpayer of head office status is registered requests assistance to the Tax Office in the Nusantara Capital where the branch or place of business is registered; or
- (ii) The Tax Office in the Nusantara Capital where the branch or place of business is registered proposes the cancellation or revocation of the approval letter for the utilisation of the facility to the Tax Office where the taxpayer of head office status is registered.

# Chapter 90

## Income Tax Reduction Facility for the Transfer of the Right to Land and/or Building in the Nusantara Capital

### A. Brief Description

<b>Description</b>	Taxpayers transferring the right to land and/or building in the Nusantara Capital ( <i>Ibu Kota Nusantara</i> /IKN in Indonesian) are given an income tax reduction facility for the transfer of the right to land and/or building.
<b>Incentive type</b>	Income tax reduction
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>2. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>).</li> </ol>
<b>Economic sectors</b>	Property
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from 2024

Source: [MoF Reg. 28/2024](#), processed by the Author.

### B. Incentive Benefits

Taxpayers transferring the right to land and/or building in the Nusantara Capital,<sup>1</sup> including transfers through land and/or building sale and purchase agreements and the amendments thereto are given an income tax reduction

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<sup>1</sup> The Capital of the State named Nusantara and hereinafter referred to as Nusantara Capital is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

facility. The granted reduction amounts to 100% of income tax payable for the transfer of the right to land and/or building payable.

This facility is granted to income from the transfer of land and/or building to a buyer constituting the first buyer. In contrast, the re-transfer of land and/or building by the first buyer to another party is not given an income tax reduction facility. This facility may be granted with the issuance of an exemption certificate (*Surat Keterangan Bebas/SKB* in Indonesian) and is valid from the issuance of the exemption certificate until 2035.

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**C. Parties Receiving the Incentives**

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The parties that receive the income tax reduction facility for the transfer of the right to land and/or building in Nusantara Capital are taxpayers transferring the right to land and/or building to buyers constituting the first buyers.

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**D. Requirements**

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The income tax reduction facility for the transfer of the right to land and/or building has several requirements that must be fulfilled by taxpayers to be utilised. There are general requirements and special requirements, the following are the details.

**D.1 General Requirements**

The income tax reduction incentive for the transfer of the right to land and/or building may be granted if the following requirements are fulfilled.

- (i) Constituting a transfer of the right to land and/or building in the Nusantara Capital;
- (ii) Constituting a transfer of the right to land and/or building to the buyer constituting the first buyer; and
- (iii) The taxpayer transferring the right must apply for the income tax reduction facility to the Head of the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the taxpayer of head office status is registered or the Head of the Permanent Establishment and Expatriate Special Taxpayer Office (*Kantor Pelayanan Pajak Badan dan Orang Asing/KPP Badora* in Indonesian) for non-tax residents (*Subjek Pajak Luar Negeri/SPLN* in Indonesian), to obtain an income tax exemption certificate.

## **D.2 Special Requirements**

The following are special requirements that contain several requirements that must be fulfilled by taxpayers when applying for an exemption certificate.

- (i) Having fulfilled the obligation to file:
  - a. the annual income tax returns for the last 2 (two) tax years; and
  - b. periodic Value Added Tax (VAT) returns for the last 3 (three) taxable periods.
- (ii) The submission of the application letter for the exemption certificate must be complemented by documents in the form of:
  - a. the statement letter stating that the taxpayer transfers the land and/or building to a buyer constituting the first buyer; and
  - b. a copy of the passport, for non-tax residents.

## **D.3 Application Forms or Reports**

The following are 2 (two) document formats that may be utilised when applying for an income tax exemption certificate in this facility.

- (i) The format of the application for the income tax exemption certificate for income from transfer of the right to land and/or building or land and/or building sale and purchase agreement and the amendments thereto to the buyer constituting the first acquisition of the right to land and/or building in the Nusantara Capital; and
- (ii) The format of the statement letter of the taxpayer transferring the land and/or building to the buyer constituting the first acquisition of the right to land and/or building in the Nusantara Capital.

## **E. Application Scheme**

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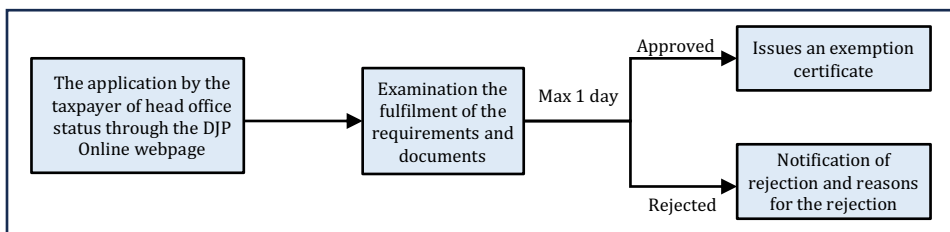
Taxpayers may utilise the income tax reduction facility for the transfer of the right to land and/or building with the following scheme.

- (i) The taxpayer applies to the Head of the Tax Office where the taxpayer of head office status is registered or the Permanent Establishment and Expatriate Special Taxpayer Office by filling out an electronic form through the DJP online webpage;
- (ii) For the application, the Head of the Tax Office examines the fulfilment of the requirements submitted by the taxpayer, no later than 1 (one) business day;
- (iii) Based on the results of the examination, the Head of the Tax Office is entitled to:

- a. issue an exemption certificate if the application fulfils the requirements;
- b. not follow up on the application and accompanied by information that the application cannot be followed up if the application does not fulfil the requirements.

## **F. Flow Chart**

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Source: [MoF Reg. 28/2024](#), processed by the Author.

## **G. Post-Incentive-Utilisation Obligations**

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No sufficient information is available concerning post-incentive-utilisation obligations in the provisions stipulating this incentive.

## **H. Other Important Information**

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### **H.1 Provisions on the Revocation of Exemption Certificates**

An exemption certificate may be revoked if in the future, it is discovered that the transfer of the right to land and/or building fulfils the following criteria for revocation.

- (i) The transferred land and/or building is not located in the Nusantara Capital;
- (ii) The land and/or building is re-transferred by the buyer but:
  - a. the buyer has obtained an exemption certificate; and
  - b. should not be given the facility.

Revocation is carried out *ex officio* by the Head of the Tax Office where the taxpayer of head office status is registered or the Head of the Permanent Establishment and Expatriate Special Taxpayer Office for non-tax residents.

### **H.2 Consequences of the Revocation of Exemption Certificates**

To revoked exemption certificates, the following provisions shall apply.



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**CHAPTER 90:**

**INCOME TAX REDUCTION FACILITY FOR THE TRANSFER OF THE RIGHT TO LAND  
AND/OR BUILDING IN THE NUSANTARA CAPITAL**

- (i) Income from the transfer of the right to land and/or building becomes subject to income tax payable; and
- (ii) Income tax payable must be repaid plus administrative penalties.



# Chapter 91

## Subject to VAT but Not Collected Facility in the Nusantara Capital and Partner Regions

### A. Brief Description

<b>Description</b>	The subject to Value Added Tax (VAT) but not collected facility for supplies of certain strategic taxable goods ( <i>Barang Kena Pajak/BKP</i> in Indonesian) and/or taxable services ( <i>Jasa Kena Pajak/JKP</i> in Indonesian) in the Nusantara Capital ( <i>Ibu Kota Nusantara/IKN</i> in Indonesian), imports of certain strategic taxable goods into the Nusantara Capital and supplies of certain strategic taxable goods in partner regions.
<b>Incentive type</b>	Subject to VAT but not collected
<b>Legal basis</b>	<ol style="list-style-type: none"><li>1. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li><li>2. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>).</li></ol>
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Industries and households
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from 2024

Source: [MoF Reg. 28/2024](#), processed by the author.

### B. Incentive Benefits

Supplies of strategic taxable goods and/or taxable services in the Nusantara Capital<sup>1</sup> and/or imports of strategic taxable goods into the Nusantara Capital are

<sup>1</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

granted subject to VAT but not collected facility. The following are the certain taxable goods.

- (i) New buildings in the form of landed houses, flat units, offices, shops/shopping centres and/or warehouses supplied to certain individuals, certain bodies and/or certain ministries/institutions;
- (ii) Motor vehicles with number plates registered in the Nusantara Capital area, which use domestically produced Battery Electric Vehicle (BEV) technology supplied to individuals, agencies and/or ministries/institutions;
- (iii) Other certain strategic taxable goods required for the preparation, construction, relocation and development in the Nusantara Capital with the following provisions:
  - a. are sourced from grants in the form of goods;
  - b. are located in the Nusantara Capital; and
  - c. the goods have been subject to grant register before the goods are supplied pursuant to statutory provisions stipulating the administration of grants;
- (iv) Factory machines and equipment as well as supporting machines/equipment to produce electricity from new and renewable energy (*Energi Baru dan Terbarukan/EBT* in Indonesian) in the Nusantara Capital.

In addition to supplies and/or imports of strategic taxable goods, this facility also targets supplies of strategic taxable services in the Nusantara Capital. The following is a list of strategic taxable services whose supplies are given the facility.

- (i) Rental services for landed houses, flat units, offices, shops/shopping centres and/or warehouses supplied to individuals, bodies and/or ministries/institutions, conducting business activities, serving or domiciled in the Nusantara Capital
- (ii) Construction services for the construction of:
  - a. infrastructure in the form of:
    - roads, bridges, dams, water treatment plants;
    - new and renewable energy power stations;
    - drinking water supply system;
    - telecommunication networks;
    - water/irrigation networks;
    - energy networks;
    - rubbish and/or waste processing installations;

**CHAPTER 91:**

**SUBJECT TO VAT BUT NOT COLLECTED FACILITY IN THE NUSANTARA CAPITAL AND PARTNER REGIONS**

- childcare buildings, preschool buildings, education and/or training buildings, including school buildings and/or university buildings as well as the supporting buildings located in 1 (one) complex;
  - government/institutional buildings, embassies and representatives of foreign countries buildings and/or buildings constructed by international organisations as well as the supporting buildings located in 1 (one) complex;
  - airports, ports, terminals, railway networks;
  - hospitals/clinics and health laboratories, including alternative medical centres;
  - other infrastructure buildings, may be in the form of:
    - 1) houses/places of worship;
    - 2) public cemeteries, funeral homes and crematoria;
    - 3) social homes;
    - 4) sports and other sports-supporting centres;
    - 5) natural gas processing;
    - 6) facilities/installations for flood, drainage and irrigation regulation;
    - 7) navigation and traffic/waterway facilities/installations;
    - 8) libraries;
    - 9) supporting facilities for transportation, including shared parking and charging stations for electric vehicles;
    - 10) parks, playgrounds and family recreation facilities;
    - 11) infrastructure for Meetings, Incentives, Conventions and Exhibitions (MICE);
    - 12) research centres;
    - 13) shopping centres, including traditional market and modern markets;
    - 14) permanent or non-permanent buildings for supporting construction activities, including residences for construction workers; and
    - 15) public buildings intended for non-commercial public purposes; and
  - b. landed houses, flats, offices, shops and/or warehouses; and
- (iii) Rubbish and/or waste processing services for rubbish and/or waste generated in the Nusantara Capital conducted by taxable persons (*Pengusaha Kena Pajak/PKP* in Indonesian) conducting business activities in the Indonesian standard industrial classification (*Klasifikasi Baku Lapangan Usaha Indonesia/KBLI* in Indonesian):

- a. the management and disposal of non-hazardous wastewater;
- b. the management and disposal of hazardous wastewater;
- c. the management and disposal of non-hazardous waste and waste;
- d. the management and disposal of of hazardous waste; and/or
- e. other waste and rubbish remediation and management activities.

The facility in the form of subject to VAT but not collected also applies to supplies of taxable services in the form of construction services in connection with the construction in partner regions<sup>2</sup> to taxpayers that:

- (i) Receive the income tax facility in the form of a corporate income tax reduction; and
- (ii) Engaged in the business sectors of:
  - a. power stations, including new and renewable energy;
  - b. the construction and operation of toll roads;
  - c. the construction and operation of seaports;
  - d. the construction and operation of airports; and/or
  - e. the construction and supply of clean water.

The subject to VAT but not collected facility for the above supplies of taxable goods and taxable services and/or imports of taxable goods is valid until the December 2035 taxable period.

### **C. Parties Receiving the Incentives**

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The subject to VAT but not collected facility may be utilised by the following several parties.

- (i) Certain individuals who are:
  - a. Indonesian citizens (*Warga Negara Indonesia/WNI* in Indonesian) as evidenced by a national identification number (*Nomor Induk Kependudukan/NIK* in Indonesian); or
  - b. foreign citizens (*Warga Negara Asing/WNA* in Indonesian) as evidenced by a tax identification number or national identification number issued by a foreign country authority or passport;
- (ii) Certain bodies, which constitute bodies incorporated and/or domiciled in Indonesia as evidenced by a Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian).

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<sup>2</sup> Partner region is a certain area on the Island of Kalimantan established for the construction and construction of the Nusantara Capital's economic superhub, in collaboration with the Nusantara Capital Authority and enacted through the Chairperson of the Authority Decree.

- (iii) Certain ministries/institutions, which constitute ministries/government institutions domiciled in Indonesia pursuant to statutory laws and regulations in Indonesia.

