

Income tax

Tax facilities granted for new investments

A range of tax facilities will be granted to new investments not enjoying the ones governed Art. 31A of the Income Tax Law. Laid down in Government Regulation No. 45/2019 (GR 45) issued in late June 2019, the facilities aim to boost investments and economic activities by domestic body corporate taxpayers in the following areas:

- *Pioneer industries.* New investments in pioneer industries will enjoy income tax exemption or reduction. "Pioneer industries" point to those bearing wide interconnections with high added value beyond the industries alone, introducing new technologies, and of strategic position for the national economy.
- *Labor-intensive investments.* New investment in tangible goods including land in labor-intensive industries may get deductions to their gross income of up to 60% of the new investments. The benefits are to be spread over several years.
- *Apprenticeship and strategic trainings.* Companies holding apprenticeship and "strategic trainings" for their own personnel may claim deductions of up to 200% of the actual expenses incurred for those activities. The benefits are to be spread over several years.
- *R&D in Indonesia.* Companies carrying out R&D activities on certain areas in Indonesia may claim deductions up to 300% of the R&D expenses incurred. The eligible activities are those aimed at yielding invention, innovation, mastery of new technology, and/or transfer of technology for industrial development to enhance national industry competitiveness.

Further elaboration in Minister of Finance regulations is awaited.

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