



TaxFlash

Tax Indonesia /
November 2018 / No.14.

Updated Tax Holiday
regulation ^{P1}

Updated Tax Holiday regulation

As part of the Economic Policy Package XVI, the Minister of Finance (MoF) has issued an updated Tax Holiday policy through Regulation No.150/PMK.010/2018 (PMK-150) dated 27 November 2018. PMK-150, which revokes the recently-issued MoF Regulation No.35/PMK.010/2018 (PMK-35). Please refer to our [Tax Flash No.03/2018](#) for a discussion of PMK-35.

At the outset, readers should note that most of the Tax Holiday policy framework remains in place. The key changes resulting from PMK-35 are as follows.

Eligibility

1. PMK-150 sets out some changes and additions to the business sectors which constitute pioneer industries, as follows:
 - a. integrated upstream basic metal;
 - b. integrated oil and gas refinery;
 - c. integrated petrochemicals from oil, gas, or coal;
 - d. integrated inorganic basic chemicals;
 - e. integrated organic basic chemicals from agriculture, plantation, or forestry products;
 - f. integrated pharmaceutical raw materials;
 - g. irradiation, electro medical, or electrotherapy equipment; *change*
 - h. main components of electronics or telematics equipment; *change*
 - i. machinery and main components of machinery; *change*
 - j. robotics components that support the creation of manufacturing machinery; *change*
 - k. main components of power plant machinery; *change*
 - l. motor vehicles and main components of motor vehicles; *change*
 - m. main components of vessels; *change*
 - n. main components of trains; *change*

- o. main components of aircrafts and activities supporting the aerospace industry; *change*
- p. agricultural, plantation, or forestry-based processing that produce pulp; *new*
- q. economic infrastructure; or
- r. digital economy which includes data processing, hosting, and related activities. *new*

Details of the eligible Standard Classification of Business Field (*Klasifikasi Baku Lapangan Usaha/KBLI*) of each pioneer industry will be further stipulated in a Capital Investment Board (*Badan Koordinasi Penanaman Modal/BKPM*) regulation. Business sectors outside this list may continue to be eligible to apply through a separate channel to the MoF.

PMK-150 also allows certain taxpayers who are assigned for the implementation of National Strategic Projects (*Proyek Strategis Nasional/PSN*) to apply for the Tax Holiday.

2. Capital investment plan

The minimum legalised new capital investment plan is now reduced to IDR 100 billion.

The facility

Below is the available tax facilities under PMK-150.

