



## Indonesia Tax Info

### Update on Tax Holiday

Minister of Finance (“MoF”) Regulation number 35/PMK.010/2018 (“PMK-35”), issued on 3 April 2018, revokes the previous regulation 159/PMK.010/2015 (“PMK-159”) concerning Granting of Facility of Corporate Income Tax Reduction. This regulation is effective from 4 April 2018.

This new tax holiday regulation is intended to promote an increase in domestic investment, and also to provide convenience to Taxpayers in utilizing the Corporate Income Tax reduction facility. The basic changes in PMK-35 as compared with PMK-159 are as follows:

1. Greater amount of Corporate Income Tax reduction (100% reduction);
2. Shorter time frame and process;
3. Scope of types of pioneer industries is expanded (now 17 types, and may also be granted to industries not included in the list of pioneer industries under PMK-35 with certain requirements);
4. Not required to be a new Taxpayer, but rather to be a new investment.

The table below shows the changes between PMK-35 and PMK-159 (as amended by PMK-103/PMK.010/2016 (“PMK-103”)).

No.	Description	PMK-159 (as amended by PMK-103)	PMK 35/PMK.010/2018
1	Tax reduction that is granted	Corporate Income Tax reduction granted is a maximum of 100% and a minimum of 10% of the amount of Corporate Income Tax payable	Corporate Income Tax reduction granted is 100% of the amount of Corporate Income Tax payable

#### In this issue:

1. [Update on Tax Holiday](#)
2. [Second Amendment of Regulation on Determination of Goods Classification System and Import Tariffs Charged on Imported Goods](#)

No.	Description	PMK-159 (as amended by PMK-103)	PMK 35/PMK.010/2018
2	Time frame	Corporate Income Tax reduction may be granted for a maximum of 15 Tax Years. This may be increased to 20 Tax Years with approval from the Minister of Finance	Time frame of Corporate Income Tax reduction is granted with certain provisions based on value of planned investment (5 – 20 years).
3	Additional tax reduction granted	<i>Not stipulated</i>	After the time frame for granting of the Corporate Income Tax reduction ends, Taxpayer is granted Corporate Income Tax reduction of 50% of the Corporate Income Tax payable for the next 2 Tax Years.
4	Criteria for granting the facility	<ul style="list-style-type: none"> <li>a. is a New Taxpayer;</li> <li>b. is a Pioneer industry;</li> <li>c. has planned new investment of at least Rp1.000.000.000.000 (one trillion rupiah);</li> <li>d. fulfils provision on amount of debt to equity ratio as mentioned in Minister of Finance Regulation;</li> <li>e. submits declaration of willingness to place funds in banks in Indonesia of at least 10% (ten percent) of the total planned investment; and</li> <li>f. must have status as Indonesian legal entity whose ratification was stipulated on or after 15 August 2011.</li> </ul>	<ul style="list-style-type: none"> <li>a. is a pioneer industry;</li> <li>b. is a new investment;</li> <li>c. has plan for new investment of at least Rp500.000.000.000 (500 billion rupiah);</li> <li>d. Fulfils provision on amount of debt to equity ratio;</li> <li>e. has not been issued decision on granting or notification of rejection of Corporate Income Tax reduction by Minister of Finance; and</li> <li>f. has status as Indonesian legal entity.</li> </ul>
5	Types of pioneer industry	9 types of industry	17 types of industry
6	Attachments to Application	<ul style="list-style-type: none"> <li>a. Photocopy of NPWP card;</li> <li>b. Photocopy of principal permit for new investment, together with detailed breakdown;</li> <li>c. original of letter of declaration to place funds in banks in Indonesia;</li> <li>d. Fiscal Certificate for Taxpayer.</li> </ul>	<ul style="list-style-type: none"> <li>a. Photocopy of NPWP card;</li> <li>b. Photocopy of principal permit for new investment, together with detailed breakdown;</li> <li>c. Fiscal Certificate for Taxpayer.</li> </ul>
7	Provisions on Shareholders	<i>Not stipulated</i>	If Taxpayer is owned directly by Taxpayers, Taxpayer must show that all shareholders have fulfilled their tax obligations as proven by Fiscal Certificates issued by the Directorate General of Tax
8	Submission of application	After receiving principal permit for new investment	<ul style="list-style-type: none"> <li>a. together with application for registration of investment; or</li> <li>b. no later than 1 year after issuance of registration of investment.</li> </ul>

No.	Description	PMK-159 (as amended by PMK-103)	PMK 35/PMK.010/2018
9	Issuance of decision	<i>No stipulation concerning a definite time frame for the Minister of Finance to issue a decision on granting Corporate Income Tax reduction facility</i>	Minister of Finance shall issue a decision on the Income Tax reduction facility within 5 (five) working days from receiving the properly completed proposal for Corporate Income Tax reduction from the Head of the Investment Coordination Agency.
10	Application for pioneer industry not included in list according to Minister of Finance Regulation	<i>Not stipulated</i>	Taxpayer may submit application for industry with scope not specified in the regulation, with certain requirements.
11	Adjustment of time frame for granting of facility	<i>Not stipulated</i>	Time frame of Corporate Income Tax reduction may be adjusted based on result of field inspection.
12	Periodic reports	Submitted to Director General of Tax and chairman of verification committee on granting of Corporate Income Tax reduction facility.	Submitted to Director General of Tax each year, no later than 30 days after the end of the Tax Year concerned.

