

Implementing rules on
Special Economic Zones
under Omnibus Law ^{P1}

Implementing rules on
Free Trade Zones under
Omnibus Law ^{P2}

Implementing rules on Special Economic Zones under Omnibus Law

On 2 February 2021, the Government issued GR-40¹ to implement the provisions on Special Economic Zones (*Kawasan Ekonomi Khusus/KEK*) under Law No.11 Year 2020 on Job Creation (the “Omnibus Law”). This TaxFlash only covers matters related to the tax and customs facility. Please refer to [Omnibus Flash No.06/2021](#) for discussion on KEKs from a legal point of view.

For the most part, the content of GR-40 is similar to the previous GR-12², with several changes as set out below.

Income Tax Facility

GR-40 stipulates that foreigners who work in a KEK, who have become a domestic tax subject and who meet certain skill requirements are taxed only on Indonesian-source income for four years. This facility will be regulated further by the Minister of Finance (MoF) regulation.

VAT/LST Facility

Most of the transactions that are eligible for the VAT/LST “not collected” facility remain the same, with the following changes:

- The addition of imports of consumer goods into a tourism KEK by a Business Entity (*Badan Usaha/BU*) or a Business Player (*Pelaku Usaha/PU*).
- The elimination of the minimum five-year threshold as a requirement to enjoy this facility for the rental of land and/or buildings in a KEK by a PU or by a BU to another PU or a BU in any KEK or between KEKs.

The taxable goods and services covered under this facility in GR-40 are largely the same as in GR-12. This is except for additions such as goods and services related to Maintenance, Repair, and Overhaul (MRO) of ships and aircraft.

¹ Government Regulation No.40 Year 2021 (GR-40) dated and effective from 2 February 2021.

² Government Regulation No.12 Year 2020 (GR-12) dated and effective from 24 February 2020. Please refer to [TaxFlash No.07/2020](#) for the discussion on GR-12 and [TaxFlash No.03/2021](#) for the discussion on Special Economic Zones - implementing regulation.

Import Tax and Customs Facility

The import of consumer goods into a Tourism KEK by a BU or PU are eligible for an Import Duty exemption as well as an Import Taxes (i.e. import VAT/LST and Income Tax Article 22) “not collected” facility.

The release of goods indirectly imported through a PU in the field of MRO for ships and aircraft to Other Places in the Customs Area (*Tempat Lain Dalam Daerah Pabean/TLDDP*) can enjoy the following facilities:

- An exemption, relief, or reduction in Import Duty rates,
- An Import Taxes “not collected” facility, and
- A VAT/LST “not collected” facility.

Regional Tax Facility

The existing rules providing a reduction, relief and/or exemption from regional taxes to a PU/BU which can be provided by a Local Government of between 50% to 100% are unchanged. However, GR-40 specifies that the facility must at least include a reduction in Duty on the acquisition of land and building rights (*Bea Pengalihan Hak atas Tanah dan Bangunan/BPHTB*) and a reduction in Land and Building Tax (*Pajak Bumi dan Bangunan/PBB*).

Implementing rules on Free Trade Zones under Omnibus Law

The Government also issued GR-41³ regarding the implementation of Free Trade Zones (FTZ) under the Omnibus Law. GR-41 streamlines several existing regulations, with changes as set out below.

Excise Facility

Under GR-41, the excise exemption or “not collected” facility is only available for the import of goods to be used as raw materials or industrial auxiliary materials. Previously, only the entry of consumer goods into an FTZ for the needs of residents of the FTZ can be granted an exemption from excise.

Administration matters

Entrepreneurs in a FTZ can enjoy special customs treatment for a Major Customs Partner (*Mitra Utama Kepabeanan/MITA*) or a Certified Economic Operator (Authorized Economic Operator/AEO), with advantages including:

- minimised or shortened customs documents checking or physical inspections,
- easy unloading of imported goods without hoarding,
- priority in simplifying customs procedures.

The granting of this special treatment will be based on risk management considerations.

³ Government Regulation No.41 Year 2021 dated and effective from 2 February 2021.

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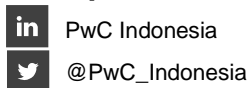
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