



BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

# Tax Administration Theme Day

## Second Event

4 August 2022



BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

# Indonesian Tax Policy, Incentives, Administration and Services

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**Jurisdiction/Organization: Indonesia/Directorate General of Taxes**



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01 / Tax Policy

02 / Tax Incentives

03 / Tax Administration and Services



# Part 01

## Tax Policy



The Job Creation Law, better known as the Job Creation Omnibus Law, has been officially approved as a Law by the Indonesian House of Representatives at the Indonesian Parliament Building, Jakarta on October 5, 2020 which was later ratified and promulgated on November 2, 2020 into Law Number 11 of 2020 concerning Job Creation



## BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

# Background

## Ease of Doing Business Cluster – Taxation Sector



01

To strengthen the Indonesian economy

02

To encourage investment amidst global economic deceleration to maximize the employment rate

03

The need for changes to various statutory provisions, including the three tax laws (i.e., the General Provisions and Tax Procedures (KUP) Law, the Income Tax Law, and the VAT Law) in a relatively short period

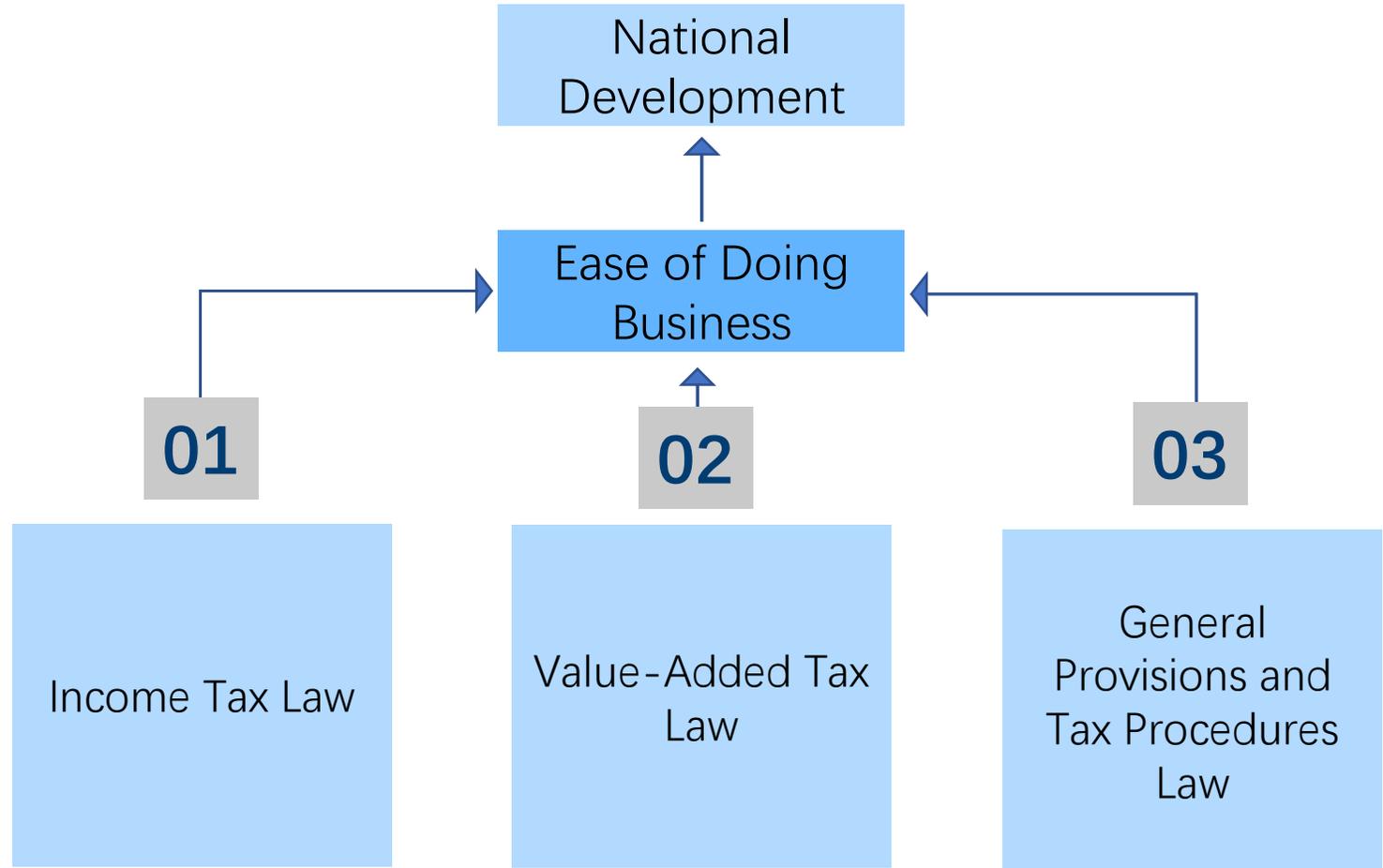
04

The need to maintain and increase tax revenue through increased investment, compliance, legal certainty, and justice in business



# Substance

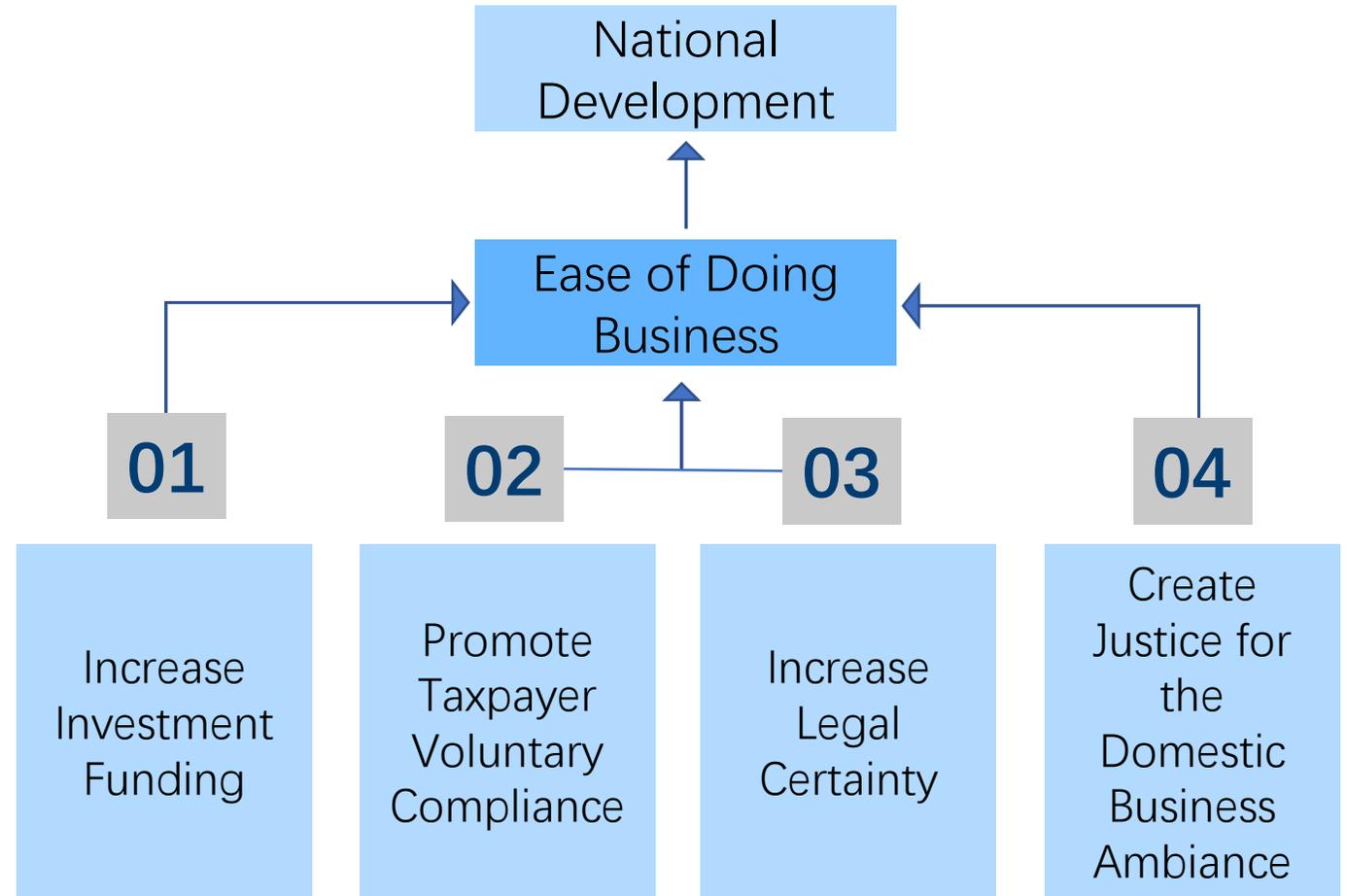
Ease of Doing Business  
Cluster – Taxation Sector