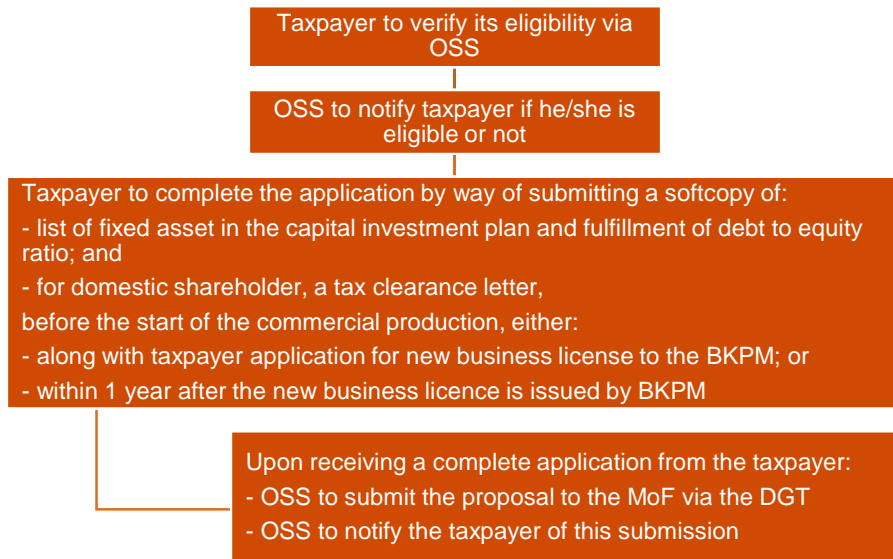
Provision	Capital Investment Plan																			
	IDR 100 bn - < IDR 500 bn (<i>New</i>)	≥ IDR 500 bn																		
Corporate Income Tax (CIT) reduction rate	50%	100%																		
Concession period (from the start of commercial production)	5 years	5 – 20 years, depending on the investment value: <table border="1"> <thead> <tr> <th>No.</th> <th>Investment (in IDR)</th> <th>Period (in years)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>500 billion up to < 1 T</td> <td>5</td> </tr> <tr> <td>2</td> <td>1 T up to < 5 T</td> <td>7</td> </tr> <tr> <td>3</td> <td>5 T up to < 15 T</td> <td>10</td> </tr> <tr> <td>4</td> <td>15 T up to < 30 T</td> <td>15</td> </tr> <tr> <td>5</td> <td>≥ 30 T</td> <td>20</td> </tr> </tbody> </table>	No.	Investment (in IDR)	Period (in years)	1	500 billion up to < 1 T	5	2	1 T up to < 5 T	7	3	5 T up to < 15 T	10	4	15 T up to < 30 T	15	5	≥ 30 T	20
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Transition	25% CIT reduction for the next 2 years	50% CIT reduction for the next 2 years																		

If during a field audit to assess the start of commercial production the DGT determines that the capital investment plan has not been fully realised, the DGT can adjust the CIT reduction rate or concession period based on the actual investment realisation. This provision is also applicable for taxpayers granted with a Tax Holiday based on PMK-35.

Changes in the application process

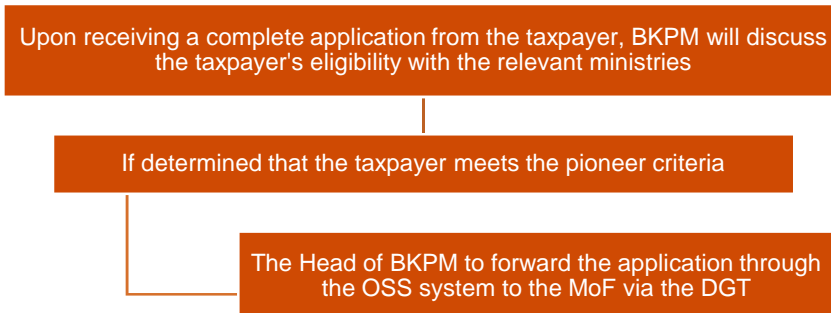
PMK-150 introduces the use of the Online Single Submission (OSS) system to process the Tax Holiday application. The application procedure differs according to the character of the taxpayer.

1. Eligible taxpayers under pioneer industries



2. Taxpayers outside the eligible KBLIs.

The government is open to applications from industries that have not been listed as a pioneer where the applicant fulfils the remaining requirements. The application process is as follows:



The DGT, on behalf of MoF, will issue its decision on the application within five working days of receiving the complete proposal received from OSS.

Application period

As with PER-35, taxpayers who have been granted a Tax Holiday cannot also enjoy the Tax Allowance facility.

Tax Holiday proposals from OSS system to the MoF via the DGT may only be submitted up to five years after the effective date of PMK-150, i.e. until 26 November 2023.

Transitional provisions

PMK-150 sets out the following transitional provisions:

1. Taxpayers already granted a Tax Holiday based on the "old" MoF regulations can continue to use the existing facility until the end of the facility period.
2. Tax Holiday applications for outstanding proposals, based on PMK-35 or for any eligible taxpayers who have licenses issued by BKPM since 16 August 2015, will be further regulated in a BKPM regulation.

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

Amit Sharma
amit.xz.sharma@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

Omar Abdulkadir
omar.abdulkadir@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

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