



The Future of Indonesia?

Tax Incentives for Investment at Nusantara Capital

Monthly Newsletter

April 2023



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MIB Assists Corporates in Filing Out Annual Tax Returns

Taxpayers' Spirit are Soaring in Filing Their Tax Returns

In collaboration with Ikatan Konsultan Pajak Indonesia (IKPI) Jakarta Selatan, and Kamar Dagang dan Industri (KADIN) Jakarta Selatan, MIB conducted an event with the theme Annual Tax Returns Technical Guidance open for public.

In the spirit of encouraging equal tax knowledge for corporates, MIB, in collaboration with Ikatan Konsultan Pajak Indonesia (IKPI) and Kamar Dagang Indonesia (KADIN), held an event dedicated to corporate tax compliance by inviting tax professionals, consultants, and practitioners as speakers from MIB and IKPI.

Held on 17 April 2023, the Chairman of IKPI Jakarta Selatan, Jenda Damanik, and Chairman of KADIN Jakarta Selatan, Akhmad Lafranta Siregar, welcomes the audience by giving an opening speech. They outlined and emphasize that the event was held mainly to provide technical guidance and assistance for corporates in filing their annual tax returns. The upcoming deadline for corporate tax filing is the hook of the event.

Moderated by Sonny Soebagyo, the first educational material was provided by Maulana Ibrahim, the Tax Services Director of MIB. In his session, Maulana helped corporate taxpayers in understanding the basics and comprehension regarding the types of taxes and written guidance for corporate taxpayers.

Maulana Ibrahim outlines and explains the fundamentals of corporate tax filing design to enable further understanding from taxpayers.

As his session was coming to an end, Maulana engaged in a Q&A session by providing answers and explanations to the audience. Ensuring that the questions were answered in a clear and concise way, it was clear that the participants were eager to learn more as questions kept pouring in.

As the sun continues to heat up the day, the session moves on with a more 'hands-on' experience. Led by Debi Citra Dewi, Debi started hers with a brief explanation and example of corporate annual tax returns filing.

The session took a brief break to allow some refreshments for the participants and a space to get acquainted with each other. Waves of enthusiasm fill the air as the participants remain engaged with the speakers through light conversations and even tax-related questions exchanged during the break.

Debi resumed the session and it picked up a notch as it turned more interactive when she strolls across the room, asking questions and interacting with participants regarding their experience with filing their annual tax returns.

MIB Assists Corporates in Filling Out Annual Tax Returns

The short break ended and Debi continued on with interacting and providing a live demo on how to fill out the annual tax returns using the 1770 form. Debi's interaction and session are specifically tailored to fill out the Non-final income tax.

The next session was led by Fitria Idris from IKPI with a workshop and live demonstration on filing out final annual income tax returns for corporate taxpayers.

As the sun is setting, Fitria managed to keep her session short and concise without missing any important details about her topic. Towards the end, participants were eagerly engaging with their questions to all speakers on how to file their annual tax returns, as well as any tips and tricks that the speakers may have in planning their tax returns.



Chairman of IKPI Jakarta Selatan, **Jenda Damanjik**, giving an opening speech



Chairman of KADIN Jakarta Selatan, **Akhmad Lafranta Siregar**, giving an opening speech



From left to right: **Sonny Soebago, Maulana Ibrahim, Debi Citra Dewi, Fitria Idris**



Ceremonial placard handover from IKPI to KADIN



Ceremonial placard handover from IKPI to MIB



Speakers and participants group photo session



Presentation session by **Maulana Ibrahim**

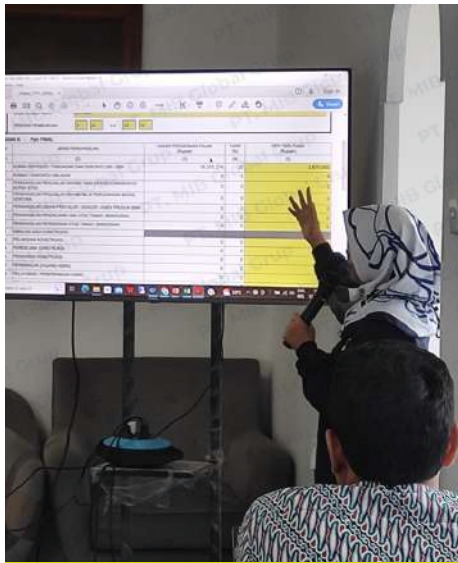
MIB Assists Corporates in Filling Out Annual Tax Returns