# Substance

Ease of Doing Business Cluster – Taxation Sector



## Increase Investment Funding

1. Reduction in the corporate income tax rate for Go Public Taxpayers (general rate - 3%).
2. Elimination of Income Tax on Domestic Dividends.
3. Dividends and after-tax profits from permanent establishments abroad are not subject to income tax as long as they are invested in Indonesia.

## Promote Taxpayer Voluntary Compliance

4. Relaxation of Input VAT crediting rights for Taxable Entrepreneurs for VAT purposes.

## Increase Legal Certainty

5. Determination of Individual Tax Subjects:
  - a. Indonesian citizens and foreigners staying >183 days in Indonesia are subject to Domestic Tax Provisions.
  - b. Indonesian citizens who stay in Indonesia <183 days can become foreign tax subjects under certain conditions.
6. Imposition of Income Tax for Foreigners who are Domestic Tax Subjects with certain expertise only on income from Indonesia.

## Create justice for the domestic business ambiance

7. Tax on Electronic Transactions:
  - a. Appointment of the platform as a VAT collector.
  - b. The imposition of taxes on foreign tax subjects on electronic transactions in Indonesia.
8. The use of the Resident Identification Number (NIK) in the Tax Invoice for buyers that do not have a Tax Identification Number.



# Part 02

## **Tax Incentives**



# OVERVIEW OF TAX INCENTIVES IN INDONESIA

01  
02  
03

TAX HOLIDAY

SUPER DEDUCTION

TAX ALLOWANCE

# TAX HOLIDAY

Taxpayers making new investment in a pioneer industry can obtain exemption reduction of income tax

MoF Regulation No. 130/PMK.010/2020



## Eligible Taxpayers

- ✓ Domestic corporate taxpayer
- ✓ Is a Pioneer Industry
- ✓ Is a legal entity in Indonesia
- ✓ Is a new investment
- ✓ DER (Debt to Equity Ratio) is in accordance with regulation (4:1)
- ✓ Committed to realize the investment no later than 1 year since the issuance of the Tax Holiday Decree
- ✓ Never been issued decree of:
  - Tax Holiday approval/rejection
  - Provision of Tax Allowance (Article 31A)
  - Provision of Investment Allowance
  - Special Economic Zone (KEK)

## Tax facilities provided

- 100% reduction in corporate income tax liability for minimum investment of IDR 500 billion
- 50% reduction in corporate income tax liability for minimum investment of IDR 100 billion

Minimum 5 years to maximum 20 years tax holiday period, based on investment value.



Industry of main components for electronic or telematics devices



Manufacturing industry of agriculture, plantation, forestry



Upstream basic metal industry



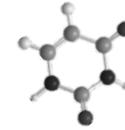
Industry of petroleum purification and/or refinement



Petrochemical Industry



Non-organic basic chemical industry



Organic basic chemical industry



Raw material industry for pharmaceuticals



Infrastructure for economy



# Pioneer Industry

Pioneer Industry is an industry that have a broad linkage, providing value added, Introducing new technology, and hold strategic value for the national economy



