

TaxFlash



Income Tax Allowance on labour-intensive industries

The Government has issued Regulation No.9/2016 (GR-9) to amend Regulation No.18/2015 (GR-18) regarding Income Tax Allowance for companies that invest in certain designated business sectors and/or regions. The main purpose of this amendment is to accelerate investment in labour-intensive industries by granting them this tax concession. The intended industries are as follows:

Business fields:	GR-18	GR-9
1. Apparels made from: <ul style="list-style-type: none"> • textile • leather 	Not available	Eligible for investment in all regions
2. Leather goods and shoes: <ul style="list-style-type: none"> • daily shoes • sports shoes • shoes for industrial-purposes 	Eligible for investment in all regions, except Jakarta, West Java, and Banten	Eligible for investment in all regions

Income Tax Allowance consists of the following facilities:

- A reduction in net income of up to 30% of the amount invested, prorated at 5% for six years of the commercial production, provided that the assets invested are not transferred out within six years;
- Accelerated depreciation and/or amortisation deductions;
- Extension of tax losses carry-forward for up to ten years;
- A reduction of the withholding tax rate on dividends paid to non-residents to 10% (or lower if treaty relief is available).

There are no changes on the above facilities as well as requirements in applying for Income Tax Allowance. Please refer to our TaxFlash No.13/2015, No.15/2015, and No.16/2015 for details on Income Tax Allowance based on GR-18.

GR-9 is dated 22 April 2016 and has been effective starting 6 May 2016 (i.e. 15 days after its enactment date).

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