Presentation session by **Maulana Ibrahim**



Speakers and representatives from KADIN group photo session



Presentation session by **Debi Citra Dewi**



Presentation session by **Fitria Idris**



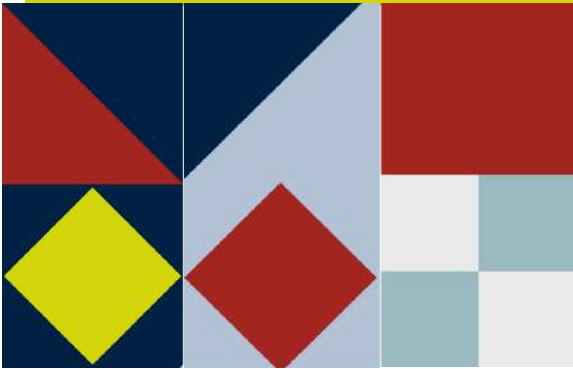
Participants paying attention to the materials given



Participants being involved in an interactive questions and answers session by speaker **Debi Citra Dewi**



Participants being involved in an interactive questions and answers session by speaker **Debi Citra Dewi**



The Overture of Nusantara Tax Incentives

The Indonesian government has announced plans to invest heavily in the development of the Nusantara Capital City. The government aims to build a modern, sustainable city that can accommodate the growing population and support economic growth.

The Nusantara Capital City is expected to attract investment from a range of industries, including property development, tourism, and technology. The government has stated that it will create a business-friendly environment to attract investment and support economic growth in the new capital city.

As the new capital city is still under development, the exact details of the taxation system are yet to be announced. However, it is expected that the government will continue to use tax revenues to fund public services and infrastructure projects in the new capital city.

Zanetta Kurniawan & Shaheila Roeswan

The Overture of Nusantara Tax Incentives

A bustling and overcrowded city, Jakarta as the capital city of Indonesia has since evolved into a busy environment with many people from different regions moving over to try out their luck. Jakarta has since become one of Indonesia's melting pots, with over 6 ethnicities living in a 4,384 square kilometers area. Jakarta has also become one of the major economic support of Indonesia with notable companies and financial institutions residing in the city.

With a gross rating point amounting to around US\$483.4 billion (IDR7,093 billion), the city's current condition raises questions: will Jakarta still be the suitable city of choice for the capital of Indonesia? After all, a capital city must fulfill certain requirements to be eligible as one.

In comes the newest region to Indonesia. The government has set out plans and development for the new capital city of Indonesia. The government, including the People's Representative Council, agreed on moving the capital city of Indonesia to a new region, Kalimantan Timur, named Nusantara, which is located specifically at Kutai Kertanegara dan Penajam Pase Utara districts.

The relocation of the capital city from Jakarta to Nusantara is not without any justification.

One of the main reasons for this relocation is due to the overcrowding of Jawa. Based on the data provided by the Ministry of Home Affairs, the Indonesian population has reached 271.35 million lives up until December 2020, where around 55.94% of these lives are located on the island of Jawa. The higher the population density, the higher the burden that Jawa has to hold up. Most of the population was specifically residing in DKI Jakarta, which also contributes to the ever-growing traffic, as well as both air and water pollution levels.

By relocating the capital city, the government aims to conduct inclusive city development by expanding a new economic magnet for Indonesia. Nusantara, also known as IKN Nusantara, will also embody the need to have an identity for Indonesia, also putting forward the need for a green economy, green energy, smart transportation, and an efficient effective Indonesian governance as a milestone in Indonesia's transformation.

However, the development of the new region will require much funding and support, both from the government and the public. In order to cater to this need, the government has since offered several incentives and facilities that may be deemed as enticing for the public as investors, both local and international.