Manufacturing industry of irradiation, electro-medical & electrotherapy devices



Industry of motor vehicle and its main components



Manufacturing industry of main components for engines



Robotic component industry



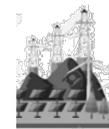
Vessel main component industry



Industry of main components for aircraft



Industry of main components for railway



Power plant machine industry



Digital economy

GR No.45 year 2019  
MoF No.153 year 2020

# SUPER DEDUCTION

An additional deduction from gross income for companies that conduct **research and development** or **vocational activities**

# Research and Development

## Eligible Taxpayer

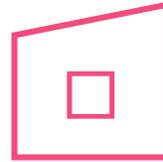
- Indonesian Resident Corporate Taxpayer that conducts its own Research and Development and do collaboration with domestic Research and Development Institutions
- Research & Development activities are limited to the focus of themes and topics of Research & Development based on the National Research Master Plan

## Tax Facility

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



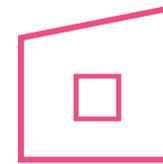
# Vocational Activities



## Eligible Taxpayer

Indonesia Resident Corporate Taxpayer who conducts work practice, apprenticeship or learning activities to:

- vocational high school
- diploma program at the university
- individuals take part in selected programs under minister of manpower coordination



## Tax Facility

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



# TAX

# ALLOWANCE

GR No.78 year 2019  
MoF Regulation No. 11/2020  
Jo MoF No.96/2020

## Eligible Taxpayer

- Indonesian Resident Corporate Taxpayer
- Makes new investment or business expansion
- Shareholders of the taxpayer have fulfilled their tax obligations as evidenced by a tax clearance letter (SKF)
- Meet the general requirements: high investment or export oriented, large workforce, a high level of local content
- Covered by the scope of certain sectors/regions that included in the appendix of Government Regulation

## Tax Facility



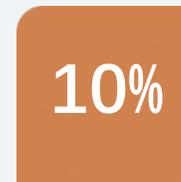
**Net income reduction maximum 30% of total investment**

which shall be charged at 5% annually over 6 years



**Accelerated depreciation and amortization**

On tangible assets or intangible assets



**Income tax on dividend at 10%**  
or applicable lower tax treaty rate



**Extension of loss carry forward period**  
Given from 5 (five) years up to 10 (ten) years

# Eligible Sector

Listed in Appendix I (166 sector) and Appendix II (17 sector),  
GR No. 78 year 2019

## ➤ Agricultural, Forestry and Fishery

- Agriculture
- Farm
- Forestry
- Fishery

## ➤ Others

- Machine repair and installation
- Power plant
- Transportation tools
- Warehousing
- Water, waste & garbage management
- Programming and computers
- Real Estate
- Natural gas procurement

## ➤ Energy and Natural Resources

- Coal Gasification
- Geothermal
- Metal Ore Mining

## ➤ Industry

- Food
- Textile
- Apparel
- Leather industry
- Coal & lubricant products
- Chemical material
- Pharmacy
- Rubber
- Non-metallic excavation
- Base metal
- metal goods
- Electrical equipment
- Computers and electronics
- Machinery and equipment
- Other means of conveyance
- furniture
- Other processing



# INVESTMENT ALLOWANCE

for labor-intensive industry

GR No. 45 year 2019 jo MoF No.16/2020



## Eligible Taxpayer

- Indonesian Resident Corporate Taxpayer
- Making Investments in listed sectors in the Attachment of PMK 16/2020
- Labors-intensive industry (minimum of 300 workers)
- Taxpayers does not facilitate tax allowance or tax holiday

