

Versi Bahasa Indonesia

Enforcement Date

26 October 2015

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Securing Income-Tax Concessions for Investment in Certain Fields and Areas

The Head of the Indonesian Investment Coordinating Board ("BKPM") has issued Regulation [No. 18 of 2015](#) ("Amendment"), which amends Regulation [No. 8 of 2015](#) on Procedures for Securing Income-Tax Concessions for Investment in Certain Fields and/or Areas ("2015 Regulation"). The Amendment aims to simplify the procedures for securing income-tax concessions ("Tax Concession") for both foreign and domestic investors.

The Amendment is of relevance to foreign and domestic investment companies ("Company") looking to secure tax concessions.

Tax Concessions

A company is entitled to the following four income-tax concessions: (i) income-tax reduction; (ii) accelerated depreciation of tangible assets or amortization of intangible assets; (iii) imposition of income tax on the dividends of foreign taxpayers who do not operate under the authority of a permanent establishment; and (iv) compensation for losses.¹

Eligible Companies

Tax concessions can be granted to companies which are intending to invest in certain sectors of the economy, including farming, mining, and other areas considered high priority by the government. Tax concessions will also be granted to companies that are willing to invest in areas of high economic value, such South Sumatra, East Borneo, and North Sulawesi.²

In order to become eligible for a tax concession, a company must first obtain a principle license issued by the BKPM,³ or other type of investment license issued by an authorized institution.⁴ The Amendment now classifies investment licenses⁵ as principle licenses, a provision which was not included in the 2015 Regulation.

¹ Art. 2 (2), Government Regulation [No. 18 of 2015](#) on Income-Tax Concessions for Investment in Certain Fields and/or Areas ("PP 18/2015"). For more information on this matter, see ILB [No. 2639](#).

² Art. 1, points (3) to (5) and Art. 2 (1), Amendment. A complete list of fields and areas is set out in detail under Appendices I and II of the PP 18/2015.

³ The following principle licenses are issued by the BKPM: (a) principle license; (b) expansion of principle license; (c) amendment to principle license; (d) principle license for mergers; and (e) investment license [Art. 10 (1), Head of BKPM Regulation [No. 14 of 2015](#)]. For more information on this matter, see ILB [No. 2752](#).

⁴ Art. 2 (2), Amendment.

⁵ Investment licenses are principle licenses which are granted to companies in order to accelerate investment in projects which: (a) have an investment value of at least IDR 100 billion; and/or (b) are capable of providing employment opportunities for at least 1000 members of the Indonesian workforce [Art. 1.14 and Art. 30 (1), Head of BKPM Regulation No. 14 of 2015].

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Procedures

Eligible companies can apply for tax concessions by filing an application letter along with the required documents (copy of a principle license, copy of a tax-identification number) with the front office at the One-Stop Integrated Service facility at the BKPM ("Central PTSP") ready for verification.⁶

The front officer at the Central PTSP will then create a report containing the results of the verification process,⁷ and this report will be the basis for the issuance of an affidavit which should state a company's full compliance with the implementing regulations as set out in PP 18/2015.⁸ This document must be produced within five working days of receipt of the verification report, and failure to do so means that the application has been rejected.⁹

If an application is considered complete, then the front officer will issue an application receipt.¹⁰ The application will then be presented at a trilateral meeting attended by representatives of the BKPM, the Ministry of Finance, and a relevant functional ministry.¹¹ The parties attending this trilateral meeting then have a maximum of 15 working days after the issuance of a verification report to make a decision, either an approval, a rejection, or a postponement.¹²

The Head of the BKPM has a maximum of three working days after the trilateral meeting in which to issue a tax-concession recommendation to the Minister of Finance through the Director General of Tax (if an application has been approved)¹³ or issue a rejection letter to the applicant.¹⁴ In the case of a postponement, a second trilateral meeting will be held in order to further deliberate the matter, so that an approval or rejection can ultimately be decided upon.¹⁵

Transitional Rules

Prior to the Amendment, applications that had been processed under Government Regulation [No. 1 of 2007](#)¹⁶ could be presented at the trilateral meeting in the manner prescribed under the Amendment in order to obtain a decision.

A company which is currently applying for an income-tax release or reduction based on Government Regulation [No. 94 of 2010](#) may alternatively apply for a tax concession as set out under the 2015 Regulation and the Amendment, provided that said application fully complies with the provisions laid out in the Regulation and the Amendment.

The Amendment has been in force since 26 October 2015.

⁶ Art. 2 (3), Amendment and Art. 3 (1), 2015 Regulation. A complete list and explanation of the documents necessary for tax-concession applications is set out under Appendix I.

⁷ Art. 3 (4), 2015 Regulation. A complete description of an application letter and its necessary supporting documents is set out in detail in Appendix I to the Amendment.

⁸ Art. 3 (5), 2015 Regulation.

⁹ Art. 3 (6), 2015 Regulation.

¹⁰ Art. 3 (7), 2015 Regulation.

¹¹ Art. 4 (1), 2015 Regulation.

¹² Art. 9 and Art. 4 (2), 2015 Regulation.

¹³ Art. 5 (1) and (2), 2015 Regulation.

¹⁴ Art. 16 (1), 2015 Regulation.

¹⁵ Art. 7 and 8, 2015 Regulation.

¹⁶ Most recently amended by Government Regulation [No. 52 of 2011](#).

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