

For the realization of the Nusantara authority in east Kalimantan as mandated by Law Number 3 Year 2022 as *Ibu Kota Negara/IKN* (the State Capital) to become the center of government and economic activities, the Indonesian government has prepared various facilities to encourage business and investment in *IKN* and Partner regions. A special policy package was formulated to drive the economy in order to accelerate the development of *IKN*, including the issuance of its foundation for legal certainty, namely Government Regulation Number 12 Year 2023 concerning Provision of Business Licenses, Ease of Doing Business and Investment Facilities for Businesspersons in Nusantara Capital City. The ease of doing business and investment facilities in *IKN* include both fiscal and non-fiscal incentives provided by the central government and the *IKN* authority. Fiscal/tax incentives in *IKN* in the fields of Income tax, VAT and LST as well as Customs which constitute the authority of the central government can be described as below.

TAX INCENTIVES TO ATTRACT BUSINESS AND INVESTMENT IN INDONESIA'S NEW CAPITAL

A. Income Tax (PPH) Facilities, consisting of 9 (nine) types, among others:

1. Corporate Income Tax (PPH Badan) Reduction Facility for Investment in IKN

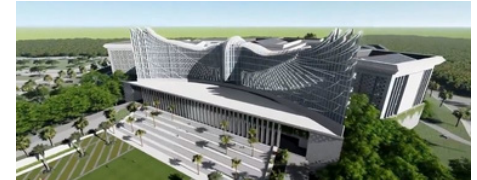
- Facilities provided: Reduction of Corporate Income Tax by 100% (one hundred percent) of the amount payable
- Given to: Domestic Corporate Taxpayers (*Wajib Pajak Badan Dalam negeri*) that invest in *IKN* in the business fields with strategic value to accelerate the development of *IKN*, which include infrastructure and public service, economic improvement, and other business sectors
- Investment value: At least Rp10,000,000,000,- (ten billion rupiah)
- Granted for a period of: 10 (ten) to 30 (thirty) years depending on the type of business field and investment period, namely as follows:

Investment period	Infrastructure & public service sector	Economic improvement sector	Other business sectors
2023 to 2030	30 tax years	20 tax years	10 tax years
2031 to 2035	25 tax years	15 tax years	10 tax years, with 50% reduction of corporate income tax
2036 to 2045	20 tax years	10 tax years	

Infrastructure and public service sector is in the form of construction of power plants including new and renewable energy; construction and operation of toll roads; construction and operation of seaports; construction and operation of airports; construction and provision of clean water; construction and operation of health facilities; construction and operation of education units; construction and provision of telecommunications and informatics infrastructure; construction and management of urban park forests; construction of housing, residential areas, and offices; construction and management of wastewater; construction and management of underground utility network systems; construction and operation of industrial estates and research and innovation centers (industrial and science parks); construction and operation of public markets; provision of public transportation; construction and operation of passenger or freight vehicle terminals; and construction and operation of stadiums/sports facilities.

The economic improvement sector is in the form of construction and operation of shopping centers (malls); provision of tourist facilities and accommodation services/starred hotels; provision of Meeting, Incentive, Convention and Exhibition (MICE) facilities; and refueling and/or charging stations for electric vehicles (battery charging).

Other business fields are in the form of agricultural cultivation and/or urban fisheries, value-added industry and/or industrial engineering, hardware and/or software industry, trade services, construction services, real estate brokerage services, and tourism and creative economy services.



