

BRITCHAM REGULATORY UPDATES

A wooden gavel with a silver band is positioned vertically on a stack of papers. In the foreground, a wooden stamp block is visible, resting on a green document with a grid pattern. The stamp block has the word "REGULATIONS" printed on it. Another stamp block with the letters "ST" is partially visible to the right.

"THE SUPER DEDUCTIBLE TAX"

REGULATIONS

"THE SUPER DEDUCTIBLE TAX"

Government Regulation No. 45 of 2019 on Revision to Regulation No. 94 of 2010 on Calculation Of Taxable Incomes And Settlement of Income Tax In Current Year
(Peraturan Pemerintah Republik Indonesia Nomor 45 Tahun 2019 tentang Perubahan Atas Peraturan Pemerintah Nomor 94 Tahun 2010 tentang Penghitungan Penghasilan Kena Pajak dan Pelunasan Pajak Penghasilan dalam Tahun Berjalan)



What?

Why?



To encourage investment in labor-intensive industries, to support and encourage employment creation programs and the absorption of qualified Indonesian workers as well as in research and development

KEY STIPULATIONS:

1. Taxpayers conducting a new investment in **Pioneering industry*** can be granted exemption or reduction of corporate income tax.

(* = Industry having broad interconnections, giving added value and high externality, awareness of new technology, as well as having strategic value for the national economy.)

2. A new investment or expansion in certain **labor intensive industries** can be granted reduction of 60% of net income tax from the total investment in a form of fixed assets including land which is used as location of main business.

Further details:

- Given for 6 years of 10% for each year
- Application and review process through OSS system
- Decision is made within 5 working days since the application is received by the MoF

3. Domestic corporate taxpayers **conducting apprenticeships, internship, and/ or education** in a framework of guidance and development of human resources based on certain competency (regulated under the Minister of Finance Regulation 128/PMK.010/2019, issued 9 Sept 2019) can be granted reduction of gross income tax up to 200% from the total expenses incurred from such activity.

**The categories for the certain competency covered in the MoF Regulation No. 128 are Manufacturing Sector, Healthcare, Agriculture Business, Tourism & Creative Industry, Digital Economy, Migrant Workers (Some can be conducted through Vocational School, Diploma University, or Vocational Training Center/BLK)*

Criteria:

- Have an agreement with Vocational School, Diploma Program High Education, or government institutions related to manpower
- Not in the state of financial loss
- Has submitted letter of fiscal statement

Type of facilities:

- The reduction of the gross income tax covering 100% from expenses that can be covered related to vocational activities and its 100% addition to expenses

Type of expenses:

- Procurement of special physical facility in a form of workshop or training center including electricity, water, fuel, and maintenance fee
- Instructure or teacher
- Goods and/ or materials to be used in the teaching process
- Honorarium or similar fee that are given to the participants

Procedures:

- Taxpayers submit a notification to the OSS system

4. Domestic corporate taxpayers conducting certain **research and development** in Indonesia, can be granted reduction of gross income tax up to 300% from the total expenses incurred from such activity

Type of facilities:

- Additional reduction of gross income tax such as additional 100% reduction for production (new products and/ or production efficiency) or additional 100% for R&D that resulted with patent registration

Period of tax facility:

- When it is proven that the R&D is used in production or when it has been patent registered

Type of expenses:

- OPEX and CAPEX related to certain R&D

Assessment:

- Conducted by the Ministry of Industry or Research and Technology every year, before the R&D is conducted

Further details of the provisions on the tax reduction and exemption facility as well as the pioneering industries will be regulated under the MoF regulation.



CONTACT US



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