## **D. Requirements**

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The requirements to utilise this incentive are divided into 2 (two) parts, i.e., general requirements and special requirements. The following are details of both requirements.

### **D.1 General Requirements**

The general requirements for this incentive contain provisions that must be fulfilled by the parties receiving supplies of taxable goods or taxable goods and/or the parties importing taxable goods.

#### **D.1.1 Individuals**

Individuals conducting business and/or working in the Nusantara Capital are individuals who have:

- (i) a TIN registered with the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) whose working area includes the Nusantara Capital;
- (ii) a certificate from the employer stating that the individual works in the Nusantara Capital;
- (iii) a business permit from the Online Single Submission (OSS) system indicating the individual's business activities in the Nusantara Capital;
- (iv) an identity card (*Kartu Tanda Penduduk/KTP* in Indonesian), family card (*Kartu Keluarga/KK* in Indonesian) or driving license (*Surat Izin Mengemudi/SIM* in Indonesian) indicating an address located in the Nusantara Capital;
- (v) a university student card or pupil card indicating that the tenant is an active university student or pupil at an educational institution located in the Nusantara Capital; or
- (vi) a statement letter of the plan to conduct business activities by the individual in the Nusantara Capital which at least contains information on:
  - a. the business location plan;
  - b. the business value/activity plan; and
  - c. the business sector.

### **D.1.2 Bodies and/or Ministries/Institutions**

These are bodies conducting business or domiciled or ministries/institutions, domiciled in the Nusantara Capital, as evidenced by:

- (i) the TIN and/or place of business identification number registered with the Tax Office whose working area includes the Nusantara Capital;
- (ii) the business permit from the Online Single Submission (OSS) system indicating the incorporation, existence and/or domicile of an entity in the Nusantara Capital;
- (iii) a contract indicating the conduct of business in the Nusantara Capital;
- (iv) the deed of establishment signed by a notary indicating the incorporation of the entity in the Nusantara Capital area; or
- (v) a certificate indicating the plan for the incorporation, existence and/or domicile of an entity in the Nusantara Capital signed by the head of the company.

### **D.2 Special Requirements**

The special requirements for this incentive contain several additional criteria, thereby, the supplied taxable objects may be given the subject to VAT but not collected facility. The following are details of the additional provisions.

#### **D.2.1 Landed Houses and Flats**

The landed houses and flats referred to in this incentive must be used as residence. Buildings in the form of landed houses or flats must fulfil the following requirements.

- (i) Having obtained a house identity code; and
- (ii) Supplied turnkey:
  - a. no later than 2 (two) years from the time the down payment is received, if the building is a landed house; or
  - b. no later than 4 (four) years from the time the down payment is received, in the event that the building is a flat unit.

Buildings that are granted the subject to VAT but not collected facility are buildings with a selling price of at least IDR5 billion. In addition to the above provisions, the following are several provisions that apply to the utilisation of the subject to VAT but not collected facility.

- (i) The utilisation of the facility for one individual only applies to a supply of 1 (one) landed house or 1 (one) flat unit;



- (ii) The utilisation of the facility for bodies/ministries/institutions only applies to supplies of landed houses or flat units in connection with the provision of official residences/residences for employees, directors, commissioners, professionals, freelancers and/or other workers; and
- (iii) the maximum number of supplies of landed houses or flat units referred is the maximum number of employees, directors, commissioners, professionals, freelancers and/or other workers employed in the Nusantara Capital area and obtain the government-borne (*Ditanggung Pemerintah*/DTP in Indonesian) Art. 21 Income Tax facility.

### **D.2.2 Motor Vehicles**

Motor vehicles that receive the subject to VAT but not collected facility are further detailed in the following points.

- (i) Driven by an electric motor and receiving a supply of electric power from the battery directly in the vehicle or from outside;
- (ii) Including personal transportation vehicles and public transportation vehicles that have received an operating permit in the Nusantara Capital and an operating permit connecting the Nusantara Capital with the surrounding areas;
- (iii) Including vehicles with two wheels, three wheels, fours or more than four wheels;
- (iv) Used in the Nusantara Capital and/or other areas outside the Nusantara Capital on the island of Kalimantan; and
- (v) Supplied by a vehicle authorised dealer located in the Nusantara Capital.

In addition, the following are provisions related to the Local Content Requirement (LCR or *Tingkat Komponen Dalam Negeri*/TKDN in Indonesian) that must be fulfilled.

- (i) For two-wheeled, three-wheeled and four-wheeled passenger motor vehicles pursuant to statutory provisions in the industrial sector stipulating development road maps and provisions on the calculation of the LCR value for Battery Electric Vehicles (BEVs); or
- (ii) For motor vehicles other than two-wheeled, three-wheeled and four-wheeled passenger motor vehicles referred to in number (i) above, fulfilling the LCR value of a minimum of 20%.

If there is no vehicle authorised dealer in the Nusantara Capital, the vehicles may be supplied until 2030 by vehicle authorised dealers outside the Nusantara Capital. If the vehicles are acquired from an authorised dealer outside the

Nusantara Capital, the vehicles must be in the Nusantara Capital for a maximum of 3 (three) months from the time of the supply.

The supply is evidenced by the delivery order and goods received note for the vehicle in the Nusantara Capital. The proof must be submitted by the taxable person selling the vehicle to the Head of the Tax Office where the seller taxable person is registered no later than 4 (four) months from the time the supply is conducted through DJP Online.

### **D.2.2 Rubbish and/or Waste Processing Services**

The following are provisions on rubbish and/or waste processing services that may utilise this incentive.

- (i) Generated in the Nusantara Capital; and
- (ii) Conducted at rubbish and/or waste processing installations located in the Nusantara Capital.

The above provisions do not apply to the Indonesian standard industrial classification for the remediation and processing activities of waste and other rubbish

### **D.3 Administrative Requirements**

In addition to general and special requirements, there are administrative provisions that need to be fulfilled by individuals, bodies and ministries/institutions. The following are the details.

- (i) Supplies of taxable goods in the form of buildings;
- (ii) Supplies of taxable goods in the form of vehicles;
- (iii) Supplies of taxable services in the form of rental services;
- (iv) Supplies of taxable services in the form of construction services;
- (v) Imports and/or supplies of taxable goods in the form of machines and/or factory equipment;
- (vi) Supplies of taxable goods sourced from grants, using a certificate of non-collection (*Surat Keterangan Tidak Dipungut/SKTD* in Indonesian).

In contrast, the subject to VAT but not collected facility for supplies of taxable services in the form of rubbish and/or waste processing is granted without using a certificate of non-collection.

#### **D.4 Application Forms or Reports**

The following are the formats of the documents that may be utilised as the application for the certificate of non-collection for the utilisation of the subject to VAT but not collected facility.

- (i) The format of the application for the VAT certificate of non-collection in the Nusantara Capital or partner regions;
- (ii) The format of the power of attorney for the appointment of the taxable person as the party of the VAT certificate of non-collection or STLGs exemption certificate; and
- (iii) The format of the recapitulation for the shipping of vehicles sold to the Nusantara Capital by authorised dealers outside the Nusantara Capital.

#### **E. Application Scheme**

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The application for a certificate of non-collection may be submitted by the following several parties.

- (i) Individuals and/or entities as buyers of taxable goods and/or recipients of taxable services;
- (ii) Taxable persons generating electricity from new and renewable energy in the Nusantara Capital; and
- (iii) Taxable persons in partner regions receiving construction services.

If a buyer of taxable goods and/or a recipient of taxable services constitutes:

- (i) a non-tax resident;
- (ii) a buyer or service recipient that does not fulfil the subjective requirements and objective requirements as a taxpayer; or
- (iii) another buyer or service recipient that does not yet have a TIN,

the application for the certificate of non-collection may be submitted by the seller taxable person and/or the service provider based on a power of attorney.

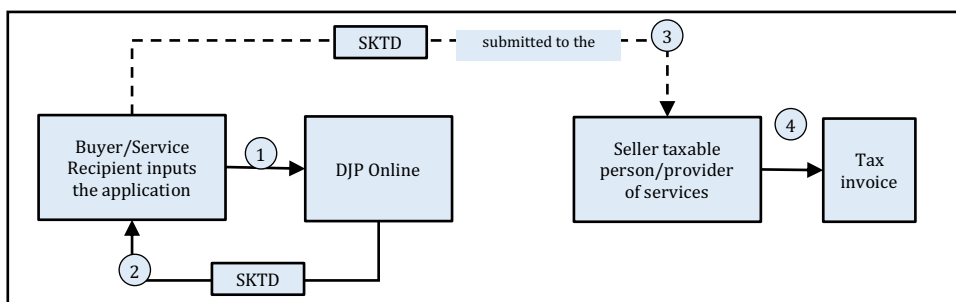
The certificate of non-collection will be given to buyers of taxable goods and/or recipients of taxable services and if the Nusantara Capital Authority receives taxable goods sourced from grants, the certificate of non-collection will be granted to the Nusantara Capital Authority.

Parties wishing to apply for a certificate of non-collection may comply with the following procedures in respect of the submission of the application for a certificate of non-collection.

- (i) The application for the certificate of non-collection is submitted to the Director General of Taxes electronically through the DJP online page.
- (ii) The Director General of Taxes issues a valid certificate of non-collection for each import and/or supply through the DJP Online webpage if the application is filled in completely; and
- (iii) The taxable person supplying taxable goods and/or taxable services is required to prepare a tax invoice pursuant to the provisions applicable to supplies of taxable goods and/or taxable services that utilise the subject to VAT but not collected facility.

1 (one) certificate of non-collection number is valid for preparing 1 (one) invoice. This may be excluded in the context of down payment or tax invoice in the context of settlement of the taxable goods and/or taxable services.

**F. Flow Chart**



Source: [MoF Reg. 28/2024](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

After obtaining the subject to VAT but not collected facility, taxpayers need to consider the provisions on the utilisation of taxable goods and/or taxable services granted this facility. The following are details of the provisions.

- (i) Strategic taxable goods granted the facility:
  - a. may be rented to other parties; and
  - b. within a period of 4 (four) years from the time the taxable goods are supplied:
    - must be used according to the original purpose;

- are not transferred to other parties; and
  - must be registered with number plates in the Nusantara Capital in the event that the taxable goods are in the form of motor vehicles;
- (ii) Taxable goods in the form of factory machines and equipment granted the facility:
- a. must be used according to the original purpose; and
  - b. are not transferred to other parties.
- (iii) Buildings whose supplies of rental services are granted the facility cannot be rented to other parties by the tenant during the rent period; and
- (iv) Buildings/constructions whose supplies of construction services are granted the facility must be used according to the original purpose within a period of 4 (four) years from the time the building/constructions are completed and supplied to the service recipient.

## **H. Other Important Information**

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### **H.1 Provisions on the Issuance of the Replacement Certificate of Non-Collection**

In the event that there is an error in the issuance of the certificate of non-collection, such as a misspelling, miscalculation and/or misapplication of statutory provisions. For such errors, a replacement certificate of non-collection may be issued by the Director General of Taxes. The replacement certificate of non-collection may be issued based on the taxpayer's application or *ex officio*. The taxpayer may use the format of the application for the replacement certificate of non-collection in the Nusantara Capital or partner regions.

### **H.2 Penalties for the Non-Conformity of the Utilisation of Taxable Goods and/or Taxable Services Granted the Subject to VAT but Not Collected Facility**

VAT on a supply of taxable goods and/or taxable services formerly obtaining the facility may be required to be paid if:

- (i) the taxable goods granted the facility within a period of 4 (four) years from the time the taxable goods are supplied:
- a. are used not according to the original purpose;
  - b. are transferred to another party, either in part or in whole; or
  - c. are registered with a police number outside the Nusantara Capital and/or used outside the area in the event that the taxable goods are in the form of motor vehicles;

- (ii) Taxable goods in the form of factory machines and equipment that within a period of 4 (four) years from the time the taxable goods are supplied:
  - a. are used not according to the original purpose;
  - b. are transferred to another party, either in part or in whole;
- (iii) Buildings whose supplies of rental services are granted the facility are rented to another party by the tenant during the rent term; or
- (iv) Buildings/constructions whose supplies of construction services are granted the facility are not used according to the original purpose within a period of 4 (four) years.

VAT payable due to the non-conformity of the utilisation must be paid by the buyer and/or service recipient. In the event that the buyer is a foreign citizen the payment obligation is implemented by the party receiving the supply from the buyer.

The obligation to repay VAT formerly granted the facility in connection with the transfer is also excluded. The following are some of the reasons why a transfer does not result in a new tax bill.

- (i) Granted to the central government and/or local governments; or
- (ii) granted by the central government or local governments insofar as it has been designated as state property or local property.

The party granting taxable goods or taxable services must submit the official report of grant handover to the Tax Office where the grantor is registered through DJP online no later than 30 (thirty) days after the grant is provided.

