



**Indonesia Investment Coordinating Board**  
**Press Release**  
**Government Issued Tax Holiday Regulation**

**Jakarta, August 22<sup>th</sup> 2011** – After careful deliberation and much anticipation, the Ministry of Finance of the Republic of Indonesia has officially issued Finance Ministry Regulation on Corporate Income Tax Exemption, often called the *tax holiday*, on August 16<sup>th</sup>, 2011.

The tax holiday facility offers corporate income tax exemption for a period ranging from 5 to 10 years after a company or project begins commercial production. Following this period, the tax facility could offer an additional 50% (fifty percent) corporate income tax reduction for 2 (two) years after the tax holiday period. This facility could be extended through various considerations, including whether such business activity reinforces both strategic values and national interests, but is strictly under the Ministry of Finance’s discretion.

This facility could be offered to investors with business activities meeting certain criteria, including pioneer industries that have broad backward and forward linkages within the value chain. Some priority is given to five business sectors: basic metals, petroleum refineries, basic organic chemicals derived from petroleum and natural gas, machinery industry, renewable resources industry, as well as telecommunications equipment industry. However, business sectors outside the five aforementioned would also be considered should they display strong support for national industrial competitiveness; that is to say that the Ministry of Finance may include and define other business sectors as “pioneer”.

Other requirements for obtaining the tax facility is a minimum investment value of Rp. 1 trillion, the company must also be incorporated in Indonesia (having been legalized at least 12 months before the Finance Minister Regulation on Tax Holiday is issued) and must have deposited at least 10% (ten percent) of the proposed investment value in an Indonesian Bank.

To receive such facility, the prospective investor who self-assesses that he meets these broad criteria should apply to the Investment Coordinating Board of the Republic of Indonesia (BKPM) or the Ministry of Industry who will then conduct a preliminary assessment of each submission. The two bodies will then present the submissions to the Verification Committee, which includes representatives from the Coordinating Ministry of the Economy, Ministry of Finance, Ministry of Industry, and the Investment Coordinating Board. If it is approved by the Committee, the Minister of Finance will publish a Decision Letter of Tax Holiday’s Allowance to each investor.

According to Chairman of Indonesia’s Investment Coordinating Board, Gita Wirjawan, this new regulation will send a positive signal to the investment community and is hoped to catapult national industrial development. “We believe that we should be able to achieve the Rp 240 trillion investment target for 2011, since many strategic industries who would have otherwise invested elsewhere, would be more willing to make use of this facility and realize their investment plans”, he said.

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