



Corporate Income Tax Deduction Facility (Tax Holiday Incentive)

On 24 September 2020, the Ministry of Finance has issued Regulation No. PMK-130/PMK.010/2020 regarding Corporate Income Tax Deduction Facility (Tax Holiday Incentive). The regulation provides an update on administrative, procedural and eligibility for taxpayers that wish to apply if their industry is not listed as a "Pioneer Industry". The summary of the regulation are as follows:

- **The Facility**

Depending on the investment value, the facility can be categorized into two investment bracket as follows:

- Capital Investment Plan at least IDR 100.000.000.000 (one hundred billion rupiah) less than IDR 500.000.000.000 (five hundred billion rupiah)
 - Corporate Income Tax (CIT) reduction rate => 50%
 - Period of facility => 5 years
 - Transition => 25% CIT reduction for the next 2 years
- Capital Investment Plan amounting at least IDR 500.000.000.000 (five hundred billion rupiah)
 - Corporate Income Tax (CIT) reduction rate => 100%
 - Period of facility => 5 - 20 years as summarized below:

Capital	Years
500 billion up to < 1 T	5
1 T up to < 5 T	7
5 T up to < 15 T	10
15 T up to < 30 T	15
> 30 T	20

- Transition => 50% CIT reduction for the next 2 years

- **Eligible Entity**

To be eligible for the facility, entity should fulfill the following requirements:

- Pioneer Industry;
- Legal Entity in Indonesia;
- New capital investment plan that has not obtained the following decision letter on tax facilities below:
 1. Tax Holiday;
 2. Tax Allowance;
 3. Additional deduction on labor intensive industry; and
 4. Special Economic Zone;
- New capital investment plan with minimum amount of IDR 100.000.000.000 (one hundred billion rupiah);
- Debt to equity ratio requirement for Income Tax purpose; and
- Commitment to realize the investment plan by 1 (one) year at the latest after issuance of the Tax Holiday approval.



- **Pioneer Industry**

- integrated upstream basic metal
- integrated oil and gas refinery
- integrated petrochemicals from oil, gas, or coal
- integrated organic basic chemicals from agriculture, plantation, or forestry products
- integrated inorganic basic chemicals
- integrated pharmaceutical raw materials
- irradiation, electro medical, or electrotherapy equipment
- main components of electronics or telematics equipment
- machinery and main components of machinery
- robotics components that support the manufacturing industry machinery
- main components of power plant machinery
- motor vehicles and main components of motor vehicles
- main components of ship / vessels
- main components of trains
- main components of aircrafts and aerospace industry supporting activities
- agricultural, plantation, or forestry-based processing that produce pulp
- economic infrastructure
- digital economy which includes data processing, hosting, and related activities

Details of the eligible Standard Classification of Business Field (KBLI) will be further stipulated in a Capital Investment Coordinating Board (BKPM) regulation.

Pioneer Industry Entity applying for the Tax Holiday Incentive shall apply through Online Single Submission (OSS) system and shall include the following documents:

- list of fixed asset in the capital investment plan; and
- tax clearance letter for shareholder,

- **Non Pioneer Industry Entity**

Corporate entity with KBLI outside of the list of Pioneer Industry as stipulated in BKPM regulation may apply for the Tax Holiday Incentive through a separate channel upon fulfillment of the other eligibility requirements. Applicants can apply through the OSS system by including a Pioneer Industry Quantitative Criteria Assessment form in addition to the other required documents / requirements. This assessment form will justify whether the applicant entity should be considered as a pioneer industry. The minimum score required for the assessment form is 80.

Categories of Quantitative Criteria:

- Broad Local Linkage (e.g. using domestically produced main raw materials, production used domestically (import substitution))
- Added Value or High Externalities (e.g. large number of workers, investment locations)
- New Technology (e.g. environment friendly technology, new manufacturing technology)
- Priority Industry on National Scale (e.g. support of national strategic projects, independent infrastructure facilities building)



The submission through OSS should include the following documents

- list of fixed asset in the capital investment plan;
- tax clearance letter for shareholder;
- Pioneer criteria fulfillment study; and
- Quantitative criteria assessment form.

BKPM will assess the fulfillment of the requirements and issue a decision through OSS within 5 (five) working days.

- **National Strategic Project**

Entity engaging in business expansion through spin-off scheme can benefit for the tax holiday incentive that will include the value of the investment resulting from the spin-off in addition to the new capital investment.

The investment value to determine the period of tax holiday incentive are as follows:

- a. All of the investment value (new investment value + investment value from spin-off) – under the condition that the new investment value is higher than spin-off value
- b. New investment value – if the new investment value is lower than spin-off value

- **Field Audit for Tax Holiday Incentive utilization**

The starting point of utilization of Tax Holiday Incentive is determined based on a field audit to verify the realization of the investment plan and the initial main business activity plan. The tax audit may result in adjustment on the benefit. A Tax Audit can also be conducted to verify the quantitative criteria assessment for entities outside the eligible KBLI.

- **Annual Reporting**

Entities obtaining the facility is required to submit annual investment and production realization report. Failure to submit in a timely manner (30 days since end of year) will result in issuance of a warning letter from DGT. The warning letter may trigger a tax audit.

- **Application Period**

The application through OSS to obtain the benefit under this regulation may only be submitted within 4 (four) years since this regulation is made into law (i.e. 24 September 2020).



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