

## November 2020

- MoF Regulation No. 130/PMK.010/2020



### Tax Holiday

MoF Regulation No.  
130/PMK.010/2020

The government has issued another revision to the tax holiday incentive to provide further assistance to pioneer industries. Minister of Finance Regulation No. 130/PMK.010/2020 ("MoF-130") revokes MoF Regulation No. 150/PMK.010/2018 ("MoF-150"). (For a discussion of MoF-150, see our January 2019 News Alert.)

The most significant changes in MoF-130 are discussed below.

#### Requirements

A new investment, whether by a new or existing taxpayer, which meets the following requirements may be granted the tax holiday:

- A pioneer industry
- A new investment plan of at least IDR 100 billion
- The taxpayer is incorporated in Indonesia
- No previous decision on:
  - ✓ tax holiday
  - ✓ tax allowance
  - ✓ deduction for labor intensive industries (*new*)
  - ✓ special economic zones (*new*)
- The MoF debt-to-equity ratio is met
- The Indonesian shareholder obtains a tax clearance letter from the DGT
- Commitment to implement the investment plan within one year after approval of the tax holiday (*new*)

#### Pioneer industry

The sectors which qualify as a pioneer industry remain unchanged. However, the requirements for how a taxpayer in a field not listed as an approved pioneer industry can qualify have been clarified. Provided the other criteria (listed above) are met, a company must complete a form and have a quantitative criteria score of at least 80. This form is treated as a statement that the investor meets the criteria to qualify as a pioneer industry.

The application must include copies of the following:

- Details of fixed assets in the investment value
- Shareholders' fiscal statement
- Studies on compliance with pioneer industry criteria
- Quantitative pioneer industry criteria self-assessment form

The quantitative criteria score sheet covers a variety of areas:

- Broad connection: uses domestic raw materials, production results are used domestically, competitors
- High additional or externality value: large workforce, investment location
- Technology: uses environmentally-friendly technology, introduces new technology in the means of production
- National priority: supports national strategic projects, production for global supply, builds independent infrastructure

BKPM will assess the calculation of the score and issue a decision on whether the company qualifies as a pioneer industry within five business days.

**Application**

There is no change to the timing for the application for the tax holiday. The application is to be made online:

- At the time of registration for a business identification number for a new taxpayer; or
- No later than one year after the investment approval was issued.

A field audit will be conducted to determine the beginning of the tax holiday period. The audit includes:

- Determining the start of commercial production
- Testing the amount of realized investment value
- Confirming the realization plan is in line with the business plan
- Assessment of quantitative criteria to qualify as a pioneer industry, if applicable

**Tax holiday facility**

The tax holiday period granted is the same as under MoF-150:

INVESTMENT AMOUNT	CIT REDUCTION	PERIOD	ADDITIONAL PERIOD
IDR 100 billion - IDR 500 billion	50%	5 years	25% CIT reduction for an additional 2 years after the initial period expires
IDR 500 billion - IDR 1 trillion	100%	5 years	50% CIT reduction for an additional 2 years after the initial period expires
IDR 1 trillion - IDR 5 trillion	100%	7 years	
IDR 5 trillion - IDR 15 trillion	100%	10 years	
IDR 15 trillion - IDR 30 trillion	100%	15 years	
IDR 30 trillion and above	100%	20 years	

**National strategic project – Business expansion**

If a national strategic project is performed through a business expansion (spin-off), the capital investment includes the value resulting from the expansion as well as the new capital. The amount of the investment used to determine the tax holiday period is:

- Total investment value (new investment plus amount resulting from the expansion), if the new investment value is greater than that resulting from the expansion
- New investment value, if the new investment value is less than that resulting from the expansion

### Transitional provisions

A tax holiday which was granted under an old regulation will continue in effect until the end of the facility period.

If an investor applied to be treated as a pioneer industry (i.e., outside the list of approved pioneer industries) and a decision was reached by BKPM, the tax holiday application will be processed under MoF-150. If BKPM has not yet reached a decision on whether the investment qualifies as a pioneer industry, the tax holiday application will be processed under MoF-130 and the investor must meet the quantitative self-assessment criteria and commit to implementing the investment plan within one year from approval of the tax holiday.

A taxpayer with a business license issued between the effective date of MOF-150 (27 November 2018) and before the effective date of MoF-130 (8 October 2020) can request a tax holiday under MoF-130 provided it meets the criteria, and the application is submitted before commercial production and at the latest one year after the effective date of MoF-130.

#### For additional information, please contact us:

**Sony B. Harsono**, Managing Partner  
sony.harsono@harsono-strategic.com

**Dwi Ary Retnani**, Senior Partner  
dwiary.retnani@harsono-strategic.com

**Julius Hardianto**, Senior Partner  
julius.hardianto@harsono-strategic.com

**Suhartono Maridjan**, Senior Partner  
suhartono.maridjan@harsono-strategic.com

**Budi Harnata**, Partner  
budi.harnata@harsono-strategic.com

**Richard William**, Partner  
richard.william@harsono-strategic.com

**Roedy Andrianto**, Director  
roedy.adrianto@harsono-strategic.com

**Terri Shreve**, Technical Advisor  
terri.shreve@harsono-strategic.com

**Toshihiro Asai**, Technical Advisor  
toshihiro.asai@harsono-strategic.com

**Harsono Strategic Consulting**  
Sudirman Plaza, Plaza Marein 9th Floor  
Jl. Jend. Sudirman Kav. 76-78  
Jakarta 12910, Indonesia  
ph. +62 21 5793 6777  
fax. +62 21 5793 6778  
[www.harsono-strategic.com](http://www.harsono-strategic.com)

