The 6th BRITACOF

Shared Progress in Taxpayer Service for a Better Business Environment

9-11 September 2025 | Kathmandu, Nepal

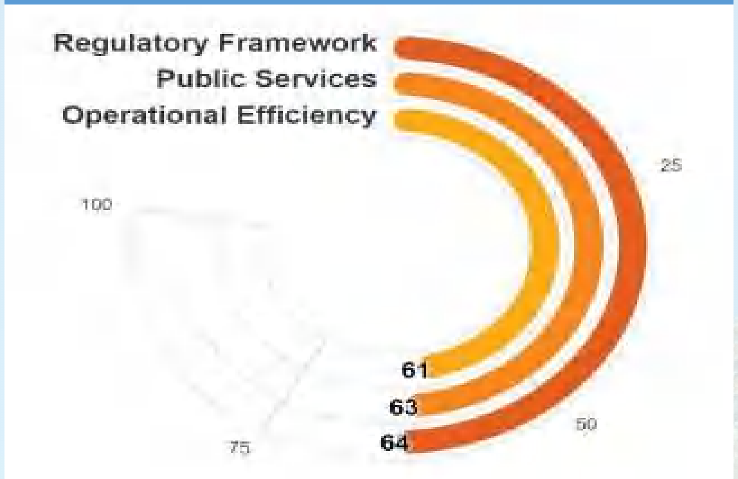
CONTENT

1

Investment Outlook in Indonesia

Creating a Supportive Tax Climate for Investment & Trade

Indonesia's Business Ready (B-Ready) Index 2024



Ease of Doing Business score 2020 for "Paying Taxes" topic

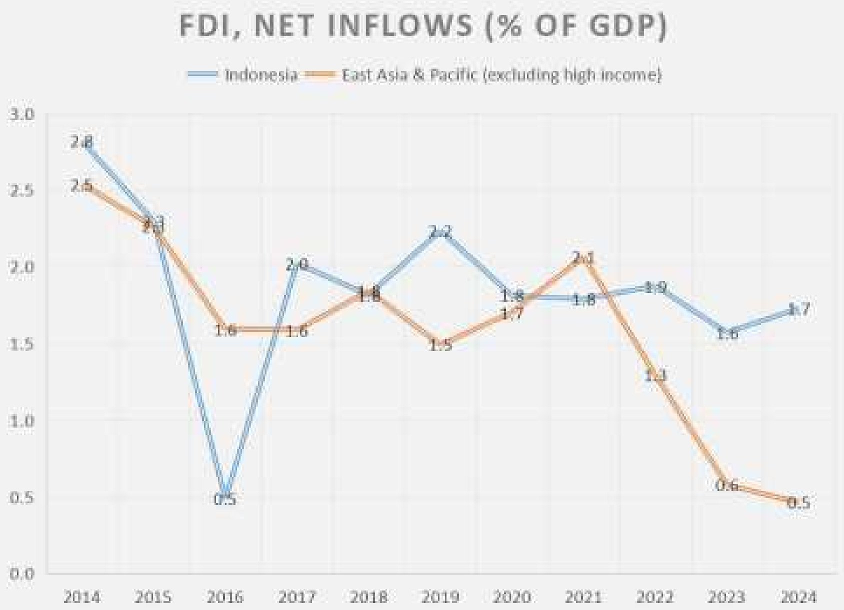
A supportive tax climate combines regulatory certainty, transparent policy, and effi cient administration to enable sustainable investment.

- Indonesia prioritizes **legal certainty** through consistent regulations. Indonesia's commitment to **legal certainty** is validated by the **2024 B-Ready Index (World Bank)**, where our **Regulatory Framework pillar scored 63.98** – ranking **11th globally** (highest in the second quintile)
- Indonesia's commitment to improving its investment climate is reflected in the **Ease of Doing Business – Paying Taxes 2020**, where it ranked **81st with a score of 75.8/100**. This progress shows better tax compliance and greater certainty for businesses, further supported by Easy access to **tax incentives** related to tax holidays and allowance through Online Single Submission for priority sectors.

Fiscal Stability and Transparency

- **Fiscal Stability**
  Indonesia has committed to keeping the budget deficit below 3% of GDP after the pandemic, showing strong fiscal discipline.
  Predictable and sustainable fiscal policy improves investor confidence by reducing macroeconomic risks.
- **Transparency**
  Improved government financial reporting through accrual-based accounting standards.
  Regular publication of fiscal and tax data (e.g., tax ratio, state budget, revenue realization).
  Implementation of Automatic Exchange of Information (AEOI) to combat tax evasion and enhance cross-border transparency

Indonesia: Attractive Investment Destination



source: world bank

Indonesia FDI

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow *(million USD)*	18,591	21,131	21,968
FDI Stock *(million USD)*	240,564	259,697	262,920
Number of Greenfield Investments	64	73	96
Value of Greenfield Investments (million USD)	20,300	8,248	15,016

Source: UNCTAD

Priority Sectors

1. **Manufacturing**
   - Strong domestic market demand plus regional integration (ASEAN supply chains) make it a hub for production.
2. **Digital Economy**
   - One of the fastest-growing in Southeast Asia, projected to reach USD 130 billion by 2025 (Google-Temasek report).
   - Key areas: e-commerce, fintech, health tech, edtech.
   - Indonesia has a young, tech-savvy population (median age ~29 years, internet penetration >77%)
3. **Green Energy**
   - Rich potential in geothermal, solar, hydropower, and bioenergy.
   - Commitment to reach net-zero by 2060 and reduce reliance on coal.
   - Attracts investors in renewable power plants, EV battery ecosystems, and sustainable infrastructure
4. **Infrastructure**
   - Ongoing large-scale projects: new capital city (IKN Nusantara), toll roads, airports, and ports.
   - Public–Private Partnerships (PPPs) encouraged, with government guarantees for strategic projects