The Base: Government Regulations Number 12 Year 2023

In regards to the development of Nusantara, the government issued a Government Regulation Number 12 Year 2023 regarding the Granting of Business Permits, Ease of Doing Business, and Investment Facilities for Business Players in the Capital City of Nusantara. The regulation itself is designed to provide assurance, opportunity, as well as participation for merchants to accelerate the development of Nusantara, up until the point to even out the development and economic conditions in Indonesia.

The scope of the regulation includes business licensing, business conveniences, investment facilities, supervision, and evaluation. Tax incentives that were mentioned in the regulations were first and foremost applicable to investors that will provide funding for Nusantara.

Based on Government Regulation Number 12 Year 2023, there are several facilities concerning income tax which are only valid in the Nusantara area:

1 Reduction of Corporate Income Tax for Domestic Corporate Taxpayers

In regards to the tax facility in the form of reduction of corporate income tax for domestic corporate taxpayer, said taxpayers that provide capital investment for the Nusantara development, with a minimum amount of IDR10,000,000,000 (10 billion rupiah), will be eligible for a reduction of 100% from their payable corporate income tax. Investments that are eligible for this facility are ones that provide a strategic value to accelerate the development of Nusantara, such as:

1. Infrastructure and public services

- a. Renewable energy-based power plant;
- b. Development and operations of highways;
- c. Development and operations of harbours;
- d. Development and operations of airports;
- e. Development and provision of clean water;
- f. Development and operations of health facilities;
- g. Development and operations of academic facilities;
- h. Development and operations of telecommunications and information systems;
- i. Development and operations of city forest parks;
- j. Developments of housing, suburban, and office complex;
- k. Development and operations of waste;
- l. Development and operations of underground utilities network;
- m. Development and operations of industrial and science park;
- n. Development and operations of markets;
- o. Public transportations;
- p. Development and operations of vehicle terminals for people or goods; and
- q. Development and operations of stadium

1 Reduction of Corporate Income Tax for Domestic Corporate Taxpayers

The reduction of corporate income tax that will be given to these fields will follow such provision:

- 1.Reduction for 30 tax years, for capital investments done between year 2023 and 2030;
- 2.Reduction for 25 tax years, for capital investments done between year 2031 and 2035;
- 3.Reduction for 20 tax years, for capital investments done between year 2036 and 2045.
- 4.Economic rise

For activities such as:

- 1.Development and operations of shopping centers (malls);
- 2.Construction of recreation spots and accomodation/hotels;
- 3.Construction of meeting, incentive, convention, and exhibition (MICE) facilities; and
- 4.Refueling and charging stations

The reduction of corporate income tax that will be given to these fields will follow such provision:

- 1.Reduction for 20 tax years, for capital investments done between year 2023 and 2030;
- 2.Reduction for 15 tax years, for capital investments done between year 2031 and 2035;
- 3.Reduction for 10 tax years, for capital investments done between year 2036 and 2045.
- 4.Other fields

For fields such as:

- 1.Agricultural and/or fishing cultivation;
- 2.Industrial and/or value-added industrial engineering;
- 3.Hardware and/or software industries;
- 4.Trading services;
- 5.Construction services;
- 6.Real estate broker services;
- 7.Tourism and creative economy services

The reduction of corporate income tax that will be given to these fields will follow such provision:

- 1.Reduction for 10 tax years, for capital investments done between year 2023 and 2030;
- 2.Reduction for 10 tax years, for capital investments done between year 2031 and 2045.
However, the reduction of corporate income tax changes to 50% from an income tax reduction

Domestic corporate taxpayers that provide capital investments in partner regions will also be given the same facility for investments with a minimum amount of IDR10,000,000,000 (10 billion rupiah).

2 Reduction of Income Tax imposed on financial activities at the Financial Center

Domestic corporate taxpayers and Permanent Establishments (“BUT”) that operate in financial sectors at the Nusantara Financial Center will be given a tax facility in the form of reduction of their income tax in certain rate and time period. These business sectors include:

2 Reduction of Income Tax imposed on financial activities at the Financial Center

1. Banking;
2. Insurance;
3. Sharia financing;
4. Capital market, derivatives, and carbon market;
5. Pension funds;
6. Financing;
7. Venture capitals;
8. Technological innovations for the finance sector;
9. Guarantees;
10. International commodity trading;
11. Bullion;
12. Trust management;
13. Special purpose vehicle;
14. Financial holding company;
15. Financial market infrastructure;
16. Money market, foreign exchange market, and derivatives transactions;
17. Payment system development; and
18. Other financial services.

