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TaxFlash



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Page 1
Indonesia introduces International Financial Centre regime with extensive tax incentives

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Through the enactment of Law-6[1] on 19 August 2026, the Government introduced the Indonesia International Financial Centre (*Pusat Finansial Internasional Indonesia/PFII*) framework. PFII is defined as a territory that has financial and administrative autonomy as well as a specific legal status, and which adopts, incorporates, implements, and/or aligns with international principles and/or standards.

This framework was introduced to strengthen Indonesia's position as a regional and global financial hub, deepen the domestic financial sector, attract international capital and expertise (including family offices and regional headquarters), and facilitate financing for strategic sectors, including infrastructure, the energy transition, climate finance, and digital finance. These objectives will be supported through a combination of regulatory flexibility, legal certainty, and fiscal incentives. The PFII may be established in one or more locations in Indonesia and will also operate under a dedicated framework for law, regulation, and dispute resolution that is intended to align with international financial centre standards.

Law-6 provides a comprehensive package of tax and non-tax incentives. The non-tax incentives include immigration, employment, licensing, residency, golden visas (aimed at foreign ultra-high-net-worth individuals), stay permits, and other facilities for business operators, experts, or other parties in the PFII.

1. Law No. 6 Year 2026 (Law-6) dated and effective on 19 August 2026

In this TaxFlash, we focus exclusively on the tax and customs incentives under the PFII Law, as highlighted below.

1. Income Tax incentives

Under Law-6, Income Tax facilities will be available to eligible PFII participants for the following periods:

- 50 years – for business players in core financial sectors and foreign taxpayers investing in the PFII; and
- Less than 50 years (subject to an implementing Ministry of Finance (MoF) regulation) – for supporting financial sectors, other sectors, the PFII Management Institution (*Lembaga Pengelola/LP*), and the PFII Financial Services Supervisory Institution (*Lembaga Pengawas Jasa Keuangan/LPJK*).

These facilities apply only to income derived from the PFII and received by eligible business players, financial experts, and foreign taxpayers investing in the PFII.

The available Income Tax incentives are as follows:

a. 100% Corporate Income Tax reduction

This facility is available for:

- Qualifying business players in the core financial sector, supporting financial services sector, and other approved sectors within the PFII; and
- The LP and LPJK in respect of their operational activities in the PFII.

Law-6 expressly notes that these incentives remain subject to Indonesia's international tax commitments, including the Global Minimum Tax framework.

b. Income Tax exemption on foreign-sourced income

As a departure from Indonesia's usual worldwide taxation system, foreign-sourced income will be exempt from Indonesian Income Tax when received by the following qualifying persons:

- PFII business players operating within or from the PFII; and
- Foreign financial experts.

This effectively introduces a territorial approach to taxation for eligible taxpayers.

c. Zero percent final Income Tax for qualifying individuals

A 0% final Income Tax rate will apply for a specified period to income received by:

- Foreign and domestic financial experts employed by qualifying financial sector businesses within PFII; and
- Foreign ad hoc judges serving in the PFII Court.

The detailed eligibility requirements and incentive period will be prescribed in MoF regulation. The incentive period begins when the relevant individual starts providing services at the applicable workplace.

d. Exemption from domestic tax subject status
To attract high-net-worth individuals, foreign nationals who are registered with a family office in the PFII and hold a PFII golden visa may be exempt from Indonesian domestic tax subject status, provided that they do not derive income from active business activities or employment in Indonesia (whether within or outside the PFII). The exemption applies throughout the validity period of the golden visa.

e. Withholding Tax exemptions
The Withholding Tax exemption will apply to:
- Investment income (including dividends, interest, discounts, capital gains, and branch profit tax) received by foreign taxpayers investing in PFII; and
- The acquisition of highly luxurious residential property located within the PFII by an individual or entity that conducts business activities, performs duties, is domiciled, or resides in the PFII.

2. VAT, LST, and Customs incentives

Law-6 provides Value Added Tax (VAT)-not-collected facilities for various strategic goods and services that support the development and operation of the PFII. These include:
- Deliveries of newly constructed residential, office, retail, and warehouse properties within PFII;
- Property rental services for eligible PFII occupants;
- Construction services for infrastructure projects and public facilities; and
- Imports of strategic capital goods required for PFII construction and development.