### **H.3 Provisions on the Cancellation of the Non-Collection Certificate**

The Director General of Taxes is authorised to cancel the subject to VAT but not collected facility by issuing a cancellation letter for the certificate of non-collection if:

- (i) data and/or information is obtained indicating that the certificate of non-collection applicant is not the taxpayer required to obtain the subject to VAT but not collected incentive;
- (ii) data and/or information is obtained indicating that the taxable goods and/or taxable services are not the taxable goods and/or taxable services required to obtain the subject to VAT but not collected incentive;
- (iii) the submitted application for the certificate of non-collection is not complemented by the information that needs to be submitted together with the application for the certificate of non-collection or information

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**CHAPTER 91:  
SUBJECT TO VAT BUT NOT COLLECTED FACILITY IN THE NUSANTARA CAPITAL AND  
PARTNER REGIONS**

submitted upon the application for the certificate of non-collection is incorrect or does not correspond to the actual situation.





# Chapter 92

## STLGS Exclusion Facility for Luxurious Residences in the Nusantara Capital

### A. Brief Description

<b>Description</b>	This facility provides Sales Tax on Luxury Goods (STLGS or <i>Pajak Penjualan atas Barang Mewah</i> /PPnBM) exclusion on supplies of luxurious residences in the Nusantara Capital ( <i>Ibu Kota Nusantara</i> /IKN in Indonesian).
<b>Incentive type</b>	Exclusion from STLGS
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 61 of 2020 concerning Taxable Luxury Goods Other Than Motor Vehicles Subject to Sales Tax on Luxury Goods (<a href="#">Gov. Reg. 61/2020</a>);</li> <li>2. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>3. Minister of Finance Regulation Number 15/PMK.03/2023 concerning the Amendment to the Minister of Finance Regulation Number 96/PMK.03/2021 concerning the Determination of the Types of Taxable Goods Other Than Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Exemption from the Sales Tax on Luxury Goods (<a href="#">MoF Reg. 15/2023</a>);</li> <li>4. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>).</li> </ol>
<b>Economic sectors</b>	Property
<b>Beneficiary subjects</b>	Industries and households
<b>Tax policy objective</b>	Supporting businesses
<b>Implementation</b>	Effective from 2024

Source: [MoF Reg. 28/2024](#), processed by the Author.

## **B. Incentive Benefits**

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This facility provides the STLGs exclusion for supplies of the luxurious residence group in the Nusantara Capital. Pursuant to [Gov. Reg. No. 61/2020](#), the luxurious residence group consists of luxury homes, apartments, condominiums, townhouses and the like. This incentive is valid until the December 2035 taxable period.

## **C. Parties Receiving the Incentives**

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The STLGs exclusion facility for supplies of luxurious residences may be utilised by the following several parties.

- (i) Certain individuals who are:
  - a. Indonesian citizens (*Warga Negara Indonesia/WNI* in Indonesian) as evidenced by a national identification number (*Nomor Induk Kependudukan/NIK* in Indonesian); or
  - b. Foreign citizens (*Warga Negara Asing/WNA* in Indonesian) as evidenced by a tax identification number or national identification number issued by a foreign country authority or passport;
- (ii) Certain bodies, which constitute bodies incorporated and/or domiciled in Indonesia as evidenced by a Taxpayer Identification Number (TIN or *Nomor Pokok Wajib Pajak/NPWP* in Indonesian).
- (iii) Certain ministries/institutions, which constitute ministries/government institutions domiciled in Indonesia pursuant to statutory laws and regulations in Indonesia.

## **D. Requirements**

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The STLGs exclusion incentive for luxurious residences in the Nusantara Capital may be utilised insofar as the taxpayers fulfil general requirements and special requirements related to this incentive.

### **D.1 General Requirements**

This incentive may be granted using an STLGs exemption certificate (*Surat Keterangan Bebas/SKB* in Indonesian) issued by the Director General of Taxes.

### **D.2 Special Requirements**

This incentive is specified for supplies of luxurious residences pursuant to [Gov. Reg. No. 61/2020](#). Further, pursuant to Appendix I of [MoF Reg. 15/2023](#), the

luxurious residence group consists of luxury homes, apartments, condominiums, town houses and the like with a selling price of IDR30 billion or more.

### **D.3 Application Forms or Reports**

The following are the formats of the documents that may be utilised as the application for the STLGS exemption certificate for the utilisation of the STLGS exclusion facility for supplies luxurious residences in the Nusantara Capital.

- (i) The format of the application for the STLGS exemption certificate in the Nusantara Capital; and
- (ii) The format of the power of attorney for the appointment of the taxable person as the party of the Value Added Tax (VAT) certificate of non-collection or STLGS exemption certificate.

### **E. Application Scheme**

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The application for the STLGS exemption certificate may be submitted by several parties, i.e., individuals and/or entities as buyers of taxable goods. If a buyer of taxable goods and/or recipient of taxable services constitutes:

- (i) a non-tax resident (*Subjek Pajak Luar Negeri/SPLN* in Indonesian);
- (ii) a buyer or service recipient that does not fulfil the subjective and objective requirements as a taxpayer; or
- (iii) another buyer or service recipient that does not yet have a TIN,

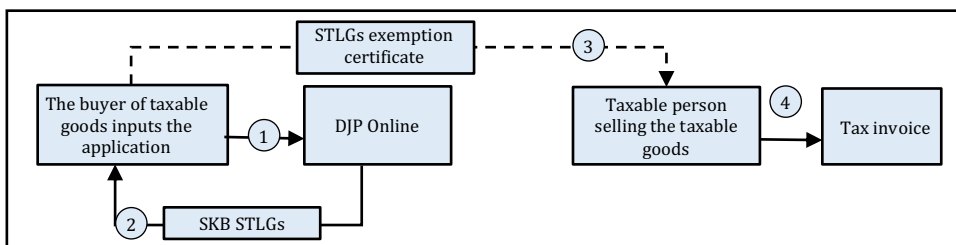
the application for the STLGS exemption certificate may be submitted by the seller taxable person and/or the provider of services based on a power of attorney.

Parties wishing to apply for the STLGS exemption certificate may comply with the following procedures in respect of the application for the STLGS exemption certificate.

- (i) The application for the STLGS exemption certificate is submitted to the Director General of Taxes electronically through the DJP Online webpage;
- (i) The Director General of Taxes issues the STLGS exemption certificate applicable to each supply through the DJP Online webpage if the application is filled in completely; and
- (ii) The taxable person supplying taxable goods is required to prepare a tax invoice pursuant to the provisions applicable to supplies of taxable goods that utilise the STLGS exclusion facility.

1 (one) STLGs exemption certificate number is valid for the preparation of 1 (one) invoice. This may be excluded in the context of down payment or tax invoice in the context of the settlement of taxable goods.

**F. Flow Chart**



Source: [MoF Reg. 28/2024](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

After obtaining the STLGs exclusion facility, taxpayers need to consider the provisions on the utilisation of taxable goods that utilise this facility. Taxable goods in the form of luxurious residences:

- (i) may be rented to other parties; and
- (ii) within a period of 4 (four) years from the time the taxable goods are supplied:
  - a. must be used according to the original purpose; and
  - b. are not transferred to other parties

**H. Other Important Information**

**H.1 Provisions on the Issuance of the Replacement STLGs Exemption Certificate**

If there is an error in the issuance of the STLGs exemption certificate, such as a misspelling, miscalculation and/or misapplication of statutory provisions, a replacement STLGs exemption certificate may be issued by the Director General of Taxes. The replacement STLGs exemption certificate may be issued based on the taxpayer’s application or *ex officio*. The taxpayer may use the format of the application for the replacement exemption certificate in the Nusantara Capital.

## **H.2 Penalties for the Non-Conformity of the Utilisation of Taxable Goods**

STLGS on a supply of taxable goods formerly obtaining the facility may be required to be paid if the taxable goods granted the facility within a period of 4 (four) years from the time the taxable goods are supplied:

- (i) are used not according to the original purpose; or
- (ii) are transferred to another party, either in part or in full.

STLGS payable due to the non-conformity of the utilisation must be paid by the buyer. If the buyer is a foreign citizen the payment obligation is implemented by the party receiving the supply from the buyer.

The obligation to repay STLGS formerly granted the facility in connection with the transfer is also excluded. The following are some of the reasons why a transfer does not result in a new tax bill.

- (i) Granted to the central government and/or local governments; or
- (ii) Granted by the central government or local governments insofar as it has been designated as state property or local property.

The grantor of the taxable goods or taxable services must submit the official report of grant handover to the Tax Office (*Kantor Pelayanan Pajak/KPP* in Indonesian) where the grantor is registered through DJP Online no later than 30 (thirty) days after the grant is provided.

## **H.3 Provisions on the Cancellation of STLGS Exemption Certificates**

The Director General of Taxes is authorised to cancel the STLGS exclusion facility by issuing a cancellation letter for the STLGS exemption certificate if:

- (i) data and/or information is obtained indicating that the certificate of non-collection applicant is not the taxpayer required to obtain the STLGS exclusion incentive;
- (ii) data and/or information is obtained indicating that the received taxable goods are not the taxable goods required to obtain the STLGS exclusion incentive;
- (iii) the submitted application for the STLGS exemption certificate is not complemented by the information that needs to be submitted together with the application for the STLGS exemption certificate, or information submitted upon the application for the STLGS exemption certificate is incorrect or does not correspond to the actual situation.



# Chapter 93

## Import Duty Exemption and Taxes on Imports Facilities for Imports of Goods by the Central Government or Local Governments Intended for the Public Interest

### A. Brief Description

<b>Description</b>	Imports of goods: (i) from outside the customs territory; and (ii) imports of goods through the bonded logistic centre ( <i>Pusat Logistik Berikat/PLB</i> in Indonesian), by the central government or local governments intended for the public interest in the Nusantara Capital ( <i>Ibu Kota Nusantara/IKN</i> in Indonesian) and partner regions, are exempt from import duty and entitled to the taxes on imports ( <i>Pajak Dalam Rangka Impor/PDRI</i> in Indonesian) facilities.
<b>Incentive type</b>	Import duty exemption and taxes on imports facilities
<b>Legal basis</b>	1. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital ( <a href="#">Gov. Reg. 12/2023</a> ); 2. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital ( <a href="#">MoF Reg. 28/2024</a> ).
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Households
<b>Tax policy objective</b>	Improving the people's welfare
<b>Implementation</b>	Effective from 2024

Source: [MoF Reg. 28/2024](#), processed by the Author.

## B. Incentive Benefits

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The import duty exemption and taxes on imports facilities are granted for:

- (i) Imports of goods from outside the customs territory; and
- (ii) Imports of goods through the bonded logistic centre,

by the central government or local governments intended for the public interest in the Nusantara Capital<sup>1</sup> and partner regions<sup>2</sup>.

In addition to the 2 (two) above import conditions, this facility is also provided for the following several import conditions.

- (i) The settlement of goods subject to temporary admission by being granted to the central government for the public interest in the Nusantara Capital and partner regions;
- (ii) The release of goods from bonded storage other than the bonded logistic centre, Special Economic Zones (SEZs or *Kawasan Ekonomi Khusus/KEK* in Indonesian) or free trade zones and free ports (*Kawasan Perdagangan Bebas dan Pelabuhan Bebas/KPBPB* in Indonesian); or
- (iii) The transfer of imported goods that have obtained the import duty exemption from the recipient of the import duty exemption.

This incentive is valid from 2024 or when [MoF Reg. 28/2024](#) is issued until 2045.

## C. Parties Receiving the Incentives

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The following are importers that may utilise this facility.

- (i) The government:
  - a. the central government; or
  - b. local governments, in this case, the Nusantara Capital Authority or local governments of the partner regions.
- (ii) Third parties based on contracts or work agreements; and/or
- (iii) Other parties.

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<sup>1</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

<sup>2</sup> Partner region is a certain area on the Island of Kalimantan established for the construction and construction of the Nusantara Capital's economic superhub, in collaboration with the Nusantara Capital Authority and enacted through the Chairperson of the Authority Decree.



## **D. Requirements**

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Requirements to utilise the import duty exemption incentive and taxes on imports facility consist of 2 (two) requirements, i.e., general requirements and special requirements which must be fulfilled by parties that will utilise this incentive.

### **D.1 General Requirements**

This facility may be utilised insofar as the imports of goods by the central government or local governments are sourced from:

- (i) the state budget (*Anggaran Pendapatan dan Belanja Negara/APBN* in Indonesian) and/or the local government budget (*Anggaran Pendapatan dan Belanja Daerah/APBD* in Indonesian);
- (ii) grants or foreign grants; and/or
- (iii) other valid sources pursuant to statutory provisions.

### **D.2 Special Requirements**

#### **D.2.1 Attachment to the Application for the Import Duty Exemption Incentive and Taxes on Imports Facilities**

For imports financed by the state budget or the local government budget, grants or foreign grants and/or other valid sources, the application must at least be attached with the following several documents.

- (i) A copy of the budget execution document (*Daftar Isian Pelaksanaan Anggaran/DIPA* in Indonesian) in the current fiscal year or documents similar to the budget execution document in the current fiscal year;
- (ii) The statement letter stating that the financing in the budget execution document or documents similar to the budget execution document for the goods for which the import duty exemption is requested does not include elements of import duty and/or taxes on imports; and/or
- (iii) A copy of the agreement or contract for the procurement of goods stating that the price in the agreement or contract for the procurement of goods does not include the payment of import duty and/or taxes on imports, if the goods are procured using a third party.

