

# TAX INSIGHT

## New guidance issued on incentives for operators in Special Economic Zones



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The Indonesian Ministry of Finance (MOF) recently issued a new regulation (PMK 33) that provides a more detailed explanation of the incentives available to companies operating in the Special Economic Zones (known as "KEK"). In particular, PMK 33 includes an expansion of the VAT incentives for certain transactions and clarification of the requirement that operators in the KEK have specific IT infrastructure.

Indonesia has 20 KEKs that are either operating or under development for various sectors (i.e., manufacturing and processing, power and energy, logistics and distribution, IT-digital, maintenance, repair and overhaul, creative, tourism, health, etc.) PMK 33 confirms the following exemptions for companies operating in a KEK: income tax, VAT, sales tax on luxury goods (LST), import duties, tax on imports and excise duties.

### ► Requirements of the KEK application system

Companies operating within a KEK must set up an information technology (IT)-based inventory system and implement a "KEK application system" to monitor the delivery and movement of taxable goods and services. The application system will allow KEK operators to use a single electronic system for various services in the KEK and it must be integrated with the IT-based inventory system. The application system will allow for the standardisation and automatic exchange of information with the National Single Window (SINSW) system for customs and excise duties purposes, as well as integration with SINSW for tax purposes.

### ► Expansion of VAT incentives

PMK 33 expands the VAT incentives available to KEK operators and exempts the following transactions from VAT:

- Import of certain taxable goods into a KEK;
- Import of consumer goods into a tourism KEK;

For more information regarding the topic, or other matters related to tax, kindly contact BDO-Tax experts:



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- Delivery of certain taxable goods to a KEK from the Indonesian customs area, free trade zone or bonded storage area;
- Delivery of certain taxable services and intangible taxable goods from the Indonesian customs area;
- Delivery of certain tangible taxable goods among business entrepreneurs within or among KEKs;
- Delivery of taxable services and intangible taxable goods within or among KEKs, including land and building rentals; and
- Utilisation of taxable services and intangible taxable goods from outside Indonesia.

The supply of taxable goods and services by a KEK operator to customers in other locations within the Indonesian customs area will be subject to VAT and/or LST in accordance with the prevailing VAT regulation. If the taxable goods or services originate from outside the Indonesian customs area, a free trade zone or bonded storage area, the KEK operator is required to settle any VAT or LST that is not collected at the time of the purchase. The VAT and LST cannot be claimed as input VAT by the operators for monthly VAT calculation purposes.