Domestic corporate taxpayers and permanent establishments that:

1. Conduct activities such as (a), (b), and (c), will be given reduction with the rate of 100% from the total payable income tax on income used for investments or development funding
2. Conduct activities such as (d) until r, will be given reduction with the rate of 85% from the total payable income tax on income from foreign investors (for activities such as (d) and (j)) and on income from business actors and/or public residing in Nusantara for other business activities are mentioned before

3 Reduction of Corporate Income Tax on the Development and/or Relocation of the Head Office and/or Regional Office

This tax facility will be given to corporate income tax if they fulfill these criteria:

1. Own at least 2 (two) affiliated units and/or business entities outside of Indonesia
2. Have an economic substance in the Nusantara Capital City, and
3. Own a legal entity in the form of Perseroan Terbatas ("PT") in Indonesia

The given facility will be reduction of payable income tax with the rate of 100% for 10 tax years

4 Reduction of the Gross Income on Occupational Activities, Internships, and/or Learning Activities in the context of Fostering and Developing certain Competency-based Human Resources

The facility for this activity is given at the rate of 250% of reduction from the amount of costs incurred for work practices, apprenticeships, and/or learning activities. Work practice activities and/or apprenticeships are activities that can be followed by:

4 Reduction of the Gross Income on Occupational Activities, Internships, and/or Learning Activities in the context of Fostering and Developing certain Competency-based Human Resources

1. Students, teachers, and/or educational staff in vocational high school or vocational madrasah aliyah;
2. College students, lecturers, and/or educational staff on college education in the vocational level
3. Trainee, instructors, and/or trainers in a work training center, and/or,
4. Individuals that have no relation with any party assigned by the government that organized government activities in the labor sector, Nusantara authorities, provisional government, or regency/city government

As part of the vocational curriculum in hopes of mastering abilities in certain sectors For educational activities that involve teaching activities conducted by taxpayer-assigned parties to teach on vocational high school or vocational madrasah aliyah, college education in the vocational level, work training center that are located in the Nusantara Capital City. These activities will be organized by the head of authorities.

5 Reduction of the Gross Income on Research and Development Activities

The tax facility given on these activities will be at 350% maximum on funding for research and developmental activities in a certain time period. The activities conducted in the Nusantara Capital City will be responsible for producing results for inventions, innovations, new technological advancements, and/or technological transfer for industrial developments in order to increase national competitiveness.

To obtain said tax facility, taxpayers must first send out an application through an OSS system, with tax reduction to be given until the year 2035 on gross income.

6 Reduction of the Gross Income on Donation and/or Funding for Non-profit Public, Social, and/or Other Facilities Development

The tax facility in the form of reduction of the gross income for the calculation of payable income tax for taxpayers for 200% of the total funding for donation and/or funding for development of public facilities, social facilities, and/or other non-profit facilities. Funding should be given in the form of monetary devices, goods, and or funding.

The donation and/or funding will be reduction from gross income, with the following:

1. Taxpayers that have their net income based on the annual income tax returns;
2. The allocation of donation and/or funding will not cause any loss for the year where said allotment is given;
3. Support using valid proof; and
4. Receive approval on technicalities and specifications from the authorities of Nusantara capital city, in terms of donations given in the form of goods and/or funding for development of public facilities, social facilities, and/or other non-profit facilities.

Donations and/or funding cannot be redacted from the gross income of the giver for development of public facilities, social facilities, and/or other non-profit facilities that are considered as their obligation.

7 Government-borne Final Income Tax Article 21

Income received by workers in relation to occupations that are withheld by income tax following the provision in Article 21 Law Number 7 Year 1983 regarding Income Tax and its amendments. Income Tax Article 21 imposed on income given by certain workers are eligible for tax facilities in the form of government-borne final income tax.

Workers that:

1. Receive income from certain employers;
2. Resides in Nusantara capital city; and
3. Own a registered Taxpayer Identification Number in a registered tax office within the Nusantara capital city.

