

# **Fiscal Facilities in Indonesia for Investors and Industrial Companies**

One of the biggest expenses of a growing industry is the fiscal policy. To support the acceleration of investment rate in Indonesia, Badan Koordinator Penanaman Modal (BKPM) or the investment coordinating board of Indonesia provides supportive fiscal facilities for investors.

## **What Are the Facilities?**

The facilities include a reduction or an exemption from import taxes and duty. However, the exemption can only be applied in importing machinery parts, or material relating to production. A company should apply for these fiscal facilities with certain requirements.

Furthermore, a company can use the fiscal facilities when expanding to more than 30% capacity from the former capacity. You can also use it when establishing new facilities for production. Once you apply for it, it can last for two years and can be extended to a certain length of time.

## **Knowing More about the Requirements**

Though there is no limitation, companies should provide certain requirements relating to legal documents and forms to take advantage of the fiscal facilities.

- Fiscal facility application form
- Company's deed, approval, and amendments copies
- Principal investment licenses
- Tax registration number
- Identification number (NIK)
- Producer's import identification number (API-P)
- Machinery list from the BKPM module
- Factory layout
- Machinery capacity, technical data, and specification

- Company and production flowchart
- Application must be signed and sealed by company's management

Besides all the paperwork, the company should already have legal permits such as Izin Usaha Industri or the industrial permit. Later, BKPM will send a team to do a survey and verification for fiscal facilities approval. Once approved, you can proceed to the machinery importing.

The machinery and materials that are being imported should have at least one of these three qualifications:

1. The machinery and materials have not yet been produced in Indonesia,
2. It has been produced, yet the specification is inadequate for production,
3. It has been produced in Indonesia, yet the quantity is insufficient for production.

There's an addition of tax exemption if the factory uses 30% of local machinery. In summary, the exemption of import duty will only be applied if the requirements are fulfilled and meet the importing qualifications.

### **Fiscal Facilities Recommendation**

BKPM does not only provide an exemption for importing machinery but also tax allowance and holiday. However, it can only be obtained through BKPM's recommendation. To get this recommendation, a company should meet the requirements below:

1. Located in industrial zone or estate
2. Have a growing infrastructure
3. Employs 500 to 1,000 local labors
4. Have a Research and Development division and program
5. Uses at least 70% local material
6. Reinvest capital
7. Export at least 30% of the products

The facilities include accelerated amortization and depreciation, income reduction of the investment value, nuisance of income tax and compensation on losses. BKPM will give you

a recommendation through the yearly report, or you can apply for the proposal if you have all the requirements. Currently, there are 145 business fields available for tax allowance and nine types of industry available for the tax holiday. You can check these lists on BKPM's website or go directly to BKPM's office.