



# The New Package of Economic Policies to Face the Economic Crisis

by Robin Setiawan



On 9 September 2015, the President of the Republic of Indonesia announced a package of economic policies to deal with the current economic crisis facing the country. The policies, which cover three main sectors, concern support for national industrial competitiveness through deregulation, law enforcement and business certainty. There are approximately 89 (eighty nine) regulations that will be overhauled in the implementation of these policies. The amendment of the regulations will eliminate duplication and revoke regulations that are not relevant or hamper the competitiveness of national industries.

The first stage of the economic policy package will strengthen national industries, develop micro industries, facilitate an inter-regional trade, stimulate tourism, and improve the welfare of fishermen. The main focus of the Government in the package of economic policies is to simplify the licensing and encourage the domestic industry to attract more investment possibility in Indonesia.

There is an effort to increase the rural economy by accelerating and simplifying the use of village funds for labor-intensive infrastructure development. Concerning the welfare of fisherman, the government also requires the conversion from diesel to gas for fishermen's boats. By this conversion, the boats will be more fuel-efficient and fisher-

men's running costs will decrease, therefore improving their welfare.

For the implementation of such policies, Bank Indonesia has issued five policies to promote national economic growth. The five policies that have now been established are to:

1. strengthen the control of inflation and encourage the real sector;
2. maintain the stability of the Rupiah;
3. reissue the Certificate of Bank Indonesia (SBI) with a tenor of nine months, and twelve months with a fixed rate tender auction mechanism and adjusted pricing;
4. strengthen the management of foreign exchange supply and demand; and
5. take further steps towards deepening the financial markets.

Bank Indonesia as the central bank will strengthen coordination between the Inflation Control Team and the Regional Inflation Control Team in order to accelerate the implementation of the national and regional inflation control roadmap. Besides this, Bank Indonesia will also revitalize economic and financial cooperation between Bank Indonesia, central government, and local government.

On the effort to maintain the stability of the Rupiah, Bank Indonesia will safeguard the confidence of market participants in foreign exchange markets by controlling the volatility of the exchange rate and preserving market confidence in state securities through purchases in secondary markets. Bank Indonesia seeks to strengthen Rupiah liquidity management.

The government is also focusing on the acceleration of national strategic projects, including the provision of land and the simplification of licenses and infrastructure development. In addition, their latest policy is to increase investment in the property sector by encouraging the construction of houses for low-income people. The government will soon issue a policy to encourage the construction of housing, particularly for low-income people, and open up greater investment opportunities in the property sector. The Coordinating Minister of Economics stated that this next package of economic policies will be announced at the end of September.

# Tax Holiday for Pioneer Industry Investment

by Nirmala Adisti Karunia

One of the government's ways to stimulate investment in Indonesia is to provide incentives to the taxpayer by, for example, reducing income tax to a certain level. To regulate such reductions, the Ministry of Finance recently published Regulation No. 159/PMK.010/2015 entitled Reduction of Income Tax Facility ("**Regulation No. 159/2015**") to further implement Law No. 25 of 2007 on Investment, and Government Regulation No. 94 of 2010 on Calculation of Taxable Income and Income Tax Settlement in the Current Year.

Regulation No. 159/2015 stipulated that reduction of income tax is applied to the income derived from the taxpayer when its main business activity is in a pioneer industry. Based on Article 4, paragraph 4 of Regulation No. 159/2015, the following industries are classified as pioneer industries:

1. upstream metal industry;
2. petroleum refining industry;
3. organic chemical industry sourced from petroleum and natural gas;
4. machinery industry that produces industry machines;
5. processing industry based on agriculture, forestry and fisheries;
6. telecommunications, information and communications industry;
7. sea transport industry;
8. main processing industry in SEZ (Special Economic Zones); and/or
9. Economy infrastructure, aside from the ones that use government-business body cooperation scheme.

Alongside operating a pioneer industry, the taxpayer must own a new investment plan amounting to a minimum of Rp1.000.000.000.000,- (one trillion Rupiah). Moreover, the taxpayer must be able to place a minimum of 10% of the total investment plan in the Indonesian banking system and it must not be withdrawn before the investment activity has commenced commercially. Additional requirements are that such a taxpayer should be in possession of Indonesian legal entity status and have complied with the provision of debt and equity ratio regulated separately by the Ministry of Finance.