### **D.2.2 Additional Attachment Specifically for Imports of Grants in the Form of Goods**

Specifically for imports of goods constituting a grant, the application must at least be attached with:

- (i) a copy of the certificate from the grantor in the form of a gift certificate or memorandum of understanding stating that the goods for the public interest are grants directly granted to the central government or local governments;
- (ii) a copy of the approval of the grant from the central government document, if the imported goods are a grant intended for local governments; and
- (iii) the statement letter from the central government or local governments if the import is conducted by another party.

### **D.2.3 Provisions on the Signee of the Statement Letter in the Attachment to the Application for the Incentive**

The statement letter referred to in Section D.2.1 number (ii) and Section D.2.2 number (iii) is signed by:

- (i) the government or local governments:
  - a. the head of the work unit as the proxy of budget user (*Kuasa Pengguna Anggaran/KPA* in Indonesian); or
  - b. an official at the lowest level of Echelon II level or primary executive official,  
from the central government or local governments;
- (ii) third party, signed by the leader of the third party; or
- (iii) another party, signed by the leader of another party and/or attached with a certificate or statement stating that the other party is the grantor's attorney.

### **D.3 Application Forms or Reports**

The following are several forms that need to be fulfilled when applying for the utilisation of the import duty exemption incentive and taxes on imports facility.

- (i) The format of the application for the import duty exemption and taxes on imports facilities for imports of goods intended for the public interest in the Nusantara Capital and partner regions;
- (ii) The format of the list of goods details intended for the public interest in the Nusantara Capital and partner regions for which the import duty exemption and taxes on imports facilities are requested; and

- (iii) The statement letter stating that the financing in the budget execution document or documents similar to the budget execution document for the goods for which the import duty exemption is requested, does not include an element of import duty.

### **E. Application Scheme**

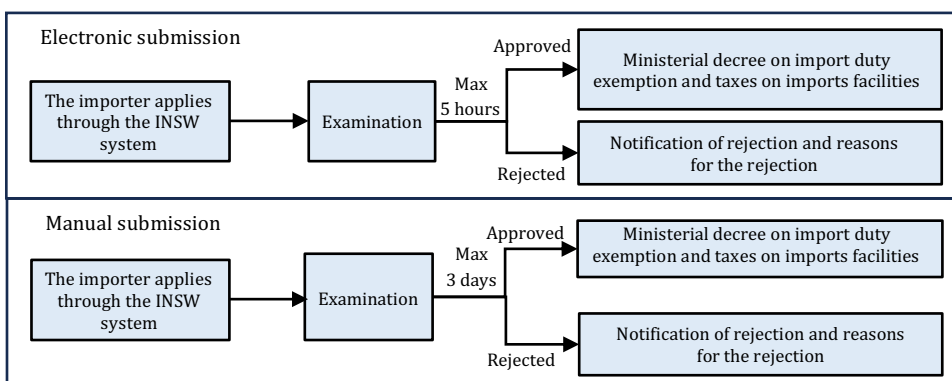
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This incentive may be utilised after the importer is approved to utilise the incentive. The following are the stages for importers to utilise this incentive.

- (i) The central government, local governments, a third party or another party applies to the Minister through:
- a. the Head of the Directorate General Customs and Excise (DGCE) Regional Office; or
  - b. the Head of the Prime Customs and Excise Office (*Kantor Pelayanan Utama Bea dan Cukai/KPUBC* in Indonesian),  
whose working area includes the Nusantara Capital and/or partner regions. This application is submitted through:
    - a. the Indonesia National Single Window (INSW) system webpage;
    - b. if the INSW system cannot yet be implemented or experiences operational disruptions, the application is submitted manually accompanied by:
      - the attachment to the application in the form of a hard copy; and
      - a soft copy of the scans of the original documents in electronic data storage media;
- (ii) For the application, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office whose working area includes the Nusantara Capital and/or partner regions examine the fulfilment of the requirements. The time required to examine the application until approval or rejection is issued is:
- a. 5 (five) hours after the application is submitted electronically; or
  - b. 3 (three) business days after the application is submitted manually;
- (iii) For the examination, the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office whose working area includes the Nusantara Capital and/or partner regions on behalf of the Minister is entitled to issue:
- a. the ministerial decree concerning approval of the utilisation of the incentive, if based on the results of the examination, the application is complete and correct; or

- b. the notice of rejection stating the reasons for the rejection if based on the results of the examination, the application does not fulfil the applicable provisions.

**F. Flow Chart**



Source: [MoF Reg. 28/2024](#), processed by the Author.

**G. Post-Incentive-Utilisation Obligations**

**G.1 Utilisation Period**

The import realisation period for the goods granted the import duty exemption and taxes on imports facilities is a maximum of 1 (one) year from the date the ministerial decree is enacted. If the period of the contract with the third party is more than 1 (one) year, the import period shall comply with the end of the validity period of the procurement contract. If the period extends beyond 2045, the import duty exemption facility is granted until 31 December 2045.

**G.2 Recording of Goods Obligation**

The central government and local governments receiving this facility are required to record the goods pursuant to statutory provisions in the field of the management of state property, local property or property of the Nusantara Capital Authority.

## **H. Other Important Information**

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### **H.1 Provisions on the Amendment to the Ministerial Decree on Import Duty Exemption and Taxes on Imports Facilities**

The ministerial decree concerning the granting of the import duty exemption and taxes on imports facilities may be amended in the event of:

- (i) misspelling or typos; and/or
- (ii) changes in the applicant's data.

The ministerial decree may be amended with the following provisions:

- (i) the customs declaration for the import of goods has not received a registration number in the customs office where customs obligations are settled; and
- (ii) the import period of the goods has not elapsed, i.e., within a period of 1 (one) year from the time the ministerial decree is issued.

The amendment may be conducted if the central government, local government, third party or another party applies for the amendment to the ministerial decree to the Minister through the Head of the Regional Office or the Head of the Prime Customs and Excise Office by stating the reason for the amendment and attaching the supporting documents for the reason for the amendment.

### **H.2 Provisions on the Cancellation of Grants and the Procurement of Goods that Does Not Conform to Agreements/Contracts**

Goods whose procurement:

- (i) does not conform to the contents of the procurement agreement/contract; or
- (ii) is subject to the cancellation of the grant,

by the central government, local government, third party or another party is required to notify:

- (i) the termination of the agreement/contract; or
- (ii) the cancellation of the grant.

The notification is submitted to the Head of the DGCE Regional Office or the Head of the Prime Customs and Excise Office no later than 30 (thirty) days after the date of the termination of the agreement/contract or the cancellation of the grant.

### **H.3 Provisions on the Settlement of Customs Obligations**

Customs obligations for imports of goods granted the import duty exemption and taxes on imports facilities are the importer's responsibility. The obligations may be settled by:

- (i) being exported;
- (ii) being destroyed using crushing, burning, exploding or other methods to eliminate the function of the goods; or
- (iii) settling import duty and/or taxes on imports payable.

### **H.4 Penalties on the Use of Imported Goods Not According to the Original Purpose**

If the central government, local government, third party or another party that uses goods not according to the original purpose, the importer is required to pay import duty and/or taxes on imports payable and is subject to administrative penalties.

## Chapter 94

# Import Duty Exemption and Taxes on Imports Facilities for Imports of Capital Goods for Industries that Produce Goods and/or Services into the Nusantara Capital and Partner Regions

### A. Brief Description

<b>Description</b>	The import duty exemption facility and/or taxes on imports ( <i>Pajak Dalam Rangka Impor</i> /PDRI in Indonesian) facility are granted to imports of capital goods by companies constituting industries that produce services admitted into the Nusantara Capital ( <i>Ibu Kota Nusantara</i> /IKN in Indonesian) and partner regions for the construction and development of the Nusantara Capital.
<b>Incentive type</b>	Import duty exemption and taxes on imports facilities
<b>Legal basis</b>	<ol style="list-style-type: none"><li>1. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li><li>2. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>).</li></ol>
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2024

Source: [MoF Reg. 28/2024](#), processed by the Author.

## **B. Incentive Benefits**

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Imports of capital goods by companies constituting industries that:

- (i) produce goods; and/or
- (ii) produce the following services:
  - a. tourism and creative economy;
  - b. education and culture;
  - c. public transportation;
  - d. public healthcare services;
  - e. Research and Development (R&D);
  - f. construction;
  - g. telecommunications industry;
  - h. port; and
  - i. financial,

from outside the customs territory and through the bonded logistic centre (Pusat Logistik Berikat/PLB in Indonesian) into the Nusantara Capital<sup>1</sup> and partner regions<sup>2</sup> for the construction and development of the Nusantara Capital are granted a facility in the form of the import duty exemption and taxes on imports facilities.

Further, the following are capital goods that may utilise the incentive.

- (i) Machines;
- (ii) Machinery;
- (iii) Factory installation equipment;
- (iv) Equipment used to support the running of industrial activities; or
- (v) Tools to support the running of industrial activities.

## **C. Parties Receiving the Incentives**

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This incentive is granted to companies that import capital goods intended to produce goods and/or services for the construction and development of the Nusantara Capital.

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<sup>1</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

<sup>2</sup> Partner region is a certain area on the Island of Kalimantan established for the construction and construction of the Nusantara Capital's economic superhub, in collaboration with the Nusantara Capital Authority and enacted through the Chairperson of the Authority Decree.



## **D. Requirements**

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The import duty exemption and/or taxes on imports facilities for imports of capital goods into the Nusantara Capital may be utilised insofar as the following several requirements are fulfilled.

### **D.1 General Requirements**

The import duty exemption and/or taxes on imports facilities may be granted insofar as capital goods fulfil the following criteria.

- (i) Have not been produced domestically;
- (ii) Have been produced domestically but have not fulfilled the required specification; or
- (iii) Have been produced domestically but the quantity has not fulfilled industrial needs,

based on the list of goods determined by the minister who administers governmental affairs in the field of industry.

### **D.2 Special Requirements**

When applying, the following are several additional documents that need to be attached to the application.

- (i) The company's identity;
- (ii) The list of capital goods;
- (iii) A copy of the business permit; and
- (iv) The determination letter of the granting of the income tax reduction facility in the event that the company conducts construction or industrial development in partner regions.

If the application is submitted by a new and renewable energy power station company, the following are several additional documents that must be attached in addition to the above 4 (four) documents.

- (i) A recommendation in the form of the masterlist (*Rencana Impor Barang/RIB* in Indonesian) that has been approved and ratified by the ministry that administers governmental affairs in the field of energy and mineral resources; and
- (ii) A copy of the electricity purchase and sale agreement for the business permit holder under the provisions on electricity.

### D.3 Application Forms or Reports

No sufficient information is available concerning application forms or reports to utilise the incentive in the provisions stipulating this incentive.

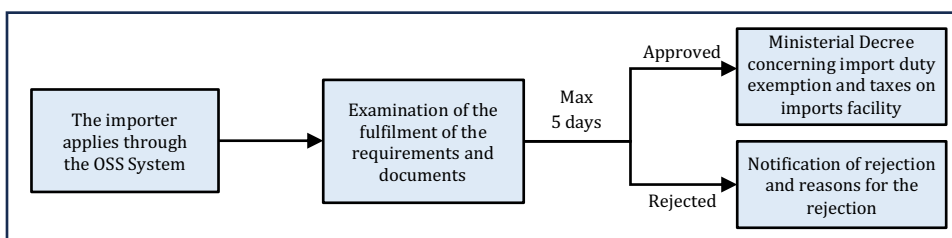
### E. Application Scheme

This incentive may be utilised after the importer is approved to utilise the incentive. The following are the stages for an importer to utilise this incentive.

- (i) The company importing the capital goods applies to the Ministry of Investment through:
  - a. electronically, the Online Single Submission (OSS) system; or
  - b. manually, if the Online Single Submission (OSS) system cannot yet be implemented or experiences operational disruptions.
- (ii) The application will be examined and approved or rejected within a period of 5 (five) business days from the time the application is completely and correctly received:
  - a. if the application is rejected, a rejection letter stating reasons for the rejection will be issued; or
  - b. if the application is approved, a decree concerning the import duty exemption and taxes on imports facilities for imports of capital goods will be issued.

After the decree concerning the import duty exemption and taxes on imports facilities for imports of capital goods is issued, the decree will be submitted by the DGCE through the Indonesia National Single Window (INSW) system.

### F. Flow Chart



Source: [MoF Reg. 28/2024](#), processed by the Author.

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## **G. Post-Incentive-Utilisation Obligations**

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### **G.1 Import Period**

The import duty exemption and taxes on imports facilities may be granted for a maximum import period of 2 (two) years from the date the decree on the import duty exemption and taxes on imports facilities comes into force.

### **G.2 Import Quota Cuts**

- (i) The implementation of imports and/or release of capital goods are subject to electronic quota cut and self-assessment on the INSW system webpage;
- (ii) If the quota cut cannot be conducted electronically, the customs and excise officials conduct the examination and quota cut manually through an integrated system; or
- (iii) If the quota cut through the integrated system cannot be conducted, the customs and excise officials conduct the examination and quota cut manually.

### **G.3 Import Realisation Report**

Companies that obtain the import duty exemption and/or taxes on imports facilities must submit:

- (i) the report on the import realisation no later than 7 (seven) business days after the import realisation; and
- (ii) the report on the use of capital goods every year no later than in January of the following year for the first (4) four years from the date of the import declaration,

to the Ministry of Investment through the OSS system.