taxpayer is only eligible for one type

## Tax Facility



**Net income reduction maximum 60% of total investment**

which shall be charged at 10% annually over 6 years





# Part 03

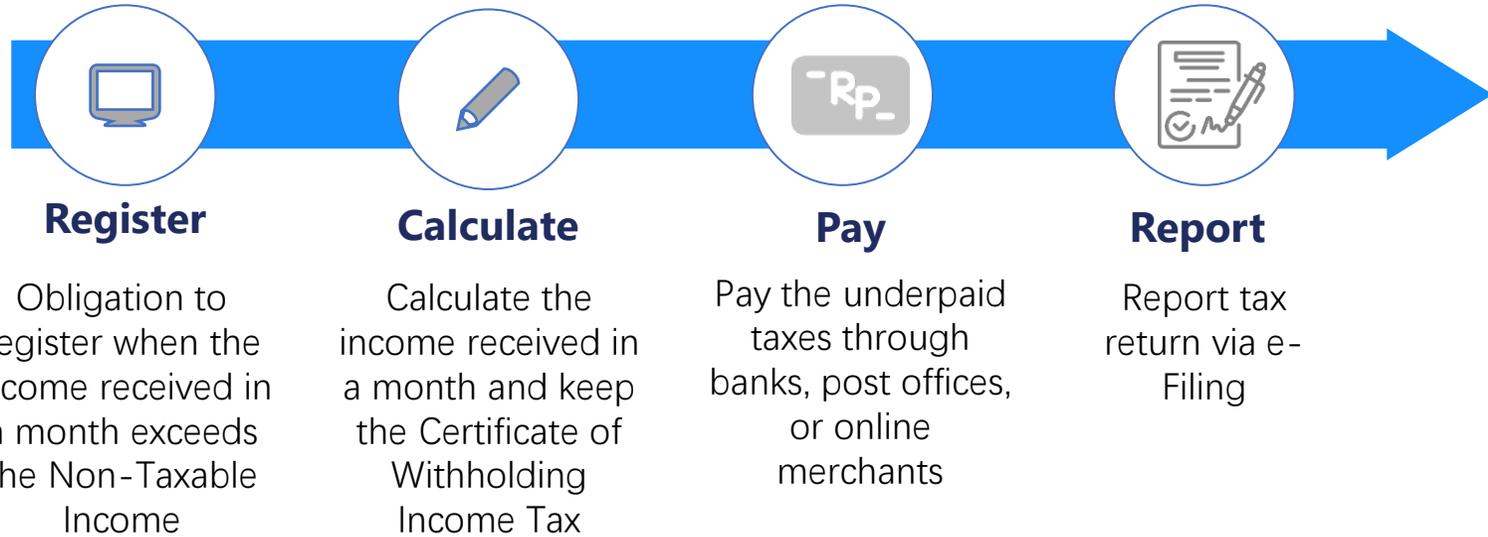
## **Tax Administration and Services**



## Self Assessment System

Indonesian taxation gives full trust to the public to carry out their tax obligations.

# Tax Obligations



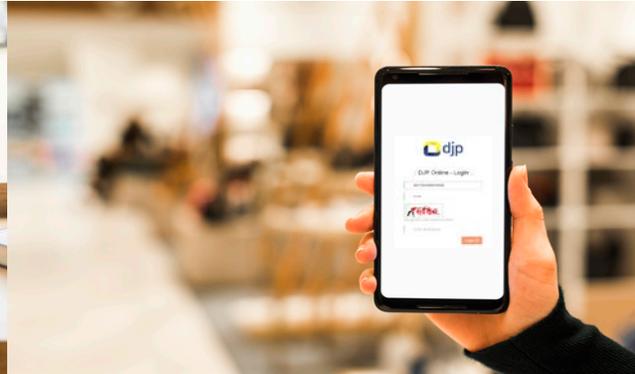


# Digital Transformation

Then



Now





BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT



# Indonesian e-Tax

Taxation in the Digital Age



[www.pajak.go.id](http://www.pajak.go.id)