The reduction of income tax given is between 10% and a maximum of 100% of the amount of income tax payable. Taxpayers who wish to be eligible for this reduction should bear in mind that it can only be relied upon as long as the industry has commenced commercially, the taxpayer has utilized the amount of capital as stated on the investment plan, and the industry sector is aligned with its initial plan



and still falls into the category of pioneer industry. The time period for this reduction is for 5 (five) years minimum and can be extended up to 20 (twenty) years calculated from the year of commercial commencement of the production activity.

There is an exemption of the total amount for investment for a pioneer industry in the technology sector. If a taxpayer has fulfilled the requirement to introduce high technology in Indonesia, the minimum amount for an investment plan is lowered to Rp500.000.000.000,- (five hundred billion Rupiah). However, the amount of income tax reduction would not reach 100% as the other industries with normal investment amounts, but only 50% maximum.

Under Regulation No. 159/2015, the Minister of Finance decides the granting of a reduction of income tax based on the consideration and recommendation of the verification committee formed by the minister. A taxpayer approved for income tax reduction is prohibited from importing or purchasing used raw materials from other countries, conducting a business activity which is not regarded as a pioneer industry, making a transfer of assets and/or ownership, relocating investment to other provinces in Indonesia or abroad within the period of income tax reduction facility, and/or changing bookkeeping methods to move the profit and income statement to other periods, including amending the statement of income and/or costs, and the calculation method or depreciation and/or inventory from the tax year beginning until 5 (five) tax years of the ending of the income tax reduction period. It is also subject to an obligation to submit an annual report regarding the use of capital and investment performance.

Regulation No. 159/2015 has been effective since 18<sup>th</sup> August 2015. The addition of the number of industries that qualify for the income tax reduction in Regulation No. 159/2015 appears to be a strategy by the government to encourage more investors to enter into the country strategic industries.

# The Principle of Disclosure and Transparency in Relation to the Issuer and Public Listed Company

by Rio Rahmat Hidayat



The Financial Services Authority (“OJK”) has enacted regulation No. 8/POJK.04/2015 concerning the Website of the Issuer and Public Listed Company (“OJK Regulation No. 8/POJK.04/2015”) that effectively commences in early January 2016. OJK Regulation No. 8/POJK.04/2015 serves to implement the commitments between the OJK and the International Financial Corporation/IFC (a subsidiary of the World Bank) upon issuance of the Road Map Good Corporate Governance (“GCG Roadmap”). According to the OJK press release dated 4 February 2014, the existence of the GCG Roadmap can be used as the main reference for comprehensively improving practices and regulations relating to aspects of good corporate governance in Indonesia, including disclosure and transparency information via public media.<sup>1</sup>

Pursuant to Article 2 of OJK Regulation No. 8/POJK.04/2015, the issuer or public listed company is obligated to have a website. The website must have a website address that reflects the identity of the issuer or public listed company. The purpose of this regulation is to enhance the access of shareholders and other related stakeholders to current and actual information on issuers and public listed companies.

Pursuant to Article 4 of OJK Regulation No. 8/POJK.04/2015, the website must contain data and material information of the issuer or public listed company in Bahasa Indonesian and other foreign language, at least the English language. Furthermore, as stated in Article 6, the data and material information that must be published in the website are as follows:<sup>2</sup>

1. general information of the issuer or public listed company  
According to Article 7 OJK Reg No. 8/POJK.04/2015, general information of the issuer or public listed company such as company identity, brief history, organizational structure, ownership structure, group structure, board of directors (“BoD”) and board of commissioners (“BoC”) profile and articles of association of the issuer and public listed company;
2. investor or financier information  
Pursuant to Article 8 OJK Reg No. 8/POJK.04/2015, investor or financier information such as public offer prospectus, financial statements, financial information (revenue, profit and lost statements and other information including financial ratio information relevant to their business/industry), general meeting of shareholders information, dividends, shares, outstanding bond information (rating, the expiration date and interest rate) relating to the corporate action or other action taken by a party other than the issuer and public listed company (mergers, acquisitions, consolidation, shares buy-back, tender offers, affiliated and conflict of interest transactions) and other material information;
3. good corporate governance information  
Referring to Article 9 OJK Regulation No. 8/POJK.04/2015, good corporate governance information such as working guidelines, removal and appointment of BoD and BoC, code of conduct and related applicable policies.
4. corporate social responsibility information  
Based on Article 10 OJK Regulation No. 8/POJK.04/2015, corporate social responsibility information such as policy, type of program and cost covered by the issuer and public listed company in respect of; (i) environment; (ii) manpower; (iii) workplace health and safety; (iv) social and community development; (v) services and product responsibility.