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## **H. Other Important Information**

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### **H.1 Provisions on the Amendment to the Decree on Import Duty Exemption and Taxes on Imports Facilities**

An importing company may apply for the amendment to the decree on the import duty exemption and taxes on imports facilities. The application for the amendment may be submitted with the following provisions.

- (i) The capital goods have not been imported; and
- (ii) The exemption period has not elapsed.

The company applies for the amendment to the decree to the Ministry of Investment. The application is at least attached with:

- (i) a copy of the business licensing;
- (ii) a copy of the decree on the import duty exemption and taxes on imports facilities; and
- (iii) supporting data for the amendment to the ministerial decree concerning the granting of the import duty exemption and taxes on imports facilities.

## **H.2 Settlement of Customs Obligations for Capital Goods**

Customs obligations for capital goods may be settled through the following three methods.

- (i) Re-export, implemented by:
  - a. using an export declaration; and
  - b. a physical inspection, pursuant to statutory provisions stipulating exports.
- (ii) Destruction of capital goods, implemented by completing the official report of the destruction; or
- (iii) Transfer, implemented pursuant to the ministerial decree concerning the granting of the transfer permit.

## **H.3 The Non-Conformity of Information on Imported Goods and Provisions on the Import Duty Exemption and Taxes on Imports Facilities**

If non-conformity is found between information on imported goods and the decree on the import duty exemption and taxes on imports facilities, the company is required to pay:

- (i) import duty;
- (ii) administrative penalties in the field of customs;
- (iii) taxes on imports payable; and/or
- (iv) administrative penalties in the field of taxation.

# Chapter 95

## Import Duty Exemption for Imports of Goods and Materials for Industries that Produce Goods into the Nusantara Capital and Partner Regions

### A. Brief Description

<b>Description</b>	The import duty exemption facility is granted to imports of goods and materials for industries that produce goods into the Nusantara Capital and partner regions for the construction and development of the Nusantara Capital ( <i>Ibu Kota Nusantara/IKN</i> in Indonesian).
<b>Incentive type</b>	Import duty exemption
<b>Legal basis</b>	<ol style="list-style-type: none"> <li>1. Government Regulation Number 12 of 2023 concerning the Granting of Business Permits, Ease of Doing Business and Investment Facilities to Entrepreneurs in the Nusantara Capital (<a href="#">Gov. Reg. 12/2023</a>);</li> <li>2. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital (<a href="#">MoF Reg. 28/2024</a>).</li> </ol>
<b>Economic sectors</b>	Multi sectors
<b>Beneficiary subjects</b>	Industries
<b>Tax policy objective</b>	Improving the investment climate
<b>Implementation</b>	Effective from 2024

Source: [MoF Reg. 28/2024](#), processed by the Author.

## **B. Incentive Benefits**

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This facility is granted to imports of goods in the form of goods and materials for industries that produce goods into the Nusantara Capital<sup>1</sup> and partner regions<sup>2</sup> for the industrial construction and development in the Nusantara Capital. The goods and materials include all goods or materials, regardless of the type and composition, which are used as materials or components to produce finished goods.

## **C. Parties Receiving the Incentives**

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This incentive may be utilised by entrepreneurs importing goods or materials for industrial development in the Nusantara Capital.

## **D. Requirements**

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The import duty exemption for imports of goods and materials into the Nusantara Capital may be utilised insofar as fulfilling the following several requirements.

### **D.1 General requirements**

The import duty exemption may be granted insofar as goods and materials fulfil the following criteria.

- (i) The goods and materials have not been produced domestically;
- (ii) The goods and materials have been produced domestically but have not fulfilled the required specification; or
- (iii) The goods and materials have been produced domestically but the quantity has not fulfilled industrial needs,

based on the list of goods determined by the minister who administers governmental affairs in the field of industry.

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<sup>1</sup> The Capital of the State named Nusantara, hereinafter referred to as Nusantara Capital, is a special local government unit at the provincial level in whose territory, the State Capital is domiciled.

<sup>2</sup> Partner region is a certain area on the Island of Kalimantan established for the construction and construction of the Nusantara Capital's economic superhub, in collaboration with the Nusantara Capital Authority and enacted through the Chairperson of the Authority Decree.

## **D.2 Special Requirements**

When applying, the following are several additional documents that need to be attached to the application.

- (i) The company's identity;
- (ii) The list of goods and materials;
- (iii) A copy of the business permit;
- (iv) The determination letter of the granting of the income tax reduction facility if the company conducts construction or industrial development in partner regions; and
- (v) A recommendation from the minister who administers governmental affairs in the field of industry if the company uses domestically-manufactured machines.

If the application is submitted by a new and renewable energy power station company, the following are several additional documents that must be attached in addition to the above 4 (four) documents.

- (i) A recommendation in the form of the masterlist (*Rencana Impor Barang/RIB* in Indonesian) that has been approved and legalised by the ministry that administers governmental affairs in the field of energy and mineral resources; and
- (ii) A copy of the electricity purchase and sale agreement for the business permit holder under the provisions on electricity.

## **D.3 Application Forms or Reports**

No sufficient information is available concerning application forms or reports to utilise the incentive in the provisions stipulating this incentive.

## **E. Application Scheme**

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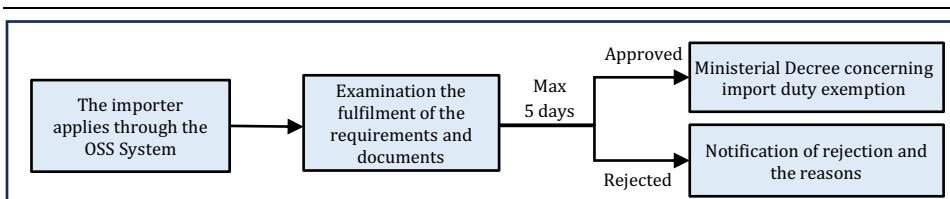
This incentive may be utilised after the importer is approved to utilise the incentive. The following are the stages for an importer to utilise this incentive.

- (i) The company importing goods and materials applies to the Ministry of Investment through:
  - a. electronically, the Online Single Submission (OSS) system; or
  - b. manually, if the OSS system cannot yet be implemented or experiences operational disruptions;

- (ii) The application will be examined and approved or rejected within a period of 5 (five) business days from the time the application is completely and correctly received:
  - a. if the application is rejected, a rejection letter stating reasons for the rejection will be issued; or
  - b. if the application is approved, a decree concerning the import duty exemption and taxes on imports facilities for imports of goods and material will be issued.

After the decree concerning the import duty exemption and taxes on imports facilities for imports of capital goods is issued, the decree will be submitted by the DGCE through the Indonesia National Single Window (INSW) system.

## F. Flow Chart



Source: [MoF Reg. 28/2024](#), processed by the Author.

## G. Post-Incentive-Utilisation Obligations

### G.1 Import Period

The import duty exemption facility may be granted for a maximum import period of 2 (two) years from the date the decree on the import duty exemption facility comes into force.

### G.2 Import Quota Cuts

- (i) The implementation of imports and/or release of capital goods are subject to electronic quota cut and self-assessment on the INSW system webpage;
- (ii) If the quota cut cannot be conducted electronically, the customs and excise officials conduct the examination and quota cut manually through an integrated system; or
- (iii) If the quota cut through the integrated system cannot be conducted, the customs and excise officials conduct the examination and quota cut manually.



### **G.3 Import Realisation Report**

Companies that obtain the import duty exemption and/or taxes on imports facilities must submit:

- (i) the report on the import realisation no later than 7 (seven) business days after the import realisation; and
- (ii) the report on the use of goods and materials every year no later than in January of the following year for the first (4) four years from the date of the import declaration,

to the Ministry of Investment through the OSS system.

## **H. Other Important Information**

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### **H.1 Provisions on the Amendment to the Decree on the Import Duty Exemption**

An importing company may apply for the amendment to the decree on the import duty exemption facility. The application for the amendment may be submitted with the following provisions.

- (i) The goods and materials have not been imported; and
- (ii) The exemption period has not elapsed.

The company applies for the amendment to the decree to the Ministry of Investment. The application is at least attached with:

- (i) a copy of the business permit;
- (ii) a copy of the decree on the import duty exemption and taxes on imports facilities; and
- (iii) supporting data for the amendment to the ministerial decree concerning the granting of the import duty exemption facility.

### **H.2 Settlement of Customs Obligations for Goods and Materials**

Customs obligations for capital goods may be settled through the following three methods.

- (i) Being re-exported, implemented by:
  - a. using an export declaration; and
  - b. a physical inspection, pursuant to statutory provisions stipulating exports;

- (ii) Destruction of capital goods, implemented by completing the official report of the destruction; or
- (iii) Transfer, implemented pursuant to the ministerial decree concerning the granting of the transfer permit.

### **H.3 The Non-Conformity of Information on Imported Goods and Provisions on the Import Duty Exemption**

If non-conformity is found between information on imported goods and the decree on the import duty exemption and taxes on imports facilities, the company is required to pay:

- (i) import duty;
- (ii) administrative penalties in the field of customs;
- (iii) taxes on imports payable; and/or
- (iv) administrative penalties in the field of taxation.

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- Republic of Indonesia. Minister of Finance Regulation Number 113/PMK.04/2007 concerning Import Duty Exemption for Imports of Marine Products Caught with Fishing Gears that Have Obtained a Permit.
- Republic of Indonesia. Minister of Finance Regulation Number 28/PMK.04/2008 concerning Import Duty Exemption for Imports of Personal Effects.
- Republic of Indonesia. Minister of Finance Regulation Number 79/PMK.03/2008 concerning the Revaluation of Company Fixed Assets for Tax Purposes.
- Republic of Indonesia. Minister of Finance Regulation Number 154/PMK.011/2008 concerning Import Duty Exemption for Imports of Capital Goods in the Context of the Construction and Development of the Public Power Station Industry.
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- Republic of Indonesia. Minister of Finance Regulation Number 176/PMK.011/2009 concerning Import Duty Exemption for Imports of Machinery As Well As Goods and Materials for Industrial Construction or and Development in the Context of Investments.
- Republic of Indonesia. Minister of Finance Regulation Number 21/PMK.011/2010 concerning the Granting of Tax and Customs Facilities for Renewable Energy Utilisation.
- Republic of Indonesia. Minister of Finance Regulation Number 14/PMK.03/2011 concerning the Tax Treatment of Taxable Income After Deducted by Taxes of a Permanent Establishment.
- Republic of Indonesia. Minister of Finance Regulation Number 76/PMK.03/2011 concerning Procedures for the Recording and Reporting of National Disaster Management Donations, Research and Development Donations, Education Facility Donations, Sports Coaching Donations and Social Infrastructure Construction Expenses Constituting Deductible Expenses.
- Republic of Indonesia. Minister of Finance Regulation Number 18/PMK.010/2012 concerning Venture Capital Companies.
- Republic of Indonesia. Minister of Finance Regulation Number 69/PMK.04/2012 concerning Import Duty and/or Excise Exemption for Imports of Gifts/Grants for Natural Disaster Management
- Republic of Indonesia. Minister of Finance Regulation Number 70/PMK.04/2012 concerning Import Duty and/or Excise Exemption for Imports of Gifts/Grants for Public Worship, Charity, Social or Cultural Purposes.
- Republic of Indonesia. Minister of Finance Regulation Number 76/PMK.011/2012 concerning the Amendment to Minister of Finance Regulation Number 176/PMK. 011/2009 concerning Import Duty Exemption for Imports of Machinery As Well As Goods and Materials for Industrial Construction or and Development in the Context of Investments.
- Republic of Indonesia. Minister of Finance Regulation Number 90/PMK.04/2012 concerning Import Duty Exemption for Imports of Goods for Museums, Zoos

and Other Similar Publicly Accessible Places As Well As Goods for Nature Conservation.

Republic of Indonesia. Minister of Finance Regulation Number 154/PMK.011/2012 concerning the Second Amendment to Minister of Finance Regulation Number 154/PMK.011/2008 concerning Import Duty Exemption for Imports of Capital Goods in the Context of the Construction and Development of the Public Power Station Industry.

Republic of Indonesia. Minister of Finance Regulation Number 252/PMK.011/2012 concerning Natural Gas Included in the Types of Goods Not Subject to Value Added Tax.

Republic of Indonesia. Minister of Finance Regulation Number 179/PMK.011/2013 concerning Government-Borne Income Tax and the Calculation of Non-Tax State Revenues for Geothermal Resource Concession for Energy/Electricity Generation.

Republic of Indonesia. Minister of Finance Regulation Number 267/PMK.011/2014 concerning Mining Sector Land and Building Tax Reduction for Oil and Gas Mining at the Exploration Stage.

Republic of Indonesia. Minister of Finance Regulation Number 169/PMK.010/2015 concerning the Determination of the Debt-to-Equity Ratio of Companies to Calculate Income Tax.

Republic of Indonesia. Minister of Finance Regulation Number 188/PMK.010/2015 concerning the Second Amendment to Minister of Finance Regulation Number 176/PMK. 011/2009 concerning Import Duty Exemption for Imports of Machinery As Well As Goods and Materials for Industrial Construction or and Development in the Context of Investments.

