

# TaxFlash



## ***Is your business now eligible for the Tax Holiday?***

Following the issue of Minister of Finance (MoF) Regulation No.35/PMK.010/2018 (PMK-35) on Tax Holiday, the Head of Investment Coordinating Board (*Badan Kordinasi Penanaman Modal/BKPM*) issued Regulation No.5/2018 (BKPM-5) on 30 May 2018 to provide a list of pioneer industries potentially eligible for the Tax Holiday along with the application procedure.

To identify which businesses can apply for the Tax Holiday, BKPM-5 uses the Line of Business Classification Code (*Klasifikasi Baku Lapangan Usaha Indonesia/KBLI*) as a reference. There is a total of 153 businesses under the 17 pioneer industries stipulated in PMK-35. This list minimises disparity in interpreting whether certain businesses qualify as pioneer industries, and hopefully provides more certainty for taxpayers in obtaining the Tax Holiday.

In regard to “economic infrastructure” as one of the pioneer industries, it is worth mentioning that the infrastructure intended for this tax facility is specified as investment in toll roads and electricity power plants. This should therefore be of particular interest for investors in these two important sectors.

As noted in PMK-35, the MoF should issue a decision on the Tax Holiday application within five working days of receiving the complete proposal from the Head of BKPM. BKPM-5 stipulates that BKPM must conclude the preparation of this proposal within three days of receiving the complete application from taxpayers.

Please refer to [this link](#) on KBLI list under BKPM-5. Discussion on PMK-35 is available in our [TaxFlash No.03/2018](#).

## **Tax facility for venture capital company investment in small and medium enterprises**

Under long standing provisions, dividends received by a venture capital company (VCC) from capital participation in a micro, small, or medium sized enterprise (SME), of which the shares are not traded at a stock exchange in Indonesia, are non-taxable.

On 11 May 2018, the MoF issued Regulation No.48/PMK.010/2018 (PMK-48) to amend the exemption threshold and other criteria. PMK-48 revokes MoF Decree No.250/KMK.04/1995 concerning the tax treatment of capital participation of VCC in SME so as to bring the arrangements into line with the current threshold of a SME.

PMK-48 now provides that dividends received by a VCC from a non-listed SME are non-taxable, subject to the following requirements:

- a. The VCC has a business license from the Financial Services Authority (*Otoritas Jasa Keuangan/OJK*) – new;
- b. The SME's annual net sales threshold is a maximum of IDR 50 billion (an increase from the previous threshold of IDR 5 billion);
- c. The VCC holds the shares for a maximum of 10 years, or as long as the SME has not listed its shares on the stock exchange.

## **Indonesia – Bermuda tax agreement comes into force**

On 8 February 2017, the Indonesian Government sent Diplomatic Notes to the United Kingdom Embassy in Jakarta confirming the ratification of the Tax Information Exchange Agreement (TIEA) between Indonesia and Bermuda. On 23 November 2017, Bermuda notified Indonesia that ratification from Bermuda is not needed to activate the TIEA and therefore this marked the entry into force of this TIEA. The Director General of Tax subsequently issued Circular Letter No.SE-08/PJ/2018 on 11 May 2018 to announce that the TIEA had entered into force on 23 November 2017.

TIEAs are bilateral agreements under which territories agree to co-operate in tax matters through exchange of information (EOI), including the execution of tax examinations abroad. They broadly follow the OECD Model on EOI on Tax Matters. The implementation of TIEAs in Indonesia should also take into account the provisions in MoF Regulation No.39/PMK.03/2017 regarding EOI procedure based on international agreements.

## Your PwC Indonesia contacts:

**Abdullah Azis**

abdullah.azis@id.pwc.com

**Adi Poernomo**

adi.poernomo@id.pwc.com

**Adi Pratikto**

adi.pratikto@id.pwc.com

**Alexander Lukito**

alexander.lukito@id.pwc.com

**Ali Widodo**

ali.widodo@id.pwc.com

**Andrias Hendrik**

andrias.hendrik@id.pwc.com

**Anton Manik**

anton.a.manik@id.pwc.com

**Antonius Sanyojaya**

antonius.sanyojaya@id.pwc.com

**Ay Tjhing Phan**

ay.tjhing.phan@id.pwc.com

**Brian Arnold**

brian.arnold@id.pwc.com

**Dany Karim**

dany.karim@id.pwc.com

**Deny Unardi**

deny.unardi@id.pwc.com

**Engeline Siagian**

engeline.siagian@id.pwc.com

**Enna Budiman**

enna.budiman@id.pwc.com

**Gadis Nurhidayah**

gadis.nurhidayah@id.pwc.com

**Gerardus Mahendra**

gerardus.mahendra@id.pwc.com

**Hanna Nggelan**

hanna.nggelan@id.pwc.com

**Hasan Chandra**

hasan.chandra@id.pwc.com

**Hendra Lie**

hendra.lie@id.pwc.com

**Hisni Jesica**

hisni.jesica@id.pwc.com

**Hyang Augustiana**

hyang.augustiana@id.pwc.com

**Laksmi Djuwita**

laksmi.djuwita@id.pwc.com

**Lukman Budiman**

lukman.budiman@id.pwc.com

**Mardianto**

mardianto.mardianto@id.pwc.com

**Margie Margaret**

margie.margaret@id.pwc.com

**Mohamad Hendriana**

mohamad.hendriana@id.pwc.com

**Otto Sumaryoto**

otto.sumaryoto@id.pwc.com

**Parluhutan Simbolon**

parluhutan.simbolon@id.pwc.com

**Peter Hohtoulas**

peter.hohtoulas@id.pwc.com

**Raemon Utama**

raemon.utama@id.pwc.com

**Runi Tusita**

runi.tusita@id.pwc.com

**Ryosuke R Seto**

ryosuke.r.seto@id.pwc.com

**Ryuji Sugawara**

ryuji.sugawara@id.pwc.com

**Soeryo Adjie**

soeryo.adjie@id.pwc.com

**Sujadi Lee**

sujadi.lee@id.pwc.com

**Sutrisno Ali**

sutrisno.ali@id.pwc.com

**Suyanti Halim**

suyanti.halim@id.pwc.com

**Tim Watson**

tim.robert.watson@id.pwc.com

**Tjen She Siung**

tjen.she.siung@id.pwc.com

**Turino Suyatman**

turino.suyatman@id.pwc.com

**Yessy Anggraini**

yessy.anggraini@id.pwc.com

**Yuliana Kurniadjaja**

yuliana.kurniadjaja@id.pwc.com

**Yunita Wahadaniah**

yunita.wahadaniah@id.pwc.com

[www.pwc.com/id](http://www.pwc.com/id)



PwC Indonesia



@PwC Indonesia

If you would like to be removed from this mailing list, please reply and write UNSUBSCRIBE in the subject line, or send an email to [contact.us@id.pwc.com](mailto:contact.us@id.pwc.com)

**DISCLAIMER:** This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2018 PT Prima Wahana Caraka. All rights reserved. PwC refers to the Indonesia member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.