KPMG

Tax News Flash

June 2016

Government Regulation No 9 Year 2016 – Expands Available Tax Facilities to Certain Business Lines to All Regions

Continuing to expand regions eligible for investment tax incentives, the Government of Indonesia launched Government Regulation No 9 Year 2016 ("GR 9"), making certain business line locations unrestricted to qualify for tax facilities, effective 7 May 2016.

The changes from GR 18 (issued last year) are:

Business Line Categories	GR 18	GR 9
Apparel Industry: From textiles From leather	Not recognized	All regions open
Leather, Leather Goods Footwear Industry Footwear for daily use Industry Sport shoes Industry	All regions open, except for DKI Jakarta, West Java and Banten	All regions open

There are no changes in terms of the available tax facilities themselves, which are:

1. Deduction from taxable income of 30% of the amount of Capital Investment in tangible fixed assets, including land, used for a main business activity, over a 6 year period, or 5% per year, starting from the time of commercial production;
2. Accelerated depreciation of tangible assets and accelerated amortization of intangible assets obtained in the context of new Capital Investment and/or business expansion;
3. 10% withholding tax on dividends paid to foreign taxpayers, other than permanent establishments in Indonesia, or a lower rate based on applicable double taxation avoidance agreements; and
4. Utilization of tax loss carry forwards extended from 5 to 10 years.

KPMG Comments:

GR 9 reflects the government's commitment to create a more friendly business environment and a more attractive foreign investment climate, especially in labor intensive industries.

However, there is much yet to be done to maximize the attractiveness of these incentives to foreign investors, particularly in providing adequate supporting infrastructure and logistics.

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