

## Corporate Income Tax Reduction Facility

by Monica Sonya Ginanti

The Ministry of Finance of the Republic of Indonesia (“**MoF**”) issued new regulation number 35/PM-K.010/2018 on Provision of Corporate Income Tax Reduction Facility (“**Regulation**”). This new Regulation revokes the Ministry of Finance Regulation number 159/PMK.010/2015 on Provision of Corporate Income Tax Reduction Facility and its amendment. The Regulation itself was issued in Jakarta on 4 April 2018.



Corporate taxpayers who invest in industry which has a broad linkage, deliver value and high externalities, introduce new technologies and have strategic value for the national economy (“**Pioneering Industry**”) may acquire income tax reductions on the income received from the main business activity. The corporate income tax reduction facility given is 100% (one hundred percent) from the total corporate income tax payable. Under the old regulation, the deduction varied from 10 - 100 percent. The duration of the reduction of corporate income tax depends on the investment value of the company.

After such duration has ended, the corporate taxpayer will be given a reduction of income tax in the amount of 50% (fifty percent) from the total corporate income tax payable for the next 2 (two) years.

There are several requirements for the corporate taxpayer to obtain a reduction of income tax as stated in the Regulation. The Pioneering Industry consists of 17 (seventeen) industries, such as the economy infrastructure industry and the pharmaceutical raw materials industry without its derivatives which are integrated, etc. The

details of each Pioneering Industry will be determined by the Capital Investment Coordinating Board of the Republic of Indonesia (*Badan Koordinasi Penanaman Modal* “**BKPM**”). The corporate taxpayer must apply for the tax income reduction to the head of BKPM before the first-time product from the main business activity is sold to the market and/or used for the corporate taxpayer itself for further production processing (“**First Commercial Production**”).

The corporate taxpayer who obtains the decree of the MoF regarding the tax income reduction shall submit a report once a year to the Directorate General of Taxation, which consists of: (i) capital investment realization report from the decree of the MoF regarding the tax income reduction received until the First Commercial Production; and (ii) production realization report from the tax year of the First Commercial Product until the duration of utilization of corporate taxpayer reduction has ended (“**Report**”). The Report shall be submitted at the latest 30 (thirty) days after the related tax year has ended. The Regulation also states that the corporate income tax reduction facility will be published and evaluated periodically.

## Minister of Finance's New Regulation on the Acceleration of the Customs and Excise Licensing Process

by Galih Adi Prasetya

On 26 March 2018, the Minister of Finance issued the Minister of Finance Regulation No. 29/PM-K.04/2018 on the Acceleration of Customs and Excise Licensing Process in the Framework of Ease of Doing Business (“**PMK 29/2018**”). PMK 29/2018 appears in the context of implementing the government program (‘ease of doing business’) as stipulated in Presidential Regulation No. 91 of 2017 on the Acceleration of Businesses Implementation.

As stated in its recitals, PMK 29/ 2018 aims to accelerate the licensing process in the customs and excise setor. Therefore, PMK 29/2018 contains several provisions which update the previous regulations, as explained below:

- an updated provision on Customs and Excise Registration as stipulated in article 2-5 of PMK 29/2018. This Customs and Excise Registration is also needed by the business owner to obtain a Customs and Excise Access that can be used for accessing the customs and excise service system;
- a new provision that regulates the maximum duration needed for the approval of Customs and Excise Access (which is 3 (three) hours) as stipulated in article 5 of PMK 29/2018;
- a new provision on Stockpile Bonded Zone Permits for certain buildings, places, or zones. This permit will allow the business owner to obtain a duty suspension facility for their business. The procedure to obtain this permit is regulated in article 10-16 of PMK 29/2018;
- an updated provision on Import Ease for Export Purpose Exemption



- and Import Ease for Export Purpose Return (“**KITE Pengembalian**”) Permit as stipulated in article 17-20 of PMK 29/2018. This permit allows the business owner to have certain facilities such as exemption from import duties, value added tax or value added tax and sales tax on luxury goods of imported raw materials used in the production of goods for export purposes (for KITE Pembebasan); and returns on import duties of raw materials used in the production of goods for export purposes that have been paid by the business owner (for KITE Pengembalian);
- an updated provision on obtaining a Business Identification Number for Excise that should be owned by the business owner, including the process for permit granting, permit

suspension, and permit revocation as stipulated in article 21-23 of PMK 29/2018.

Besides the aforementioned explanation, there are also 2 (two) major upgrades in PMK 29/2018 that should be mentioned. Firstly, the use of Online Single Submission through the Indonesia National Single Window Portal for the registration of every permit, and secondly, the maximum allocated time that is needed to obtain certain permit. With these 2 (two) major upgrades, PMK 29/2018 is expected to fulfill the government objectives to increase the efficiency and effectiveness of the licensing process in duty and excise, and also to strengthen the competitiveness of investments and export-oriented industries.