2. Corporate Income Tax Reduction Facility for Financial sector activities at IKN Financial Center

- Facilities provided: Reduction of Corporate Income Tax by 100% (one hundred percent) or 85% (eighty-five percent) of the amount payable
- Given to: Domestic Corporate Taxpayers and Permanent Establishments (*Bentuk Usaha Tetap/BUT*) in the financial sector that carry out activities in the *IKN* Financial Center, including banking; insurance; Islamic finance; capital markets, derivative finance and carbon exchanges; pension funds; financing; venture capital; financial sector technology innovation; guarantees; international commodity trading/exchange; bullion; trust fund management; financial instrument management (special purpose vehicle); financial holding company; financial market infrastructure; money market, foreign exchange market, and derivative transactions; payment system services; and/or other financial services
- Granted for the duration of: 20 (twenty) years (investment years 2036 to 2045) or 25 (twenty-five) years (investment years 2023 to 2035)



3. Corporate Income Tax Reduction Facility for the Establishment and/or Relocation of Head Office and/or Regional Office in IKN

- Facilities provided: Reduction of Corporate Income Tax by 100% (one hundred percent) of the amount payable
- Granted to: Businesspersons of Foreign tax subjects and Domestic Corporate Taxpayers that establish and/or relocate their headquarters and/or regional offices in IKN
- Given for the duration of: Until 2045 or 10 (ten) tax years, and the next 10 tax years shall be subject to a 50% (fifty percent) reduction in Corporate Income Tax

4. Gross Income Deduction Facility for organizing Work practice, Apprenticeship, and/or Learning activities in IKN

- Facilities provided: Gross Income Deduction at a maximum of 250% (two hundred fifty percent) of the total costs incurred
- Granted to: Domestic Corporate Taxpayers that organize work practice, apprenticeship, and/or learning activities at IKN, for the guidance and development of certain competency-based human resources
- Granted for the duration of: Up to the year 2035



5. Gross Income Deduction Facility for certain Research and Development activities in IKN

- Facilities provided: Gross Income Deduction at a maximum of 350% (three hundred fifty percent) of the total costs incurred
- Granted to: Domestic Corporate Taxpayers that organize research and development activities in IKN, to produce inventions, develop innovations, master new technologies, and/or transfer technology for industrial development to increase the competitiveness of the national industry
- Granted for the duration of: Up to the year 2035



6. Gross Income Deduction Facility for Donations and/or Construction costs for Public facilities, Social facilities, and/or other Facilities in IKN

- Facilities provided: Gross Income Deduction at a maximum of 200% (two hundred percent) of the amount of donations and/or costs incurred
- Given to: Domestic Taxpayers that provide donations and/or construction costs for public facilities, social facilities, and/or other facilities in IKN that are non-profit in nature
- Granted for the duration of: Up to the year 2035

7. Income Tax Article 21 (PPH Pasal 21) Facility for Employees in IKN Borne by the Government

- Facilities provided: Income Tax Article 21 Borne by the government and is final in nature
- Given to: Employees who receive or obtain income from the employer, by having an NPWP (Tax Identification Number) registered at the KPP (Tax Office) covering the IKN territory (does not apply to the income of state officials, civil servants, members of the national army and police, which originates from the state and regional budgets)
- Granted for the duration of: Up to the year 2035
- Provided with the following obligations: Notice of utilization and Report on the realization of utilization of the facility by the Employer

8. Final Income Tax (PPH Final) Facility of 0% (zero percent) on income from certain business gross turnover/sales in micro, small and medium enterprises/MSMEs (UMKM) in IKN

- Facilities provided: 0% (zero percent) rate of Final Income Tax for MSMEs
- Given to: Domestic Taxpayers excluding Permanent Establishment that have business activities in IKN with UMKM qualifications; with a gross turnover of up to Rp50,000,000,000,- (fifty billion rupiah) in 1 (one) tax year, excluding the income:
 - of Individual Taxpayers from services in connection with independent work,
 - of a Corporate Taxpayer formed by several taxpayers who provide services similar to services in connection with independent work,
 - from services performed outside the IKN territory and/or utilized by service users that are not located in the IKN territory,
 - which has been subject to final income tax in accordance with the provisions of separate taxation regulations,
 - which is exempted as an object of Income Tax.
- Investment value: In a maximum of less than Rp10,000,000,000,- (ten billion rupiah)
- Granted for the duration of: Up to the year 2035 as from the facility approval date