Republic of Indonesia. Minister of Finance Regulation Number 267/PMK.010/2015 concerning the Criteria and/or Details of Livestock, Feed Ingredients for the Manufacture of Livestock Feed and Fish Feed Whose Imports and/or Supplies are Exempt from Value Added Tax Whose Imports and/or Supplies are Exempt from Value Added Tax.

Republic of Indonesia. Minister of Finance Regulation Number 269/PMK.010/2015 concerning the Selling Price Threshold of Simple Proprietary Flats and Income of Individuals Acquiring Simple Proprietary Flats

Republic of Indonesia. Minister of Finance Regulation Number 5/PMK.010/2016 concerning the Amendment to Minister of Finance Regulation Number 267/PMK.010/2015 concerning the Criteria and/or Details of Livestock, Feed Ingredients for the Manufacture of Livestock Feed and Fish Feed Whose Imports and/or Supplies are Exempt from Value Added Tax Whose Imports and/or Supplies are Exempt from Value Added Tax.

Republic of Indonesia. Minister of Finance Regulation Number 91/PMK.010/2016 concerning Government-Borne Income Tax on Interest or Yield from Government Securities Issued in the international Market and Third-Party Income from Services Rendered to the Government in the Issuance and/or Buy- Back/Exchange of Government Securities in the International Market in the 2016 Fiscal Year.



- Republic of Indonesia. Minister of Finance Regulation Number 105/PMK.010/2016 concerning the Granting of Tax and Customs Facilities for Industrial Companies in Industrial Parks and Industrial Park Companies.
- Republic of Indonesia. Minister of Finance Regulation Number 172/PMK.010/2016 concerning Land and Building Tax Reduction for Mining/Geothermal Concession Business at the Exploration Stage.
- Republic of Indonesia. Minister of Finance Regulation Number 37/PMK.03/2017 concerning Procedures for the Payment and Filing of Income Tax on Income from Real Estate Transfers in Certain Collective Investment Contract Schemes.
- Republic of Indonesia. Minister of Finance Regulation Number 40/PMK.03/2017 concerning Procedures for the Filing and Calculation of Article 21 Withholding Tax on Employees' Income from Employers with Certain Criteria
- Republic of Indonesia. Minister of Finance Regulation Number 52/PMK.010/2017 concerning the Use of Book Value for Transfers and Acquisitions of Assets in the Context of Mergers, Consolidations, Spin-Offs or Acquisitions.
- Republic of Indonesia. Minister of Finance Regulation Number 90/PMK.02/2017 concerning the Second Amendment to the Minister of Finance Decree Number 766/KMK.04/1992 concerning Procedures for the Calculation, Remittance and Filing of the Government's Share, Income Tax, Value Added Tax and Other Levies on Geothermal Resource Concession for Energy/Electricity Generation.
- Republic of Indonesia. Minister of Finance Regulation Number 126/PMK.010/2017 concerning Government-Borne Income Tax on Interest or Yield from Government Securities Issued in the international Market and Third-Party Income from Services Rendered to the Government in the Issuance and/or Buy-Back/Exchange of Government Securities in the International Market in the 2017 Fiscal Year.
- Republic of Indonesia. Minister of Finance Regulation Number 142/PMK.010/2017 concerning the Second Amendment to Minister of Finance Regulation Number 267/PMK.010/2015 concerning the Criteria and/or Details of Livestock, Feed Ingredients for the Manufacture of Livestock Feed and Fish Feed Whose Imports and/or Supplies are Exempt from Value Added Tax Whose Imports and/or Supplies are Exempt from Value Added Tax.
- Republic of Indonesia. Minister of Finance Regulation Number 48/PMK.010/2018 concerning the Tax Treatment of Capital Participation of Venture Capital Companies in Micro, Small and Medium Companies.
- Republic of Indonesia. Minister of Finance Regulation Number 205/PMK.010/2018 concerning the Amendment to Minister of Finance Regulation Number 52/PMK.010/2017 concerning the Use of Book Value for Transfers and Acquisitions of Assets in the Context of Mergers, Consolidations, Spin-Offs or Acquisitions.
- Republic of Indonesia. Minister of Finance Regulation Number 212/PMK.03/2018 concerning Withholding Tax on Interest on Deposits and Savings Accounts and Discounts on Bank Indonesia Certificates.
- Republic of Indonesia. Minister of Finance Regulation Number 116/PMK.04/2019 concerning the Exemption or Relief of Import Duty and/or the Exemption from Value Added Tax for Imports of Goods in the Context of Contracts of Work or Coal Mining Concession Work Agreements.

- Republic of Indonesia. Minister of Finance Regulation Number 122/PMK.03/2019 concerning Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods, Land and Building Tax Facilities As Well As the Tax Treatment of the Indirect Expense Allocation Expenditures.
- Republic of Indonesia. Minister of Finance Regulation Number 128/PMK.010/2019 concerning the Granting of Gross Income Reduction for Job Training, Internship and/or Apprenticeship in the Context of Fostering and Developing Certain Competency- Based Human Resources.
- Republic of Indonesia. Minister of Finance Regulation Number 198/PMK.010/2019 concerning the Seventh Amendment to the Minister of Finance Decree Number 231/KMK.03/2001 concerning the Value Added Tax and Sales Tax on Luxury Goods Treatment on Imports of Taxable Goods Exemption from Import Duty.
- Republic of Indonesia. Minister of Finance Regulation Number 200/PMK.04/2019 concerning Import Duty and Excise Exemption for Imports of Goods for Scientific Research and Development.
- Republic of Indonesia. Minister of Finance Regulation Number 217/PMK.04/2019 concerning the Exemption from Import Duty and Subject to Taxes on Imports but Not Collected for Imports of Goods for Upstream Oil and Gas Businesses.
- Republic of Indonesia. Minister of Finance Regulation Number 218/PMK.04/2019 concerning Import Duty Exemption and/or Subject to Taxes on Imports but Not Collected for Imports of Goods for Geothermal Operations.
- Republic of Indonesia. Minister of Finance Regulation Number 5/PMK.010/2020 concerning General Textbooks, Scriptures and Religious Textbooks Whose Imports and/or Supplies are Exempt from Value Added Tax.
- Republic of Indonesia. Minister of Finance Regulation Number 11/PMK.010/2020 concerning the Implementation of Government Regulation Number 78 of 2019 concerning Income Tax Facilities for Investments in Certain Business Sectors and/or Certain Regions.
- Republic of Indonesia. Minister of Finance Regulation Number 16/PMK.010/2020 concerning the Calculation of Taxable Income and Settlement of Income Tax in the Current Year, it is necessary to enact a Minister of Finance Regulation concerning the Granting of Net Income Reduction Facility for New Investments or Business Spin-Offs in Certain Business Sectors Constituting Labour-Intensive Industries.
- Republic of Indonesia. Minister of Finance Regulation Number 67/PMK.03/2020 concerning the Granting of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods As Well As Land and Building Tax Facilities in Oil and Gas Business with Gross Split Production Sharing Contracts.
- Republic of Indonesia. Minister of Finance Regulation Number 68/PMK.03/2020 concerning the Income Tax Treatment of Scholarships that Fulfil Certain Requirements and Surplus Received or Accrued by Non-Profit Organisations or Institutions Engaged in the Fields of Education and/or Research and Development.
- Republic of Indonesia. Minister of Finance Regulation Number 90/PMK.03/2020 concerning Aid or Donations As Well As Gifts Excluded from Income Tax Objects.

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- Republic of Indonesia. Minister of Finance Regulation Number 130/PMK.010/2020 concerning the Granting of Corporate Income Tax Reduction Facility.
- Republic of Indonesia. Minister of Finance Regulation Number 153/PMK.010/2020 concerning the Granting of Gross Income Reduction for Certain Research and Development Activities in Indonesia.
- Republic of Indonesia. Minister of Finance Regulation Number 237/PMK.010/2020 concerning the Tax, Customs and Excise Treatment in Special Economic Zones.
- Republic of Indonesia. Minister of Finance Regulation Number 18/PMK.03/2021 concerning the Implementation of Law Number 11 of 2020 concerning Job Creation in the Field of Income Tax, Value Added Tax and Sales Tax on Luxury Goods As Well As General Provisions and Tax Procedures.
- Republic of Indonesia. Minister of Finance Regulation Number 33/PMK.010/2021 concerning the Amendment to the Minister of Finance Regulation Number 237/PMK.010/2020 concerning the Tax, Customs and Excise Treatment in Special Economic Zones.
- Republic of Indonesia. Minister of Finance Regulation Number 34/PMK.04/2021 concerning the Entry and Release of Goods to and from Zones Designated as Free Trade Zones and Free Ports.
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- Republic of Indonesia. Minister of Finance Regulation Number 141/PMK.010/2021 concerning the Determination of the Types of Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Imposition, Granting and Administration of Exemption and Refund of Sales Tax on Luxury Goods.
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Income from Services Rendered to the Government or Other Parties Assigned in the Context of the Issuance and/or Buy- Back of Government Securities in the International Market.

Republic of Indonesia. Minister of Finance Regulation Number 42/PMK.010/2022 concerning the Amendment to Minister of Finance Regulation Number 141/PMK.010/2021 concerning the Determination of the Types of Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Imposition, Granting and Administration of Exemption and Refund of Sales Tax on Luxury Goods.

Republic of Indonesia. Minister of Finance Regulation Number 149/PMK.04/2022 concerning Import Duty Exemption and Subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods but Not Collected for Imports of Goods and Materials to Be Processed, Assembled or Installed on Other Goods to Be Exported.

Republic of Indonesia. Minister of Finance Regulation Number 172/PMK.04/2022 concerning the Amendment to the Minister of Finance Regulation Number 218/PMK.04/2019 concerning Import Duty Exemption and/or Subject to Taxes on Imports but Not Collected for Imports of Goods for Geothermal Operations.

Republic of Indonesia. Minister of Finance Regulation Number 15/PMK.03/2023 concerning the Amendment to the Minister of Finance Regulation Number 96/PMK.03/2021 concerning the Determination of the Types of Taxable Goods Other Than Motor Vehicles Subject to Sales Tax on Luxury Goods and Procedures for the Exclusion from the Imposition of Sales Tax on Luxury Goods.

Republic of Indonesia. Minister of Finance Regulation Number 38 of 2023 concerning Government-Borne Value Added Tax on Supplies of Certain Four-Wheeled Battery Electric Vehicles and Certain Bus Battery Electric Vehicles in the 2023 Fiscal Year.

Republic of Indonesia. Minister of Finance Regulation Number 40 of 2023 concerning the Format and Procedures for the Submission of the Report and List of Taxpayers in the Context of the Fulfilment of the Requirements for the Income Tax Rate Reduction for Resident Corporate Taxpayers in the Form of Public Companies.

Republic of Indonesia. Minister of Finance Regulation Number 60 of 2023 concerning the Threshold of Public Housing, Workforce Housing, University Student and Pupil Dormitories As Well As Employee Housing that Are Exempt from Value Added Tax.

Republic of Indonesia. Minister of Finance Regulation Number 66 of 2023 concerning the Income Tax Treatment of Reimbursements or Remunerations in Respect of Employment or Services Received or Accrued in the Form of In-Kind and/or Fringe Benefits.

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- Republic of Indonesia. Minister of Finance Regulation Number 129 of 2023 concerning the Granting of Land and Building Tax Reduction.
- Republic of Indonesia. Minister of Finance Regulation Number 141 of 2023 concerning the Provisions on Imports of Goods of Indonesian Migrant Workers.
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- Republic of Indonesia. Minister of Finance Regulation Number 9 of 2024 concerning Government-Borne Sales Tax on Luxury Goods on Imports and/or Supplies of Taxable Luxury Goods in the Form of Certain Four-Wheeled Battery Electric Vehicles for the 2024 Fiscal Year.
- Republic of Indonesia. Minister of Finance Regulation Number 28 of 2024 concerning Tax and Customs Facilities in the Nusantara Capital.
- Republic of Indonesia. Minister of Finance Regulation Number 32 of 2024 concerning Import Duty Exemption for Imports of Tools and Materials Used to Prevent Environmental Pollution.
- Republic of Indonesia. Minister of Finance Regulation Number 41 of 2024 concerning Import Duty Exemption for Imports of Seedlings and Seeds for the Construction and Development of Agriculture, Animal Husbandry or Fisheries Industries.
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- Republic of Indonesia. Minister of Finance Regulation Number 81 of 2024 concerning Tax Provisions in the Context of the Implementation of the Coretax Administration System.
- Republic of Indonesia. Indonesian Investment Coordinating Board Regulation Number 5 of 2020 concerning Procedures for the Offline Submission of the Application for Corporate Income Tax Facilities for Investments in Certain Business Sectors.
- Republic of Indonesia. Indonesian Investment Coordinating Board Regulation Number 7 of 2020 concerning Details of Business Sector and Types of Products of Pioneer Industries and Procedures for the Granting of Corporate Income Tax Reduction Facility.