## Bank Indonesia Issues Regulation on Electronic Money (E-Money)

by Vincent

On 3 May 2018, the Governor of Bank Indonesia issued Bank Indonesia Regulation No. 20/6/PBI/2018 regarding Electronic Money ("**Regulation No. 20/2018**"). The issuance of Regulation No. 20/2018 revoked and replaced in its entirety the previous regulation, Bank Indonesia Regulation No. 11/12/PBI/2009 regarding Electronic Money. Regulation No. 20/2018 was promulgated on 4 May 2018 and become effective upon such date.

Electronic money ("**e-money**") is now defined as a payment instrument which satisfies the following elements:

1. it is issued based on the money value deposited to the e-money issuer;
2. the money value is stored electronically on server-based or chip-based media; and
3. the e-money value which is managed by the issuer is not deposit money under banking law.

Under Regulation No. 20/2018, e-money is differentiated into 2 (two) types, namely:

1. closed loop, which is e-money that can only be used as payment instrument to the issuer; the issuer must also be a merchant that, serving as the only party, receives payment by using the issued e-money;
2. open loop, which is e-money that can be used as payment instrument to any party that accepts payment by using the issued e-money.

Regulation No. 20/2018 requires all e-money issuers, either closed loop or open loop, to obtain prior licence from Bank Indonesia. However, an exemption to this requirement is given to closed loop e-money issuers which manage floating funds not exceeding



Rp1.000.000.000,00 (one billion rupiah). Thus, open loop e-money issuers fall under this requirement notwithstanding the amount of floating funds managed.

In regard to corporate matters, non-bank institutions (which have to be in the form of a limited liability company) intending to apply for a licence as e-money issuer have to satisfy the minimum capital and shareholders composition requirements. The E-money issuer must have a minimum of Rp3.000.000.000,00 (three billion rupiah) paid-up capital and is subject to the requirement to increase its issued and paid-up capital in accordance with the increase of the floating funds managed. As for shareholding composition, Regulation No. 20/2018 restricts foreign shareholding to a maximum of 49% (forty-nine percent). However, such restriction may be subject to Bank Indonesia discretion whereby they may lower the limit of foreign shareholding based on certain considerations. Regulation No. 20/2018 also res-

tricts any change of control of the e-money issuer within 5 (five) years from the issuance of the e-money operating licence. However, such restriction may also be waived with a prior approval from Bank Indonesia in certain circumstances.

As a matter of competency, Bank Indonesia will conduct fit and proper tests for the controlling shareholder, members of the board of directors and board of commissioners of a non-bank institution which is applying for an e-money operating licence. A controlling shareholder must have a shareholding of at least 25% (twenty five percent) in the e-money institution, or, any shareholder who has less than 25% (twenty five percent) shareholding but has direct/indirect control of the e-money institution.

Furthermore, matters with regard to business competition are also regulated. A controlling shareholder of a non-bank institution which holds an e-money operating licence is prohibited from becoming the controlling shareholder of any other non-bank which also holds an e-money operating license of the same type.

## Report Submission Through the Issuers or Public Companies' Electronic Reporting System

by Monica Sonya Ginanti

In order to increase the effectivity and efficiency of report submission to the Financial Services Authority of the Republic of Indonesia (*Otoritas Jasa Keuangan* "OJK"), and to improve the transparency of issuers or public companies, the OJK has issued a new regulation relating to the report submission system. It is Regulation of Financial Services Authority of the Republic of Indonesia number 7/POJK.04/2018 of 2018 on Report Submission Through the Issuers or Public Companies Electronic Reporting System ("**Regulation**"). The Regulation itself was issued in Jakarta on 25 April 2018.



The issuers or public companies must submit reports which declare the transparency of the information or other documents required by OJK, as regulated in capital market area ("**Report**"). The Report may be submitted through the OJK's website, which address is <https://spe.ojk.go.id>. The deadline to submit the Report for issuers or public companies is as stated in each regulation. The issuers or public companies must also retain the Report and provide such Report to the OJK (if required) in the future. In the event that there are differences between the Report submitted through the OJK's website and the Report retained by the issuers or public companies,

OJK will use the Report submitted through the website.

The Report must be submitted through the Electronic Reporting System (*Sistem Pelaporan Elektronik* "**SPE**") after the issuers and public companies are granted right of access from the OJK. The access right is in the form of user identity and password. The issuers or public companies must comply with the SPE regulation. After the submission through the SPE, the issuers or public companies will be given the receipt electronically.

The exception for the issuers or public companies for not submitting the Report are: (i) OJK states that there is an

error in the SPE; and/or (ii) there is a force majeure such as natural disaster, war, fire and/or other event that significantly impacts the issuers or public companies in submitting the Report through the SPE ("**Force Majeure**"). In the event of Force Majeure, the Report may be submitted by: (i) sending it to the OJK's correspondence address in the form of electronic documents; or (ii) sending it to [spe@ojk.go.id](mailto:spe@ojk.go.id). The OJK also has the authority to impose various sanctions on the issuers or public companies who do not fulfil the terms and conditions as stated in the Regulation.

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