



Tax Newsletter

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The Fiscal Incentive As Investment Facilities Within IKN

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Indonesian Government issued Regulation Number 12 Year 2023 (GR-12) on 6 March 2023 which addresses the issuance of business licenses, ease of doing business, and various investment facilities and incentives within Nusantara Capital City (Ibu Kota Nusantara – “IKN”) and certain regions of Kalimantan as part of the economic superhub (“Partner Regions”).

Investment facilities are provided for certain years provided the requirements given are fulfilled in the form of various fiscal and non-fiscal incentives. Those incentives are as follow:

a. Incentives under Central Government’s authority:

1. Income Tax (“PPh”);

Income Tax facilities provided in the IKN are in the form of:

- a. reduction in Corporate Income Tax for domestic corporate taxpayers;
- b. Income Tax on financial sector activities in the Financial Center;
- c. reduction in corporate income tax for establishment and/or transfer of head office and/or regional office;
- d. reduction in gross income for the implementation of work practices, apprenticeships, and/or learning activities within the context of fostering and developing certain competency-based human resources;
- e. reduction in gross income for certain research and development activities;
- f. reduction in gross income for donations and/or construction costs for public facilities, social facilities, and/or other non-profit facilities;
- g. Income Tax Article 21 is borne by the government and is final;
- h. 0% (zero percent) Final Income Tax on income from the gross turnover of certain businesses for micro, small, and medium scale enterprises; and
- i. reduction in Income Tax on the transfer of rights over land and/or buildings.

Income Tax facility provided in Partner Regions is in the form of reduction in Corporate Income Tax for domestic corporate taxpayers.

2. Value Added Tax / VAT (“PPN”) and/or Luxury Goods Sales Tax / LGST (“PPnBM”)

VAT and/or LGST facilities provided in the IKN are in the form of:

a. Non-collected VAT on:

1. Delivery of taxable goods and or taxable services that is strategic in nature;
2. Importation of taxable goods that is strategic in nature;

b. Exempted LGST on delivery of taxable goods in form of luxury residence to individual, corporate, and/or ministry/institution, that is doing business, on duty, or domiciled in IKN.

VAT facility provided in Partner Regions is in the form of non-collected VAT on delivery of certain taxable services that is strategic in nature.

3. Customs

Customs facilities provided in the IKN and Partner Regions are in the form of:

1. Exempted customs duty, non-collected VAT, and exempted Income Tax Article 22 on importation of goods done by central or regional government for the purpose of public interest within IKN and Partner Regions;
2. Exempted customs duty, non-collected VAT, and exempted Income Tax Article 22 on importation of capital goods for industrial construction and development within IKN and Partner Regions;
3. Exempted customs duty on importation of goods and materials for industrial construction and development within IKN and Partner Regions.

b. Incentives under Otorita IKN (Regional Government of IKN)’s authority:

1. Special tax and revenue facilities for IKN;
2. Facilitation, provision of land, infrastructure for investment activities within IKN.

General Requirements

GR-12 stipulates certain requirements that should be fulfilled by those would like to obtain such investment facilities. Some of highlights regarding the requirements are as follows:

- a. Minimum investment of IDR 10 billion;
- b. Investment shall be conducted in strategic business sectors;
- c. Realization of investment to be executed at the latest 2 years since the approval of investment facilities;
- d. Etc.

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