As reflected in Article 12 of OJK Regulation No. 8/POJK.04/2015, the issuer and/or public listed company that violates this regulation will be subject to administrative sanctions in the form of (i) a written warning; (ii) a fine; (iii) restriction of business activity; (iv) freezing of business activity; (v) license revocation; (vi) nullification of consent; and (vii) cancellation of registration.

<sup>1</sup> <http://www.ojk.go.id/en/press-release-ojk-launches-the-indonesian-corporate-governance-roadmap>

<sup>2</sup> Peraturan Otoritas Jasa Keuangan No. 8/POJK.04/2014 tentang Situs Web Emiten dan Perusahaan Publik



# The New Policy on the Reduction of the Income Tax Rate for Public Listed Companies

by Robin Setiawan

In the midst of pressure in the stock market, the Government of the Republic of Indonesia has signed Government Regulation No. 56 of 2015 ("GR 56/2015") on the Amendment of Government Regulation No. 77 of 2013 ("GR 77/2013") regarding the Reduction of the Income Tax Rate for Corporate Taxpayers in the Form of Public Listed Companies. GR 56/2015 entered into force on August 4, 2015.

In the previous policy, one of the requirements for a 5% tax rate reduction was that 40% (forty percent) of the total paid up had to be registered and traded on the Indonesia Stock Exchange and included in collective deposits in depository and settlement institutions. The collective deposits requirement encouraged investors to provide a transaction report on stock exchange but the cross change of shares in stock exchange sometimes went unreported. This state of affairs is one reason that the Government amended its tax reduction policy. This regulation incentivized public listed companies to follow established principles of good corporate governance (GCG) and to be supervised by the authorities.

However, the effectiveness of these incentives needed to be revisited. If we examine this further, not all public listed companies sell their 40% (forty percent) of shares directly to the public. We thus hope that this amendment of the policy underlying the reduction of the income tax rate would provide the requisite incentive for issuers in the middle of economic crisis. The main purpose of these amendments is to encourage more companies to enter into the stock market and increase public participation in public listed companies. As set forth in Article 2, Paragraph (1), the domestic corporate taxpayer in the form of the public listed company can obtain the 5% (five percent) reduction of a income tax rate lower than the income tax rate for a non-public listed company.

According to Article 2 Paragraph (2) GR 56/2015, there are some requirements to get the reduction of the income tax rate for corporate taxpayer in the form of public listed company:

1. at least 40% (forty percent) of the total paid-up has been registered and traded on the Indonesia Stock Exchange;
2. the shares must be owned by at least 300 (three hundred) parties;
3. each party may only have a share less than 5% (five percent) of the total shares issued and fully paid; and



4. the provisions as mentioned above should be fulfilled at least 183 (one hundred and eighty three) calendar days within a period of 1 (one) tax year.

Article 2 of GR 56/2015 states that the procedure of execution and supervision of the income tax reduction for a domestic public listed company would be governed by the Minister of Finance Regulation. GR 56/2015 provides an explanation and some examples to illustrate the provision that 40% (forty percent) of the total paid-up has to be registered and traded on the Indonesia Stock Exchange, as set forth in Article 2 GR 56/2015.

One of the examples that is given in GR 56/2015 is of a company which has registered and traded 35% (thirty five percent) of the paid-up and issued shares in PT Bursa Efek Indonesia, and is owned by 399 (three hundred and ninety nine) parties with the highest percentage of 4.99% (four point ninety nine percent) for 195 (one hundred and ninety five) days in one tax year, in which case the company is unable to obtain the reduction of income tax rate as mentioned in Article 2 paragraph (1) GR 56/2015.