Said Income Tax Article 21 must be paid in cash by employers during payday. Government-borne final income tax article 21 cannot be counted as tax-imposed income.

8 Income Tax Rate of 0% on Gross Income for Certain Businesses for Micro, Small, and Medium Businesses (UMKM)

Domestic taxpayers, not including permanent establishment (“BUT”), that invests in Nusantara with an amount of less than IDR10,000,000,000 and fulfills certain criteria will be eligible for final income tax with the rate of 0% for a certain period. Final income tax imposed on gross income received within the Nusantara region with an amount until IDR50,000,000,000 in one tax year, not including:

1. Income received by individual taxpayers from services related to freelancing;
2. Income received by corporate taxpayers in the form of limited partnerships or firms formed by several individual taxpayers with special abilities in delivering services in relation to freelancing;
3. Income received from services done not in the Nusantara and/or used by users not residing in Nusantara capital city
4. Income imposed with final income tax following the regulation from tax law, unless said income from businesses that are subject to final Income Tax as referred to in the Government Regulation governing Income Tax on income from businesses received or accrued by Taxpayers who have a certain gross income; and
5. Income that is excluded from being an income tax object.

9 Reduction of Income Tax of Land and/or Building Transfer Rights

The tax facility in the form of a reduction of income tax imposed on land and/or building transfer rights will be given at the rate of 100% of the amount of payable income tax. The income tax reduction facility for the transfer of land and/or building rights is provided in the event that there is a transfer of land and/or building rights to a buyer who is the acquisition of land and/or building rights in the Nusantara capital city. An income Tax reduction facility for the transfer of land and/or building rights is provided until 2035.

Applications for income tax reduction facilities for the transfer of land and/or building rights are submitted through the electronic channels available at the Ministry of Finance. An income tax reduction facility for the transfer of land and/or building rights is provided through the issuance of a free certificate.

9 Reduction of Income Tax of Land and/or Building Transfer Rights

In addition, Government Regulation Number 12 Year 2023 also offers several facilities for Value-Added Tax exemption, Luxury Sales Tax exemption, as well as exemption from Import Duty and/or PDRI Facility for the Import of Goods for Industrial Development and Development in the National Archipelago National Park and partner regions.



Photo credit by zhaojiankang on Getty Images Pro

The Nusantara Investment Progress

The Indonesian government is pushing the investors, both foreign and domestic, to invest in the development of Nusantara. Neighboring countries also show their interests, with countries such as Japan, Korea, and Swiss sending their representatives to visit the development as well as to explore investment opportunities in the Nusantara capital city.

In terms of domestic investment, Konsorsium PT Perintis Trinita Properti Tbk (Konsorsium Trinita) and PT Nindya Karya has invested each IDR1.8 trillion in order to develop 7 towers and IDR1.42 trillion to develop 8 towers. Prior to this, there are also 3 investors interested in the development of Nusantara, which is PT Summarecon Agung Tbk (Summarecon), Konsorsium Nusantara (RBN CCFG), as well as Korean Land and Housing Corporation (KLHC) which has received Project Initiative Permit (“SIPP”) with targets to wrap up the development in 2024.

Indonesia’s Economic Projection: Post-Nusantara Development

The development of Nusantara will hopefully bring positive impacts on regional and national economic development. In East Kalimantan, the real growth of investments is hoped to reach 47.7% with regional growth reaching 7.3%. In addition, the state will contribute 0.6% to economic growth and increase real investment to 4.7%. Relocating the capital city will also reduce the gap between income groups and indications that inequality will narrow and encourage increased trade flows between regions in Indonesia. However, it can be assessed that even though there is a transfer of the Nusantara, the Indonesian economy will probably still rely on DKI Jakarta.

Therefore, by providing various incentives from the government to the Nusantara area, it is hoped that it will be able to convince and attract potential local and foreign investors to invest in Nusantara. This fiscal policy is a government commitment that can alleviate and provide certainty to investors. In addition, it is hoped that this instrument can be put to good use by the government and potential investors

Monthly Highlights

News and Events in April 2023

For more articles, visit www.mib.group

Monthly Highlights

News Summary for April 2023

“
Jakarta's Governor ease taxpayers in paying their Land and Building Tax for 2023.”



