

Indonesia

Indonesia Announces Tax Incentives for Investments in New Capital City

13 March 2023

Report from Nina Umar, Editor, IBFD

Indonesia has issued Government Regulation Number 12 of 2023 (GR 12/2023) regarding the granting of business licenses, ease of doing business, and investment facilities for businesses in the capital city of Nusantara, the future capital of Indonesia. The regulation aims to provide greater certainty, opportunity and participation for businesses to accelerate the development of the capital city, so that development can be evenly distributed and move the Indonesian economy forward.

The tax incentives available for investments in Nusantara as stipulated under GR 12/2023 include:

- 100% income tax reduction (tax holiday) for domestic taxpayers with capital investments of at least IDR 10 billion. The duration of the tax holiday depends on the business sector and timing of the investment as follows:
 - public infrastructure and public services, up to 30 years;
 - economic generation, up to 20 years; and
 - other business sectors, up to 10 years;
- income tax reduction incentive for up to 25 years for investments made from 2023 to 2035 and 20 years for investments made from 2036 to 2045, for financial sector activities as follows:
 - 100% income tax reduction for domestic corporate taxpayers and permanent establishments conducting banking, insurance and sharia finance on the amount of corporate income tax payable on income that is used for investment or financing construction, development and economic activities in Nusantara and/or partner areas;
 - 85% reduction of corporate income tax payable on: (i) income from foreign investments in the financial sector capital markets, derivative finance and carbon exchanges and international commodity trade/exchange; or (ii) the share of income originating from businesses and/or communities located in Nusantara, for other financial services; and
 - tax exemption on income from investments in Nusantara received or earned by non-resident taxpayers for 10 years starting from the initial placement of funds in the financial centre;
- 100% reduction of income tax payable for up to 10 years, followed by a 50% reduction of income tax payable in the following 10 years, available until the year 2045 for the following taxpayers:
 - non-residents who establish and/or move their head offices and/or regional offices to Nusantara; and
 - domestic taxpayers who establish their head offices and/or regional offices in Nusantara on income received or obtained from businesses or the community in Nusantara; and
- the following incentives are available until the year 2035:
 - gross income reduction of up to 250% of the total costs incurred for work practice, apprenticeships and/or learning activities by domestic taxpayers for the development of specific competency-based human resources;
 - gross income reduction of up to 350% of the total costs incurred for certain research and development activities within a certain period of time for domestic corporate taxpayers that conduct such activities;
 - gross income reduction of up to 200% of the total contribution and/or costs incurred for the construction of facilities, such as public facilities, social facilities or other non-profit facilities, by domestic taxpayers;
 - income tax under article 21 of the Income Tax Law will be borne by the government and is a final tax for the income received by certain employees;
 - final income tax of 0% on income from the gross turnover of certain businesses for micro, small and medium enterprises;
 - reduction of income tax on the transfer of rights over land and buildings;
 - non-collection of value added tax and exemption from sales tax on luxury goods on the delivery of certain taxable goods; and
 - import duty exemption and PDRI (*Pajak dalam Rangka Impor*) facility for goods imported for the growth and industrial development of Nusantara and partner areas.

GR 12/2023 came into effect on 6 March and the full details are available [here](#).

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