9. Income Tax Reduction Facility on Transfer of land and/or building rights

- Facilities provided: Income Tax Deduction on the Transfer of land and/or building rights amounting to 100% (one hundred percent) of the amount payable
- Granted for the duration of: Up to the year 2035
- Granted through: Issuance of Notice of Tax Exemption (SKB)



B. Facilities for Value Added Tax and Sales Tax on Luxury Goods (PPN & PPnBM), consisting of 2 (two) types, among others:

1. VAT Not levied on the submission of certain strategic Taxable Goods and/or Taxable Services and/or import of certain strategic Taxable Goods



Certain strategic Taxable Goods referred to are as follows:

- New buildings in the form of landed houses, flats, offices, shops/shopping centers, and/or warehouses for certain individuals, certain agencies, and/or certain ministries/institutions;
- Motor vehicles with police numbers registered in *IKN*, which use battery electric vehicles technology produced domestically for individual, agency, and/or ministry/institution;
- Certain other strategic Taxable Goods required in the context of preparation, construction, relocation, and development at *IKN*.

Certain strategic Taxable Services referred to are as follows:

- Rental services for landed houses, flats, offices, shops/shopping centers, and/or warehouses that are handed over to individuals, agencies, and/or ministries/institutions, which have business activities, duties, or are domiciled in *IKN*;
- Construction services for the construction of roads, bridges, dams, clean water treatment plants, new and renewable energy power plants, drinking water supply systems, telecommunications networks, energy networks, water/irrigation networks, garbage

and/or waste treatment plants, hospitals/clinics, health laboratories, schools or colleges, government buildings, landed houses, flats, offices, shops, and/or warehouses, airports, ports, terminals, railroad networks, or other similar infrastructure built in *IKN*;

- Waste and/or waste treatment services for waste and/or waste generated in *IKN*;
- Certain other strategic Taxable Services needed in the context of preparation, construction, relocation, and development in *IKN*.

2. Exemption of LST on the submission of Taxable Goods

Such Taxable Goods include a group of luxury residences to individuals, agencies, and/or ministries/institutions, which have business activities, duties, or are domiciled in *IKN*.

VAT Not levied and Exemption of LST may be granted until the year 2035.



C. Customs Facilities, consisting of 3 (three) types, among others:

1. Exemption of Import Duty and Taxes in the Context of Import Facility on the import of goods by the central or regional government intended for the public interest in the territory of *IKN* and Partner Regions,
2. Exemption of Import Duty and Taxes in the Context of Import Facility on imports of capital goods for the construction and development of industries in the territory of *IKN* and Partner Regions,
3. Exemption of Import Duty on imports of goods and materials for the construction and development of industries in the territory of *IKN* and/or Partner Regions.



Exemption of Import Duty and Taxes in the Context of Import Facility can be granted until the year 2045 as from the enactment date of the decision.

How to Obtain Tax Incentives for Business and Investment in *IKN*

Application and granting for approval and utilization of income tax facilities in *IKN* can be submitted and conducted through the Online Single Submission (OSS) system or electronic channels available at the Ministry of Finance. Application for approval of corporate income tax reduction facility is submitted before the start of commercial operation, or no later than 30 (thirty) days after the end of the tax year in which the establishment/relocation of head office/regional office is carried out. Utilization can be granted based on the results of field inspection by the Directorate General of Taxes through the DGT Regional Office covering the *IKN* territory. Taxpayers that obtain facilities are required to realize the plan and to report the realization of capital investment or the establishment/relocation of headquarters/regional offices, and are prohibited from acquiring capital goods that are not new or using them for purposes other than providing facilities or transferring them or relocating capital investment outside the *IKN* territory.

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Practitioners: M Akbar Abadi, Indra G Djunadi, Mhd Ridoan Dalimunte, Muhammad Wahyudi

Editors: Rakhmad Hidayat, Wahyu D Hamdani, Toni Adyanto

Author: M Faruq Al Q

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