2

Promoting a Supportive Tax Environment to Foster Trade and Investment in Indonesia

[Pro-Investment Tax Policies]

Tax Holiday

Tax Holiday for Pioneer Industries

- 100% reduction in CIT for new investment starts from IDR 500 billion
- 50% reduction in CIT subsequently 2 years after tax holiday period ends
- Period of tax holiday for 5 to 20 years, based on investment value

Mini Tax Holiday

- 50% reduction in CIT for new investment starts from IDR 100 billion
- 25% reduction in CIT subsequently 2 years after mini tax holiday period ends
- Period of mini tax holiday for 5 years

Tax Allowance

To encourage direct investment, boost economic growth, and accelerate development in specific regions

- Net income reduction maximum 30% of total investment
- Shall be charged at 5% annually over 6 years
- Accelerated depreciation and amortization on tangible assets or intangible assets
- Withholding tax on dividend at 10% or applicable lower tax treaty rate
- Extension of loss carry forward period, given from 5 to 10 years

Investment Allowance

To encourage investment in labor-intensive industries and support job creation

- 60% net income reduction from total investment value
- Shall be charged 10% per year for 6 years

[Pro-Investment Tax Policies]

Tax Holiday for Nusantara Region

To realize Ibu Kota Nusantara (NUSANTARA) as a sustainable city, a driver of Indonesia's future economy, and a symbol of national identity, it is necessary to accelerate development with high priority and national strategic economic value.

- 100% tax holiday facility for a period of 10-30 years
- For domestic taxpayers with minimum investment of IDR 10 billion in the field of infrastructure business, economic development, and other priority sectors in the IKN

Super Deduction

Superdeduction Vocational Activities

Additional deduction up to 200% of gross income on:

- Cost of providing teaching factory facilities;
- Instructor costs as the supervising instructor;
- Goods and materials needed for work practices and apprenticeship;
- Honorarium that paid to participants

Superdeduction Research & Development

Additional deduction up to 300% of expenditures spent in selected R & D activities in Indonesia which shall be charged over the following years

[Pro-Investment Tax Policies]

Special Economic Zones (SEZs)

Offer corporate tax holidays, VAT and import duty exemptions, and other fiscal/non-fiscal facilities.

Targeted sectors: logistics, manufacturing, tourism, digital economy, and renewable energy.

Green investment incentives

Tax incentives for renewable energy, electric vehicles (EVs), and environmentally friendly projects.

Indonesia is positioning itself as a **regional hub for EV battery production** in Southeast Asia

International Cooperation

- **BEPS (Base Erosion and Profit Shifting)**:
  - Indonesia is an active member of the OECD/G20 Inclusive Framework, committed to preventing base erosion and profit shifting.
  - Strengthened transfer pricing rules, mandatory TP documentation (PMK 172/2023), and Country-by-Country Reporting (CbCR).
- **Global Minimum Tax (Pillar 2)**:
  - Indonesia is preparing to implement the **15% global minimum tax** for multinational enterprises
  - This helps safeguard Indonesia’s tax base against profit shifting to low-tax jurisdictions.
- **Tax Treaties**:
  - More than 70 double taxation agreements (DTAs) in force.
  - Provide legal certainty, prevent double taxation, and support cross-border trade and investment.

3

Pillar Two Impact for Indonesia

Global Minimum Tax to Develop a Conducive Tax Environment

- **Enhancing Legal Certainty**

  By aligning with international tax standards, Indonesia provides greater clarity and predictability for multinational investors. A transparent tax system reduces risks and increases trust, which is fundamental for long-term investment decisions.

- **Creating Healthy Investment Competition**

  The GMT discourages harmful tax competition among jurisdictions, preventing a “race to the bottom” in corporate tax rates. This allows Indonesia to attract investment based on its strong fundamentals—such as infrastructure, human capital, and a large domestic market—rather than excessive tax incentives.

- **Protecting the National Tax Base**

  With the GMT in place, Indonesia can reduce profit shifting and safeguard its tax revenues. This ensures that taxes generated from economic activities within the country remain available to support national development priorities.

- **Promoting Trade and Investment**

  A stable, fair, and internationally recognized tax regime strengthens investor confidence and improves Indonesia’s reputation as a reliable partner in the global economy. Such an environment fosters sustainable investment and encourages international trade flows.

PILLAR 2 – GLOBAL MINIMUM TAX, IMPACT FOR INDONESIA

- **Effectiveness of Tax Incentives**

  Pillar Two will lessen the effectiveness of tax incentives. However, Pillar Two will only impact entities part of MNEs group in scope of Pillar Two. Therefore, tax incentives provided to out-of-scope MNEs will not be affected by Pillar Two.
- **Tax Incentives Shifting**

  Pillar Two tends to shift the tax incentive from tax holiday or tax allowance to refundable tax credit.
- **Tax Revenue Potential**

  The tax revenue potential from the implementation of IIR, UTPR and QDMTT might not be significant in Indonesia.
- **System Adjustment**

  New Indonesia's tax administration system (Coretax) must be adjusted to facilitate the reporting requirements of Pillar Two.


Thank you