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- Republic of Indonesia. Minister of Investment/Indonesian Investment Coordinating Board Regulation Number 6 of 2023 concerning Guidelines and Governance for the Granting of Incentives for Imports and/or Supplies of Four-Wheeled Battery Electric Vehicles in the Context of Investment Acceleration.
- Republic of Indonesia. Minister of Investment/Indonesian Investment Coordinating Board Regulation Number 1 of 2024 concerning the Amendment to the Minister of Investment/Head of the Indonesian Investment Coordinating Board Regulation Number 6 of 2023 concerning Guidelines and Governance for the Granting of Incentives for Imports and/or Supplies of Four-Wheeled Battery Electric Vehicles in the Context of Investment Acceleration.
- Republic of Indonesia. Minister of Finance Decree Number 766/KMK.04/1992 concerning Procedures for the Calculation, Remittance and Filing of the Government's Share, Income Tax, Value Added Tax and Other Levies on Geothermal Resource Concession for Energy/Electricity Generation.
- Republic of Indonesia. Minister of Finance Decree Number 239/KMK.01/1996 concerning the Implementation of Government Regulation Number 42 of 1995 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Foreign Grants or Loans.
- Republic of Indonesia. Minister of Finance Decree Number 140/KMK.05/1997 concerning Import Duty and Excise Exemption for Imports of Product Samples.
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- Republic of Indonesia. Minister of Finance Decree Number 209/KMK.04/1998 concerning the Amendment to the Minister of Finance Decree Number 766/KMK.04/1992 concerning Procedures for the Calculation, Remittance and Filing of the Government's Share, Income Tax, Value Added Tax and Other Levies on Geothermal Resource Concession for Energy/Electricity Generation.
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- Republic of Indonesia. Minister of Finance Decree Number 486/KMK.04/2000 concerning the Second Amendment to the Minister of Finance Decree Number 239/KMK.01/1996 concerning the Implementation of Government

- Regulation Number 42 of 1995 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Foreign Grants or Loans.
- Republic of Indonesia. Director General of Taxes Regulation Number PER-03/PJ/2020 concerning Procedures for the Issuance of Exemption Certificates for Withholding Tax on Interest on Deposits and Savings Accounts and Discounts on Bank Indonesia Certificates Received or Accrued by Pension Funds Whose Establishment Has Been Approved by the Minister of Finance or Has Obtained Permits from the Financial Services Authority.
- Republic of Indonesia. Director General of Taxes Circular Letter Number SE-02/PJ/2015 concerning Affirmation of the Implementation of Article 31E paragraph (1) of Law Number 7 of 1983 concerning Income Tax s Amended Several Times, Last Amended by Law Number 36 of 2008.
- Republic of Indonesia. Director General of Taxes Decree Number KEP-526/PJ./2000 concerning the Implementation of the Minister of Finance Decree Number 239/KMK.01/1996 concerning the Implementation of Government Regulation Number 42 of 1995 concerning Import Duty, Additional Import Duty, Value Added Tax and Sales Tax on Luxury Goods and Income Tax in the Context of the Implementation of Government Projects Financed by Foreign Grants or Loans as Last Amended by the Minister of Finance Decree Number 486/KMK.04/2000.





## LIST OF ABBREVIATIONS

<b>A</b>	
AC	Air Conditioner
Art.	Article
Avtur	Aviation turbine fuel
AWB	Airway Bill
<b>B</b>	
B/L	Bill of Lading
BEV	Battery Electric Vehicle
<b>C</b>	
CBU	Completely Built-Up
CCTV	Closed Circuit Television
CD	Compact Disc
CIC	Collective Investment Contract
CKD	Completely Knocked-Down
CLA	Collective Labour Agreement
CN	Consignment Note
CNG	Compressed Natural Gas
CoD	Certificate of Domicile
COGS	Cost of Goods Sold
Covid-19	Corona Virus Disease 2019
CoW	Contract of Work
CRT	Cathode Ray Tube
CT Scan	Computed Tomography Scan
<b>D</b>	
DER	Debt-to-Equity Ratio
DGCE	Directorate General of Customs and Excise
DGT	Directorate General of Taxes
DMT	Dimethyltryptamine
DVD	Digital Versatile Disc
<b>E</b>	
EEZ	Exclusive Economic Zone
EOR	Enhanced Oil Recovery
EPC	Engineering, Procurement and Construction
EPDM	Ethylene-Propylene Diene Rubber
<b>F</b>	
Fintech	Financial technology
FLA	Finance Lease Agreement

**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

FOB	Free on Board
FSRU	Floating Storage Regasification Unit
FTZ	Free Trade Zone
<b>G</b>	
Gov. Reg.	Government Regulation
GPS	Global Positioning System
<b>H</b>	
HCT	Handheld Computers and/or Tablets
HR	Human Resources
HS	Harmonized System
<b>I</b>	
ICT	Information and Communications Technology
IDR	Indonesian Rupiah
INSW	Indonesia National Single Window
IKD	Incompletely-Knocked Down
IoT	Internet of Things
IRR	Internal Rate of Return
ISCO	International Standard Classification of Occupations
ITL	Income Tax Law
<b>L</b>	
L&B Tax	Land and Building Tax
LCR	Local Content Requirements
LED	Light Emitting Diode
LNG	Liquified Natural Gas
LPG	Liquefied Petroleum Gas
<b>M</b>	
MICE	Meetings, Incentives, Conventions and Exhibitions
MoF	Minister of Finance
MoF Reg.	Minister of Finance Regulation
MRI	Magnetic Resonance Imaging
MRO	Maintenance, Repair and Operation
MSME	Micro, Small and Medium Enterprise
<b>O</b>	
OSS	Online Single Submission
<b>P</b>	
P2P	Peer-to-Peer
PCU	Power Control Unit
PE	Permanent Establishment
PPE	Personal Protective Equipment

PVP	Plant Variety Protection
<b>R</b>	
R&D	Research and Development
Reg.	Regulation
REIT	Real Estate Investment Trust
<b>S</b>	
SBR	Styrene Butadiene Rubber
SEZ	Special Economic Zone
SINSW	Indonesia National Single Window System
SOE	State-Owned Enterprise
SPC	Special Purpose Company
STLGs	Sales Tax on Luxury Goods
<b>T</b>	
TTT	Track Type Tractors
TIN	Taxpayer Identification Number
<b>U</b>	
US	United States
USD	United States Dollar
<b>V</b>	
VAT	Value Added Tax
VCD	Video Compact Disc
<b>W</b>	
WHT	Withholding Tax



## AUTHOR PROFILES



**DARUSSALAM** is the Founder of DDTC. His main academic focuses are international tax and comparative tax law. He is acknowledged as a tax expert witness in various tax cases at the District Court, the Corruption Court, the Tax Court and the Constitutional Court. In addition, he was chosen as the government's expert witness in Tax Amnesty Law and Exchange of Information for Tax Purposes Law judicial review.

The author is mentioned as one of the World's Leading Transfer Pricing Advisers 2018 in Indonesia by TP Week, International Tax Review, United Kingdom. In 2019, the author was conferred the Edutax Award as an Educative Figure of the Tax Awareness Inclusion Program 2019 by the Directorate General of Taxes.

He was also a respected member of the Tax Revenue Optimization Steering Committee in 2016 and a respected member of the Steering Committee for the Tax Consultant Certification Examination (USKP) for 2019-2022. The author also serves the Coordinator of the Consultative Board of Tax Accountant Compartment, the Indonesian Institute of Accountant (IAI-KAPj) for 2018-2022 and 2022-2026 as well as the Chairperson of the Association of Tax Centers and Tax Academics Across Indonesia (PERTAPSI).

### Formal Education

- Bachelor's degree in Accounting from the Faculty of Economics and Business of (FEB) of Sebelas Maret University.
- Master's degree in Tax Policy and Administration (M.Si) from the University of Indonesia.
- Advanced Master European and International Tax Law (LL.M Int. Tax) from European Tax College (Tilburg University, the Netherlands and Katholieke Universiteit Leuven, Belgium).

### International Courses and Seminars

- "European Tax Seminar," held by Katholieke Universiteit Leuven, Belgium (2006).
- "Tax Consolidation," held by Tilburg University, the Netherlands (2006).
- "Transfer Pricing Specialist," held by Thomas Jefferson School of Law, San Diego, California, the United States of America (2009).

- “Asia Pacific Transfer Pricing Summit 2011,” held by IBC Legal Conference, Hong Kong (2011).
- “European Tax Law Seminar,” held by Tax Academy of Singapore and the Institute for Austrian and International Tax Law, Vienna University of Economics and Business Administration, Singapore (2011).
- “Summer School of Value Added Tax Programme,” held by Universidade Católica Portuguesa, Lisbon, Portugal (2012).
- “International Tax Conference,” held by Foundation for International Taxation, Mumbai, India (2015).

**Prestasi (*Achievements*)**

- Selected as one of World’s Leading Transfer Pricing Advisers 2018 in Indonesia by TP Week, International Tax Review, United Kingdom.
- Selected as Educative Figure of the Tax Awareness Inclusion Program 2019 by the Indonesian Tax Authority (DGT).
- Selected as Large Taxpayer 2022 by the Small Taxpayer Office Kelapa Gading, Directorate General of Taxes.
- Selected as the Most Inspirational Taxpayer 2022 and 2023 by Majalah Pajak.
- Received the 2023 Outstanding Alumni Award from Sebelas Maret University.
- Received the Digital Leader & Distinguished Contribution to the Alumni award in the Alumni Achievement Awards 2023 from the University of Indonesia.
- Received the 2024 Outstanding Alumni Award in the Professional and Entrepreneurship Sector from State Senior High School 8 Yogyakarta.
- Nominated as the Tax Practice Leader of the Year 2024 in Asia Pacific from the International Tax Review, United Kingdom.
- Author and editor of 30 tax books and more than 300 articles on tax published domestically and overseas as well as a speaker at more than 300 events.
- Editor of a tax comic titled “*Pajak Kita untuk Indonesia Maju*” (DDTC, 2021).
- Contributor to an international journal with Freddy Karyadi titled “Tax Treatment of Derivative” in *Bulletin Derivatives and Financial Instruments Special Issues* (IBFD, the Netherlands, August 2012).
- Contributor of an article with Freddy Karyadi titled “Tax Treaty Dispute in Indonesia” in the book titled *A Global Analysis of Tax Treaty Disputes*, ed. Eduardo Baistrocchi (Cambridge University Press, 2017).

- Transfer Pricing contributor with Freddy Karyadi titled “Indonesia Transfer Pricing” in IBFD Transfer Pricing (IBFD Tax Research Platform, the Netherlands, March 2014-last updated on 21 January 2024).
- Reviewer of the *Indonesian Taxation Scientific Study Journal*, *Scientax*, Directorate General of Taxes.
- Resource person for various print media, such as *Kompas*, *Kontan*, *Bisnis Indonesia*, *Tempo Magazine and Newspaper*, *Sinar Harapan*, *Suara Pembaruan*, *Jawa Pos*, *Rakyat Merdeka*, *Gatra*, *Jakarta Post* and so forth as well as electronic media, such as TV One, Metro TV, RCTI, SCTV, TVRI, Berita Satu, Jak TV, CNN Indonesia, Kompas TV, ANTV, MNC, Sindo TV, detikcom, BBC Indonesia, Bloomberg TV, Pas FM, Trans 7, Hukumonline, dan DDTCNews.
- Resource person for a number of print media, such as *Kompas*, *Kontan*, *Bisnis Indonesia*, *Tempo Magazine and Newspaper*, *Sinar Harapan*, *Suara Pembaruan*, *Jawa Pos*, *Rakyat Merdeka*, *Gatra*, *Jakarta Post* and so forth as well as electronic media, such as TV One, Metro TV, RCTI, SCTV, TVRI, Berita Satu, Jak TV, CNN Indonesia, Kompas TV, ANTV, MNC, Sindo TV, detikcom, BBC Indonesia, Bloomberg TV, Pas FM, Trans 7, Hukumonline and DDTCNews.
- Resource person for various institutions, such as the House of Representatives, People's Consultative Assembly, the House of Regional Representatives, Coordinating Ministry for Economic Affairs, Directorate General of Taxes, Fiscal Policy Agency, the Audit Board of the Republic of Indonesia, Corruption Eradication Commission, Secretariat of the Tax Court, National Finance Committee, Bank Indonesia, Center for Education, Training and Development of Human Resources (PUSDIKLAT Pajak), Ministry of Research and Technology, Indonesian Chamber of Commerce and Industry, Indonesian Fiscal and Tax Administration Association (IFTAA), Institute of Indonesia Chartered Accountants (IAI), Institut Teknologi Petroleum PETRONAS (INSTEP), Indonesian Tax Consultants Association (IKPI), Taxation Supervisory Committee, National Resilience Institute of the Republic of Indonesia, Association of Indonesian Tax Practitioner Consultants (Perkoppi), Center of Finance Professions Supervisory (PPPK), Association of Indonesian Tax Practitioners and Professional Consultants (P3KPI) and various universities, such as the University of Indonesia, Gadjah Mada University, Airlangga University, Brawijaya University, Parahyangan Catholic University, Tarumanagara University, Trisakti University, Petra Christian University, Bina Nusantara University, Sebelas Maret University, Muhammadiyah Prof. Dr. HAMKA University (UHAMKA), Indonesia Christian University, Perbanas Institute, STIAMI, STIE Yogyakarta, State Finance Polytechnic of STAN, State University of Padang, North Sumatra University, Jambi University, Pembangunan Nasional Veteran University, Mataram University, Gunadarma University, Lampung University, Pamulang University, Atma Jaya University Yogyakarta and so forth.
- Resource person in discussions on policies in connection with amendments to the Income Tax and VAT Laws.