Luxurious residential properties supplied to eligible individuals, businesses, and institutions within the PFII will also be exempt from Luxury-goods Sales Tax (LST).

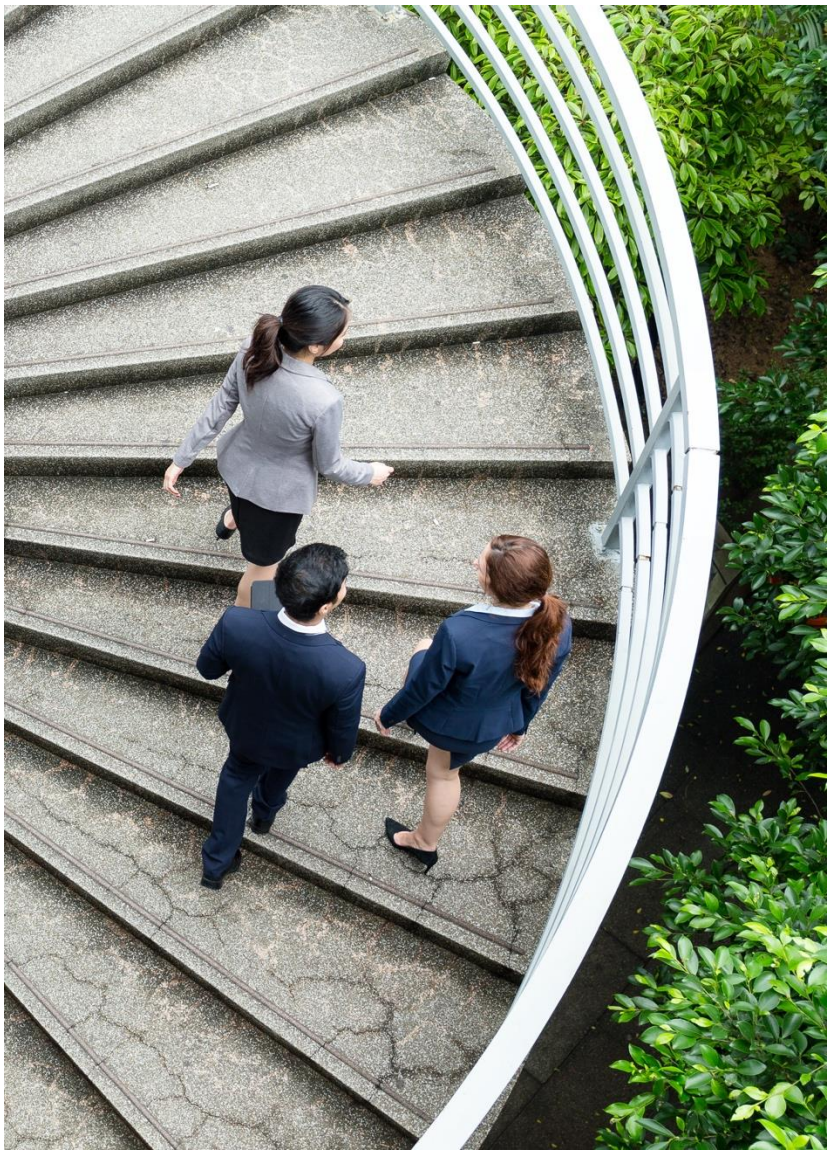
In addition, import duty exemptions will apply to qualifying capital goods used for the PFII's construction and development. The PFII Board will determine the list of eligible goods.

3. Inheritance Tax treatment related to family offices

Law-6 introduces a specific Inheritance Tax exemption for assets registered with a PFII family office and inherited by foreign nationals who are also registered with a PFII family office.

4. Capital Transfer Tax

Transfers of assets contributed as initial capital to the PFII LP will be subject to a 0% final Income Tax rate. This treatment applies to both the transferor and the recipient institution.



Compliance requirements and legal status

If an incentive recipient is subsequently found not to have satisfied the applicable requirements, the incentives may be revoked and the recipient may be required to repay the tax benefits obtained, together with any applicable penalties.

Law-6 overrides provisions in existing laws and regulations concerning the financial sector, judicial power, arbitration, taxation, language, currency, civil matters, foreign exchange flows, exchange-rate systems and regional governance, as well as other related regulatory matters, to the extent that they are specifically governed by Law-6. Furthermore, implementing regulations for Law-6 must be issued within six months of its enactment.

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