Transitional provisions:

1. A Taxpayer that has received and/or utilized a facility of exemption or reduction of tax may continue to utilize the facility until the end of the specified time frame.
2. Proposals for granting of the facility from 16 August 2015 until before PMK-35 comes into force, will be processed based on PMK-35.
3. A Taxpayer may submit an application with these requirements:
  - a. Satisfies criteria and requirements;
  - b. Application is submitted before it starts production; and
  - c. Application is submitted within no longer than one year from when this Ministerial Regulation comes into force.

## Indirect Tax and Customs Focus

### Second Amendment of Regulation on Determination of Goods Classification System and Import Tariffs Charged on Imported Goods

The Minister of Finance ("MoF") has issued regulation number 17/PMK.010/2018 ("PMK-17") as the second amendment of Minister of Finance Regulation number 6/PMK.010/2017 concerning the goods classification system and the import duty tariffs charged on imported goods.

With the aim of reducing the working capital burden and increasing the competitiveness of national industries, upon the recommendation of the Ministry of Industry, the MoF has reduced:

- the import duty tariff on rough diamonds and processed diamonds from 5% to 0%; and
- the import duty tariff on 10 tariff lines of bicycle components from 30% to 10%.

The import duty tariffs above shall apply for imports whose import declarations are registered with the Customs Office since the effective date of PMK-17.

The Ministry of Finance has also provided certainty on the classification of software goods and other digital goods that have been or will be imported by adding Chapter 99 to the Indonesian Customs Tariff Book (BTKI). Software is classified into 5 tariff lines, as follows:

No	Tariff line / HS Code	Description of goods	Import duty
	<b>99.01</b>	<b>Software and other digital goods transmitted electronically</b>	
10827	9901.10.00	- Operating system software	0%
10828	9901.20.00	- Application software	0%
10829	9901.30.00	- Multimedia (audio, video, or audio-visual)	0%
10830	9901.40.00	- Supporting or driver data for machinery system	0%
10831	9901.90.00	- Other software and digital goods	0%

PMK-17 was enacted on 15 February 2018 and came into force 14 days after the date of enactment.

# Contact Persons

Questions concerning any of the subjects or issues contained in this newsletter should be directed to your usual contact in our firm, or any of the following Tax Partners:

<b>Melisa Himawan</b> Tax Managing Partner	Business Tax and Corporate License	mehimawan@deloitte.com
<b>Balim</b>	Transfer Pricing	bbalim@deloitte.com
<b>Cindy Sukiman</b>	Business Tax	csukiman@deloitte.com
<b>Dionisius Damijanto</b>	Business Tax	ddamijanto@deloitte.com
<b>Heru Supriyanto</b>	Business Tax	hsupriyanto@deloitte.com
<b>Irene Atmawijaya</b>	Global Employer Services and Business Process Solutions	iatmawijaya@deloitte.com
<b>John Lauwrenz</b>	Business Tax	jlauwrenz@deloitte.com
<b>Roy David Kiantiong</b>	Transfer Pricing	rkiantiong@deloitte.com
<b>Roy Sidharta Tedja</b>	Business Tax and Business Process Solutions	roytedja@deloitte.com
<b>Turmanto</b>	Business Tax, Indirect Tax and Custom & Global Trade	tturmanto@deloitte.com
<b>Yan Hardyana</b>	Business Tax	yhardyana@deloitte.com

## **Deloitte Touche Solutions**

The Plaza Office Tower, 32<sup>nd</sup> Floor

Jl. M.H. Thamrin Kav 28-30

Jakarta 10350, Indonesia

Tel: +62 21 5081 8000

Fax: +62 21 2992 8303

Email: [iddttl@deloitte.com](mailto:iddttl@deloitte.com)

[www.deloitte.com/id](http://www.deloitte.com/id)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 264,000 people make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

#### **About Deloitte Southeast Asia**

Deloitte Southeast Asia Ltd – a member firm of Deloitte Touche Tohmatsu Limited comprising Deloitte practices operating in Brunei, Cambodia, Guam, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam – was established to deliver measurable value to the particular demands of increasingly intra-regional and fast growing companies and enterprises.

Comprising approximately 340 partners and 8,800 professionals in 25 office locations, the affiliates of Deloitte Southeast Asia Ltd combine their technical expertise and deep industry knowledge to deliver consistent high quality services to companies in the region.

All services are provided through the individual country practices and their affiliates which are separate and independent legal entities.

#### **About Deloitte Indonesia**

In Indonesia, services are provided by Deloitte Touche Solutions.

*This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.*