Photo credit by Javon Swaby from Pexels

Installments for Land and Building Tax in Jakarta for 2023

The Government aids taxpayers in their land and building tax, also known as PBB, payment. According to the DKI Jakarta Governor Regulations Number 5 Year 2023, taxpayers can conduct installments on their PBB payment.

This regulation will be in action until 2023, and installments can be done for PBB for the tax year 2022 and tax year 2013-2022. Taxpayers also need to submit an application form beforehand.

However, this regulation will only be applicable for land and buildings residing in Jakarta and has accumulated tax for over IDR100 million.



Click here (or the title) to read the full article on our website.

Monthly Highlights

News Summary for April 2023

“The Directorate General of Taxes is set to launch an app named e-Reporting for Voluntary Disclosure Program participants.”



Photo credit by shironosov on Getty Images

e-Reporting Launched in May 2023

The Voluntary Disclosure Program, which ended in June 2022, collected many recorded assets for the nation. One of which is investment coming from asset repatriation.

To ensure that taxpayers can report their assets easily, the Directorate General of Taxes has set out a plan to launch an application named 'e-Reporting', which will provide assistance for the VDP participants in reporting their assets.

The application is planned to be launched on 1 May 2023, during the same month that the deadline for investment reporting for VDP participants end.



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Monthly Highlights

News Summary for April 2023



Photo credit by Dharmapada Behera on Getty Images

“CTAS to be widely implemented soon by the government.”

Implemented Soon, Core Tax Preparation Planned By the DGT

The government has been talking about an automated and integrated system for the Indonesian taxation system. The term 'Core Tax' has since created a buzz among tax enthusiasts.

The current status of the planned core tax administration system, also known as CTAS, is that it is currently in its testing phase. The government states that CTAS is currently on business modes integration.

As CTAS will be implemented, the government also plans to develop regulations in order to keep the system and its users in check.



Click here (or the title) to read the full article on our website.

Monthly Highlights

News Summary for April 2023



Photo credit by Skitterphoto on Pexels

“
The current economic growth for Indonesia grew positively, as seen by the flourishing tax revenue for March 2023.
”

IDR432.2 T Taxes Collected for the March 2023 Revenue

According to the data provided by the Ministry of Finance, the collected amount for the March 2023 tax revenue is now at IDR432.22 T.

This number consisted of revenues from a variety of tax, including income tax, value added tax, land and building tax, luxury sales tax, as well as other kinds of taxes.

Following the previous month, the highest contributor to this revenue is held by Non-oil and gas income tax with collected revenue amounting to IDR225.95 T.



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Monthly Highlights

News Summary for April 2023



Photo credit by kanchanachitkhamma

12.8 million taxpayers have reported their annual tax returns as of 25 April 2023.

More Than 12 Million Taxpayers Reported Their Annual Tax Returns on April 2023

As reported on 25 April 2023, 12.8 million taxpayers have reported their income tax annual tax returns.

The number itself is contributing reporting compliance ratio, with the ratio now reaching 65.78% and a yearly growth of 1.83%.

The period to report tax returns has ended, both for individual taxpayers and corporate taxpayers, each ending on 31 March 2023 and 30 April 2023 respectively.

Taxpayers can still report their annual tax returns, but will also be subject to a fine.



Click here (or the title) to read the full article on our website.



Tax Calendar
May 2023

MON	TUE	WED	THU	FRI	SAT	SUN
1 May Day	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18 Ascension Day	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
5	6	7	8	9	10	11

Reminders

1 May 2023

May Day

10 May 2023

Payment Deadline : April 2023 Art. 4(2), 15, 21/26, 22, & 23/26 Income Tax

15 May 2023

Payment Deadline : April 2023 Art. 25 Income Tax, SME Final Income Tax, & Self-Assessed VAT

18 May 2023

Filing Deadline : April 2023 Art. 4(2), 15, 21/26, 22, 23/26, & 25 Income Tax

22 May 2023

Ascension Day

31 May 2023

Payment and Filing Deadline : April 2023 VAT

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