## Digital Service

**e**reg  
registrasi Wajib Pajak

**e**filing

**e**billing  
cara mudah bayar pajak

**e**bupot  
bukti pemotongan pajak

**e**form  
formulir SPT elektronik

**e-faktur**

## Service Mechanism

3C



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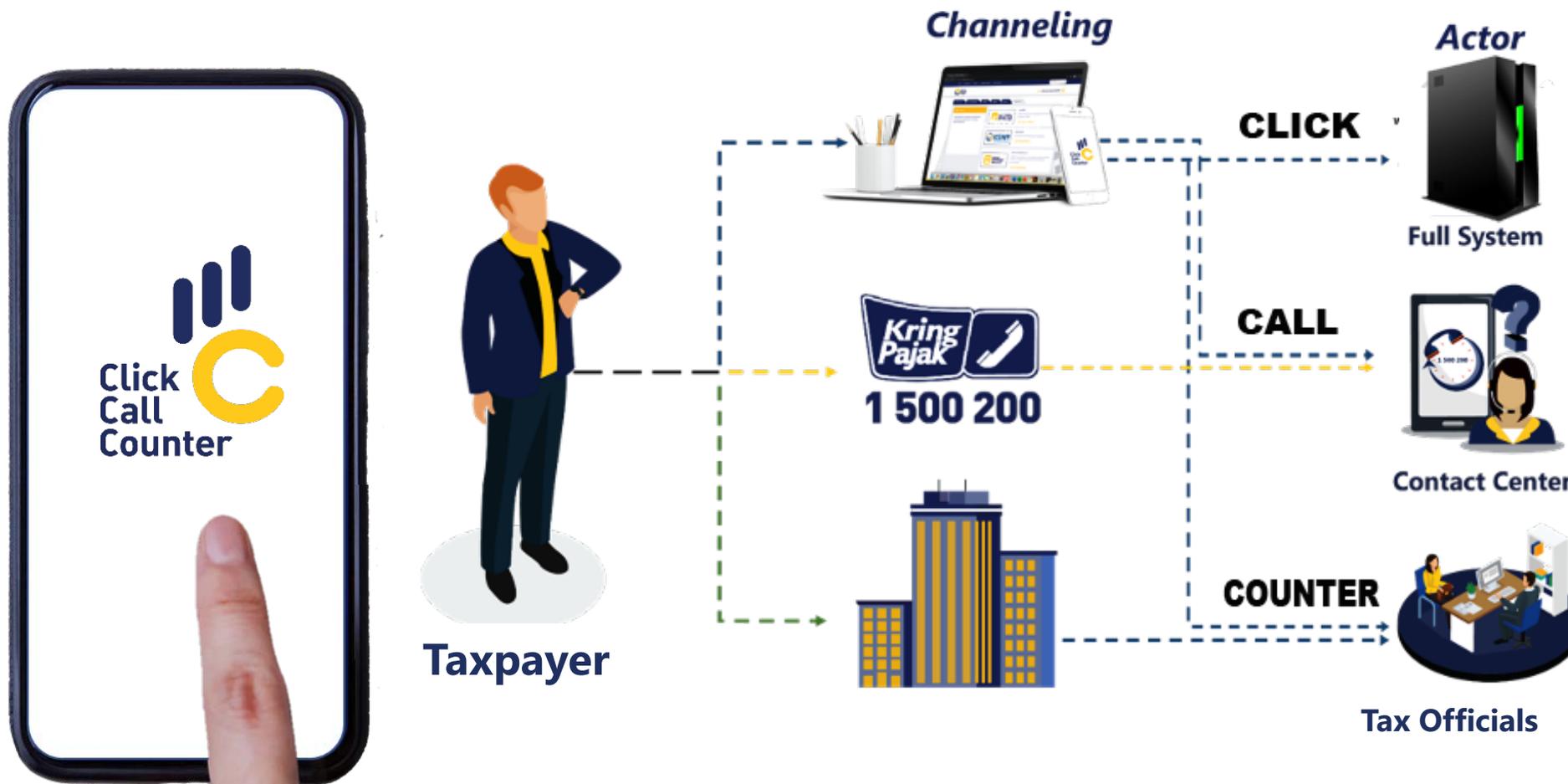


call



counter

# 3C SERVICE



# M-Pajak Application

A mobile application developed by the DGT to make it easier for taxpayers to get more personalized, easy, and fast services on their devices.

## Features of M-Pajak

- e-Billing
- Digital Tax Identification Number
- MSME's transaction recording
- Nearest tax office information
- Certificate of PP 23
- Tax Clearance Certificate
- Taxpayer status confirmation
- Updates on tax regulations
- A reminder of tax payment and reporting deadlines



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# THANK YOU

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