Luther.

Hits the mark. Luther.

Newsflash Indonesia

Super Tax Deductions in Indonesia

A new Government Regulation No. 45 of 2019 (“GR 45”), also known as “super” tax deduction regulation, was issued by the government of the Republic of Indonesia in the end of June. The regulations name is due to its providing for income tax deductions up to 300%. GR 45 includes comprehensive extensions of important income tax incentives for Indonesian companies (companies established under the laws of the Republic of Indonesia), already established by Government Regulation No. 94 of 2010. The major aim of the government is to stimulate investment in the industrial sector.

I. Main stipulations of GR 45

In order to achieve this goal, certain corporate taxpayers, such as (1) businesses which pursue new investments or expansion in labour-intensive industries, (2) businesses which carry out vocational training in certain competencies to upskill human resources development and (3) businesses conducting specific research and development activities, shall now receive significant tax benefits in the form of tax allowances.

GR 45 contains the following:

(1) Pursuant to Art. 29a, 60 % of the total costs for tangible fixed assets can be deducted from the taxable income of Indonesian companies which carry out investments or business expansions in a labour-intensive industry and which are not entitled to any tax allowance under Art. 31A of the Income Tax Law or any tax holiday facility under Art. 18 (5) of the Capital Investment Law. The tangible fixed assets include land used for primary business activities.

(2) According to Art. 29b, Indonesian companies investing in vocational education by organizing apprenticeships, internships and/or educational activities to develop human resources in certain competencies, can obtain up to 200% tax relief for their relevant operational costs. “Certain competencies” are defined as competencies to improve the quality of the workforce through work practices, apprenticeship programs and/or strategic learning, to achieve effectiveness and efficiency of labour as part of human resource investment, and to meet the structure of workforce requirements required by the business and/or industrial world.

(3) Art. 29c stipulates that a reduction in gross income of up to 300 % of the relevant operational costs can be obtained by Indonesian companies conducting specific research and development activities in Indonesia. Such activities must either be related to invention and innovation, the control of a new technology and/or the transfer of a technology for upskilling the national industry’s competitiveness.

II. Actions to be taken

To enjoy any of the above mentioned tax benefits, businesses must register as tax deduction recipients through the Online Single Submission System and undergo an eligibility assessment by. either the Investment Coordination Board (BKPM) and/or the Ministry of Finance. New implementing regulations on GR 45 are expected to be introduced by the Ministry of Finance soon.

Your Contacts

Philipp Kersting
Lawyer, Registered Foreign Advocate (Indonesia), Partner
Phone: +62 2139 11191
philipp.kersting@luther-services.com

David Martiny
Lawyer, Tax Advisor, Counsel
Phone +65 6408 8000
david.martiny@luther-lawfirm.com

Anna-Carolina Zwinge
Attorney at Law (Germany), Associate
Phone +65 6408 8100
anna-carolina.zwinge@luther-lawfirm.com

Imprint

Luther Rechtsanwaltsgesellschaft mbH, Anna-Schneider-Steig 22, 50678 Cologne, Phone +49 221 9937 0, Fax +49 221 9937 110, contact@luther-lawfirm.com

Editor: Philipp Kersting

Luther Rechtsanwaltsgesellschaft mbH advises in all areas of business law. Our clients include medium-sized companies and large corporations, as well as the public sector.

Berlin, Brussels, Cologne, Dusseldorf, Essen, Frankfurt a. M., Hamburg, Hanover, Leipzig,
London, Luxembourg, Munich, Shanghai, Singapore, Stuttgart, Yangon

Luther Corporate Services: Delhi-Gurugram, Kuala Lumpur, Shanghai, Singapore, Yangon

Your local contacts can be found on our website www.luther-lawfirm.com.

Hits the mark. Luther.