

NEWS FLASH

Tax Holiday Revamped!!!



The Minister of Finance (MoF) has issued Regulation No. 150/PMK.010/2018 (PMK-150) on 27 November 2018 which revokes the recently-issued MoF Regulation No. 35/PMK.010/2018 (PMK-35), as part of Economic Policy Package XVI. There are a number of important changes to note as follows:

Under the updated regulation, the tax holiday is granted to corporate taxpayers with a minimum capital investment plan of IDR 100 billion. This is a significant reduction from the minimum capital investment plan of IDR 500 billion in PMK-35.

There are now 18 pioneer industries compared to the previous 17 pioneer industries in the business sectors.

For the complete list, please refer to the details of eligible Standard Classification of Business Field (KBLI) of each pioneer industry that are stipulated in the Regulation of Capital Investment Board (BKPM).

There are several facilities which depend on the amount of investment as follow:

| Provision | New Capital Investment | |
|-------------------------------------|---|--|
| | IDR 100 billion up to < IDR 500 billion | ≥ IDR 500 billion |
| Corporate Income Tax Reduction Rate | 50% | 100% |
| Consession Period | 5 Years | 5 - 20 Years* |
| Transition Period | 25% CIT Reduction for the next 2 years | 50% CIT Reduction for the next 2 years |

| Investment (IDR) | Period in years |
|---------------------------------|-----------------|
| 500 billion up to < 1 trillion | 5 |
| 1 trillion up to < 5 trillion | 7 |
| 5 trillion up to < 15 trillion | 10 |
| 15 trillion up to < 30 trillion | 15 |
| ≥ 30 trillion | 20 |

For the taxpayer, who is authorized to get the facility, is obligated to do separate bookkeeping between the income with facility and without facility. Taxpayer still required to withhold tax from other parties in accordance with regulations.

In order to qualify for the tax holiday, the corporate taxpayer must meet the criteria below:

- ▶ Classified as a pioneer industry;
- ▶ Status as an Indonesian legal entity;
- ▶ Is a new investment that has not been issued the decision regarding granting or refusing the corporate income tax reduction;
- ▶ Value of new investment plan is at least IDR 100 billion; and
- ▶ Fulfill the Debt-to-Equity Ratio as referred to in the Minister of Finance Regulation concerning determining the Debt-to-Equity Ratio for calculating Corporate Income Tax

For new investments, the corporate taxpayer can verify its eligibility through the Online Single Submission (OSS) system

that will determine if the taxpayer has met the criteria for the tax holiday and the OSS system will send a notification to the taxpayer on the eligibility.

Thereafter, the corporate taxpayer is required to submit the details of fixed assets in the investment plan, Debt-to-Equity Ratio and shareholder fiscal statements in softcopy through OSS. Before commencement of commercial production, the corporate taxpayer is required to submit together with registration of business license number for new taxpayers or within 1 year after receiving the business license for new investments.

If the corporate taxpayer wishes to apply for the tax holiday in which the industry is not listed as a pioneer industry but meet all the other criteria, the eligibility for the tax holiday will be discussed between BKPM and the relevant ministries.

The Directorate General of Taxes (DGT) who receives delegation of authority

from MoF, will issue its decision within five working days from receipt of the complete application from OSS system. The OSS system will send notification to the corporate taxpayer on the decision.

The new investment which has been granted tax holiday under PMK-150 cannot be granted for other Income Tax facilities for investment in certain business fields and/or in certain areas that is stipulated in Government Regulations.

For more information on how BDO - Tax can help you in planning and navigate these major changes, please contact our experts:

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