



Indonesia Tax Alert July 2019

Tax Facility for Labour-Intensive Industries and Certain Types of Expenditure

The Government issued Regulation Number 45 Year 2019 (“GR-45”) effective from 26 June 2019 to provide income tax facility for labour-intensive industries and certain types of expenditure incurred by Indonesian taxpayers. GR-45 amends several provisions of Government Regulation Number 94 Year 2010, which is one of the key implementing regulations of the prevailing Income Tax Law (“ITL”).

There are three business activities eligible for the new income tax facility:

1. Labour-intensive industries

New capital investment or business expansion in labour-intensive industry shall be eligible for additional deduction to taxable income with amount equal to 60% of new capital investment in the form of fixed assets, including land used in primary business activities. However, this facility is not available if the taxpayer has already obtained corporate income tax facility under Article 31 of ITL known as “Tax Allowance” facility or that under Law Number 25 Year 2007 known as “Tax Holiday” facility.

2. Human resources development expenditure

Taxpayer who conducts apprenticeship, internship, and/or learning program in relation with human development activities may be granted with gross income deduction of maximum 200% of the total expenses incurred for such activities. GR-45 includes the criteria of the human development activities and the participant coverage.

3. Research and development expenditure

Taxpayer who conducts research and development (“R&D”) activities within Indonesia may be granted with gross income deduction of maximum 300% of the total expenses incurred for such activities. The purpose of the R&D activities should be intended to create a new invention, innovation, mastery of new technology, and/or technology transfer.

The Minister of Finance will further issue implementing regulation of the above income tax facilities.



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