



New tax facilities for industries with certain features ^{P1}

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The Government issued Regulation No.45 Year 2019 (GR-45) that introduces new tax facilities for industries with certain emerging features. This facility is hereinafter referred to as “Super Deduction”. GR-45 amends GR No.94 Year 2010 (GR-94) that serves as the main implementing regulation of the Income Tax Law. GR-45 is dated and effective from 26 June 2019.

GR-45 only stipulates key features of this Super Deduction facility, where details on each type of facility will be regulated further in a Minister of Finance (MoF) regulation which may cover the type of eligible labour-intensive industries, the duration of the facility period, more detailed requirements, etc.

A. Facility for labour-intensive industries

The facility

A reduction in net income of 60% of the amount invested in the form of tangible fixed assets (including land utilised for main business), spread throughout a certain period.

Eligibility

Companies that carry out a new investment or expansion of certain businesses, which are:

- a. must be a labour-intensive industry; and
- b. has not been granted with a Tax Allowance facility based on Article 31A of the Income Tax Law or Tax Holiday facility based on Article 18 (5) of the Capital Investment Law.

B. Facility for human resources development in certain competencies

The facility

A reduction in gross income of up to 200% of the amount spent for this activity.

Eligibility

Companies that conduct an internship or vocational training program in certain competencies to upskill human resources as part of the investment and fulfilment of workforce demand.

The scope of internship covers the provision of internship program for:

- a. students and teachers from vocational education institution in high school and diploma level (*sekolah menengah kejuruan dan perguruan tinggi program diploma pada pendidikan vokasi*) as well as a training center (*balai latihan kerja*);
- b. any vocational program run by the Government.

Vocational training is defined as training activities conducted by parties assigned by a company in a vocational education institution in a high school and diploma level as well as a training center.

C. Facility for certain research and development activities in Indonesia

The facility

A reduction in gross income of up to 300% of the amount spent for this activity, spread throughout a certain period.

Eligibility

Companies that carry out certain research and development activities in Indonesia which produce invention and innovation, master a new technology, or transfer of technology to ultimately increase the competitiveness of national industries.

Subject to having a more detailed guideline in implementing the MoF Regulation, it appears that the facility for labour-intensive industry under point A is similar to one of the facilities under the Tax Allowance facility. This is basically a tax facility based on the type of entity.

Whilst the facilities under point B and C are new for certain eligible expenses, the tax deduction can be claimed higher than the actual expense amount. This facility is not based on the type of entity, but rather based on the type of eligible expenses.

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