

TaxFlash



Tax Concessions in Indonesia – 2016 updates

The Government is continuously trying to make investment in Indonesia more attractive through a range of incentives and program including offering various tax facilities to certain investors. It is hoped that these investments in turn should provide a range of multiplier effects on the national economy.

The following list summarises the tax facilities that are currently available to certain industries and/or zones:

1. Corporate Income Tax (CIT) Reduction - Applicable for pioneer industries¹
2. Tax Allowance - Applicable for companies in certain industries and/or regions²
3. Integrated Economic Development Zones (*Kawasan Pengembangan Ekonomi Terpadu*)³
4. Bonded Zones (*Kawasan Berikat*)⁴
5. Free Trade Zones (*Kawasan Perdagangan Bebas*)⁵
6. Special Economic Zones (*Kawasan Ekonomi Khusus/KEK*)⁶
7. Industrial Zone (*Kawasan Industri/KI*)⁷
8. Public Private Partnership/PPP (*Kerjasama Pemerintah dengan Badan Usaha*) on socio-economic infrastructures⁸

The following sections will highlight an update on the CIT Reduction facility, KI, and Bonded Logistic Centre (*Pusat Logistik Berikat*) which took place in 2016.

¹ Minister of Finance (MoF) Regulation No.159/PMK.010/2015 (PMK-159) as amended by MoF Regulation No.103/PMK.010/2016 (PMK-103)

² Government Regulation (GR) No.18/2015 (GR-18) as amended by GR No.9/2016 (GR-9)

³ GR No.20/2000 as amended by GR No.147/2000

⁴ MoF Regulation No.147/PMK.04/2011 as lastly amended by MoF Regulation No.120/PMK.04/2013

⁵ GR No.10/2012 jo MoF Regulation No.62/PMK.03/2012

⁶ GR No.96/2015 jo MoF Regulation No.104/PMK.010/2016

⁷ MoF Regulation No.105/PMK.010/2016 (PMK-105)

⁸ Regulated under President Regulation No.38/2015

Corporate Income Tax (CIT) Reduction for pioneer industries

The MoF may provide an avenue for CIT Reduction of 10% - 100% of the CIT due for 5 – 15 years from the start of commercial production. This facility is provided to firms in the following pioneer industries:

- a) upstream metal;
- b) oil refinery industry and/or infrastructure, *including those under the PPP scheme - new*;
- c) base organic chemical sourced from oil and gas;
- d) machinery;
- e) telecommunication and information;
- f) sea transportation;
- g) processing industry on agriculture, forestry, and fishery products; and/or
- h) economic infrastructure other than those under the PPP scheme.

Processing industries located in *KEK* have been removed from the list as they are already separately regulated under *KEK* regulations.

Industrial Zone (*Kawasan Industri/KI*)

The Government has issued MoF Regulation No.105/PMK.010/2016 (PMK-105) to govern the tax and customs facilities available for KIs. The determination and licensing of a KI are as granted by the government. The tax facilities are provided for taxpayers organising a KI and taxpayers carrying out business activity in a KI.

The applicable tax facilities depend on the classification of the Industrial Development Area (*Wilayah Pengembangan Industri/WPI*) of the KI, namely:

1. Advance Industrial Development Area (*WPI Maju/ WPIM*)
2. Developing Industrial Development Area (*WPI Berkembang/ WPIB*)
3. Potential I Industrial Development Area (*WPI Potensial I/ WPIP I*)
4. Potential II Industrial Development Area (*WPI Potensial II/ WPIP II*)

Below are the available tax facilities for each type of WPI:

Tax and customs facility	WPIM*	WPIB	WPIP I	WPIP II
1. CIT Reduction of 10% - 100% of the CIT due for 5 – 15 years from the start of commercial production	✓	-	-	✓
2. Tax Allowance:				
a) A reduction in net taxable income of up to 30% of the amount invested in the form of fixed assets (including land), prorated at 5% for six years of the commercial production	✓	✓	✓	-
b) Accelerate fiscal depreciation and amortisation deductions.	✓	✓	✓	-
c) Reduced the withholding tax rate on dividends paid to non-residents of 10% or the applicable reduced tax treaty rate.	✓	✓	✓	-
d) Extension of tax-loss carried forward	up to 10 years	up to 8 years	up to 10 years	-
3. VAT exemption on the imports/purchase of machines and equipment (excluding spare parts) that are directly used to produce VATable goods	✓	✓	✓	✓

4. Import duty exemption on the imports of machines or materials that are used to produce goods/services**

✓

✓

✓

✓

* WPIM can only apply for either facility No.1 or No. 2.

** The applicable period of import duty exemption varies depending on the KI classification and the business cycle of the respective taxpayer, e.g. construction or developing stage. Further details on the applicable period is available in PMK-105.

Procedures for application of the above tax facilities follow the prevailing MoF regulations on each type of facility.

Bonded Logistic Centre/BLC

Bonded Stockpiling Area (*Tempat Penimbunan Berikat*) is currently consisting of:

1. Bonded Warehouse;
2. Bonded Zone;
3. Bonded Exhibition Place;
4. Duty Free Shop;
5. Bonded Auction Place;
6. Bonded Recycled Area; or
7. *Bonded Logistic Centre/BLC – new*

BLC is governed under MoF Regulation No. 272/PMK.04/2015 dated 31 December 2015 and Directorate General of Custom and Excise Regulation No. PER-01/BC/2016 dated 29 January 2016.

In general BLC includes areas within the Indonesian customs area designated for temporary storage (maximum three years) of imported goods or goods to be exported or goods for certain purposes where limited additional activities are performed and where the goods are not consumed. A BLC area is administered by a developer and may consist of several companies that utilise the BLC facility in that area.

Tax and customs facilities on traffic of goods to a BLC are as follows:

BLC facility	Taxes on imports			VAT/LST on local deliveries
	VAT/LST/ Article 22 Income Tax	Import Duty	Excise	
Import of goods from overseas	NC	P	E	-
Delivery of goods originated from overseas via: a) Other Bonded Stockpiling Area; b) Other special zones; or c) Other places within the Indonesian Customs Area by a taxpayer granted with tax and customs facilities	NC	P	E	NC
Delivery of goods from another BLC	NC	P	E	NC
Delivery of goods from other places within the Customs Area (for export or certain purposes) directly to BLC or via other Bonded Stockpiling Area or other special zones	-	-	-	NC

NC = Not Collected

P = Postponed

E = Exempted

Delivery of goods which originated overseas from BLC to other places within the Indonesian Customs Area for consumption purposes are treated as an import transaction and are not subject to domestic VAT/LST. However, the import taxes, duty, and excise which were previously unpaid will become due upon such deliveries.

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