## Certification

Licensed Tax Attorney.



**DANNY SEPTRIADI** is the Founder of DDTTC who has extensive experience in taxation, in particular, transfer pricing. The author was selected as one of the World's Leading Transfer Pricing Advisers from 2015 to 2019 by Expert Guides. The author was also experienced as an expert in arbitration disputes at the International Chamber of Commerce, in London, United Kingdom, in 2016 and 2018.

In addition, the Author is also experienced as an expert witness and attorney at the Tax Court for transfer pricing cases as well as an expert at the District Court in respect of Value Added Tax disputes. The Author is a lecturer in the Master's Programme in Tax Policy and Administration and the Master's Programme in Accounting at the University of Indonesia.

## Formal Education

- Master's degree in Tax Policy and Administration (M.Si) from the University of Indonesia.
- Master's degree in (LL.M Int. Tax) from Vienna University of Economics and Business Administration, Austria.

## International Courses and Seminars

- "Summer School of Transfer Pricing Programme," held by Universidade Católica Portuguesa, Lisbon, Portugal (2012).
- "Advanced Course in Transfer Pricing," held by Maastricht Centre for Taxation, Maastricht, the Netherlands (2014).
- "Transfer Pricing: Policy and Practice," held by Duke Center International Development (DCID), Duke University, North Carolina, the United States of America (2015).
- "2nd International Conference on Taxpayers Rights," held by Vienna University of Economics and Business Administration, Austria (2017).
- "Value Chain Analysis-Functional," held by Maastricht University and TPA Global, the Netherlands (2017).

## Achievements



- Selected as one of the World's Leading Transfer Pricing Advisers 2015- 2019 by Expert Guides.
- Selected as one of the World's Leading Indirect Tax Advisers 2021-2024 by the International Tax Review.
- Selected as one of the World's Leading Transfer Pricing Advisers 2020-2024y the International Tax Review.
- Received the Entrepreneurship Award in the Alumni Achievement Awards 2023 from the University of Indonesia.
- Experienced as an expert in arbitration disputes at the International Chamber of Commerce, London, United Kingdom in 2016 and 2018.
- Expert witness in the Indonesian tax court for the transfer pricing cases of PT Kraft Indonesia and PT General Food Industries.
- Author and editor of 30 tax books and numerous articles on transfer pricing and international tax.
- Contributor to the article titled "Tax Treaty Negotiation," in *Tax Treaty Policy and Development*, ed. Stefaner Markus and Züger Mario (Linde, 2005).
- Editor of a tax comic titled "*Pajak Kita untuk Indonesia Maju*" (DDTC, 2021).
- Reviewer of the *Indonesian Taxation Scientific Study Journal, Scientax*, Directorate General of Taxes.
- Resource person for print media, such as *Kompas*, *Bisnis Indonesia*, *Kontan* and *Republika* as well as online media.
- Resource person for various institutions, such as the Directorate General of Taxes, the Fiscal Policy Agency, the Secretariat of the Taxation Supervisory Committee, the Secretariat of the Tax Court, Center for Education, Training and Development of Human Resources, Institute of Indonesia Chartered Accountants, Indonesian Tax Consultants Association and various universities, such as the University of Indonesia, Bina Nusantara University, Tarumanagara University, Indonesia Jentera School of Law and so forth.

**Certification**

Licensed Tax Attorney.



**B. BAWONO KRISTIAJI** is the Director of Fiscal Research & Advisory of DDTC experienced in the field of public finance, tax policy and transfer pricing. The author is also active as an expert contributor to the tax news portal DDTCNews and *InsideTax* magazine, as well as multifarious publications published by DDTC.

In addition, the author is frequently invited as a speaker at various international conferences and forums in Indonesia and overseas, including Austria, the Netherlands and Serbia.

The author is a respected member of the Tax Policy Expert Team at the Association of Tax Centers and Tax Academics Across Indonesia (PERTAPSI).

### Formal Education

- Bachelor's degree in Economics from the University of Indonesia.
- Master's degree in Economic Science from the University of Indonesia. Thesis title: *Implikasi Shadow Economy dan Efektivitas Pemerintah terhadap Realisasi dan Upaya Mengoptimalkan Pajak*.
- Master's degree in International Business Tax and Economics (MSc. IBT) from the School of Economics and Management, Tilburg University, the Netherlands, under full scholarship from DDTC. Thesis title: *Incentives and Disincentives of Profit Shifting in Developing Countries*.

### International Courses and Seminars

- “Master of Advanced Studies in International Tax Law on Transfer Pricing Rules in International Taxation,” held by the International Tax Center, Leiden University, the Netherlands (2012).
- “Public Policy Summer Training: Tax Policy, Fiscal Analysis & Revenue Forecasting,” held by Andrew Young School of Policy Studies, Georgia State University, United States of America (2013).
- “Comparative Tax Policy & Administration,” held by Harvard Kennedy School, Harvard University, United States of America (2018).

### Achievements

- Author and editor of 13 tax books and various articles on tax policy and transfer pricing.
- Main contributor to DDTC's book titled *Transfer Pricing: Ide, Strategi, dan Praktik dalam Perspektif Pajak Internasional* (DDTC, 2013).
- Winner of the CFE Award Albert J. Rädler Medal 2015 for the best tax thesis in Europe titled “*Incentives and Disincentives of Profit Shifting in Developing Countries*” conferred by the Confédération Fiscale Européenne (CFE) in the

2014/2015 academic year in the School of Economics and Management, Tilburg University, the Netherlands.

- National reporter at Rust Conference 2016 themed “Improving Tax Compliance in a Globalized World,” held by the Institute for Austrian and International Tax Law and Vienna University of Economics and Business in Rust, Austria.
- Speaker in the Forum on Economic and Fiscal Policy “Beyond Tax Policy,” on 13 May 2016 in Amsterdam, the Netherlands.
- Panelists at the Foundation for International Taxation themed “BEPS and Beyond BEPS: A Year Later,” on 3 December 2016 in Mumbai, India.
- National reporter with Denny Vissaro at the Rust Conference 2017 themed “Implementing Key BEPS Actions: Where do We Stand?” held by the Institute for Austrian and International Tax Law and Vienna University of Economics and Business in Rust, Austria.
- Speaker at the University of New South Wales Business School, themed “13th International Conference on Tax Administration,” on 5 April 2018 in Sydney, Australia.
- Speaker at the University of Belgrade Faculty of Law, “International Scientific Conference: Tax Aspects of the Brain Drain,” on 11 October 2019 in Serbia.
- Contributor to a piece of writing with Denny Vissaro titled “Chapter 17: Indonesia,” in *Implementing Key BEPS Actions: Where Do We Stand?* ed. Michael Lang, et al (IBFD, 2019).
- Editor for DDTC’s book titled *Desain Sistem Perpajakan Indonesia: Tinjauan atas Konsep Dasar dan Pengalaman Internasional* (DDTC, 2022).
- Editor for DDTC’s book titled *Transfer Pricing: Ide, Strategi, dan Praktik dalam Perspektif Pajak Internasional, Edisi Kedua*, Volume I (DDTC, 2022) and Volume II (DDTC, 2023).
- Contributor to a piece of writing with Denny Vissaro titled “Using Tax Control Frameworks to Ensure Certainty in Indonesia,” *International Tax Review*, May 2022.
- Reviewer of the Indonesian Taxation Scientific Study Journal, Scientax, Directorate General of Taxes.
- Speaker on topics related to tax policy at the national, subnational and international levels in various seminars, trainings and discussion forums held by DDTC, the private sector, domestic and foreign educational and research institutions as well as government institutions.
- Resource person for print and electronic media (*Jakarta Post, Republika, Jawa Pos, Kontan, Bisnis Indonesia, Gatra, Berita Satu, MNC Business, Bloomberg, MetroTV, CNN Indonesia, IDX Channel and CNBC Indonesia*).

### Certification

- Advanced Diploma in International Taxation (ADIT) from the Chartered Institute of Taxation, United Kingdom.
- Licensed Tax Consultant.
- Licensed Tax Attorney.



**MADE ASTRIN DWI KARTINI** is the Internal Tax Solution Lead at DDTC. The author is an experienced practitioner in writing tax education contents. She is experienced in managing all contents available on DDTC" tax documentation database platform, i.e., PERPAJAKAN DDTC. The author is also a certified A tax consultant.

### Formal Education

- Bachelor's degree in Fiscal Administration from the University of Indonesia.

### International Courses and Seminars

- "P3KPI-Inspirational Stories Series, Growing and Developing a Research, Technology, and Knowledge-Based Tax Institution that Sets the Standards and Beyond-Belajar dari Kisah Sukses Darussalam (DDTC)," held by P3KPI (2021).
- "Tax Update Webinar: Menjelajahi Tantangan dan Peluang Pajak Penghasilan atas Natura dan Kenikmatan: Ketentuan Terkini Berdasarkan PMK 66/2023," held by DDTC, Jakarta, Indonesia (2023).
- "Virtual Policy Dialogue, Taxation in the Digital Economy: New Models in Asia and the Pacific," held by the ADB Institute (2021).

### Achievements

- Author of a book titled "*Susunan Dalam Satu Naskah Undang-Undang Pajak Terbaru - Edisi 2022 - dengan Perubahan UU Harmonisasi Peraturan Perpajakan*" (DDTC, 2022).
- Author of a book titled "*Panduan Insentif Perpajakan di Indonesia 2024*" (DDTC, 2024).

- Translation committee of a legal document concerning “Minister of Finance Regulation Number 81 of 2024 concerning Tax Provisions in the Context of the Implementation of the Coretax Administration System” (DDTC, 2024).
- Judge in the "Article Writing Fair", held by Kostaf FIA UI in collaboration with DDTC News, in September 2024.

**Certification**

- Licensed Tax Consultant.
- Licensed Tax Attorney.



**N. DANIEL SOHILAIT** is the DDTC Academy Lead. The author is an experienced practitioner in the field of tax training, writing tax education contents and developing a tax documentation application, i.e., PERPAJAKAN DDTC. In addition, the author is the scriptwriter of a Tax Comic “*Pajak Kita untuk Indonesia Maju*” published by DDTC in 2021.

**Formal Education**

- Bachelor’s degree in Taxation from Brawijaya University.

**International Courses and Seminars**

- “Peran Pajak dalam Pemulihan Perekonomian Indonesia,” held by DDTC, Jakarta, Indonesia (2020).
- “Tax Update: Undang-Undang Cipta Kerja Kluster Kemudahan Berusaha Bidang Perpajakan,” held by P3KPI (2020).
- “International Fiscal Association (IFA) Webinar: Alternatives of Taxing Artificial Intelligence & Robots,” held by IFA India Academy (2021).

**Achievements**

- Moderator in the Webinar Series “University Roadshow”, held by DDTC in August 2021.
- Script writer of a tax comic titled “*Pajak Kita untuk Indonesia Maju*” (DDTC, 2021).
- Author of a book titled “*Susunan dalam Satu Naskah Undang-Undang Pajak Terbaru - Edisi 2022 - dengan Perubahan UU Harmonisasi Peraturan Perpajakan*” (DDTC, 2022).

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**GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025**

- Author of a book titled "*Panduan Insentif Perpajakan di Indonesia 2024*" (DDTC, 2024).



Sets the Standards and Beyond

# OUR ACHIEVEMENTS



# GUIDELINES FOR TAX INCENTIVES IN INDONESIA 2024/2025

The granting of tax incentives is perceived as crucial to encourage economic activities. The Indonesian government in the *Tax Expenditure Report 2022* specifically states that the granting of tax incentives encompasses four objectives: (1) supporting businesses; (2) improving the community's welfare; (3) improving the investment climate; and (4) developing MSMEs.

In addition to the above-mentioned four objectives, the government has also launched the Incentive Package for the Construction of the Nusantara Capital (IKN) outlined under Government Regulation Number 12 of 2023 and the Minister of Finance Regulation Number 28 of 2024. The construction of the IKN incentive package amplifies the selection of tax incentives in Indonesia and personifies the government's consistency in efforts to boost the Indonesian economy.

The numerous tax incentive packages in Indonesia are, in fact, not balanced with the realisation of the utilisation of incentives by taxpayers. This may result from an array of factors, among others, the lack of socialisation of tax incentives to taxpayers. The information covered in this socialisation includes requirements for the utilisation of incentives and the flow of the application for tax incentives.

To summarise the entire tax incentives for taxpayers, the book entitled "*Guidelines for Tax Incentives in Indonesia 2024*" is present as a means for the society to become acquainted with and comprehensively comprehend the flow of tax incentive utilisation.

Divided into 5 (five) sections, this book comprehensively elaborates income tax, value-added tax and sales tax on luxury goods, import duty, land and building tax and IKN. In total, more than 90 tax incentives are thoroughly discussed in this book.

This book is authored by outlining guidelines for the application for the utilisation of tax incentives pursuant to statutory tax provisions. Employing straightforward and concise language, the lucid explanations in this book are expected to be easily interpreted. Reviewed systematically, this book may serve as a reference for multifarious groups, specifically, business people, consultants, practitioners and academics.



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