



## Tax Reduction for Pioneer Industries

by Shaskia Putri Ramadhani



- 5 years will be granted for an investment of between Rp100 billion and Rp1 trillion;
- 7 years will be granted for an investment of between Rp1 trillion and Rp5 trillion;
- 10 years will be granted for an investment of between Rp5 trillion and Rp15 trillion;
- 15 years will be granted for an investment of between Rp15 trillion and Rp30 trillion; and
- 20 years will be granted for an investment of more than Rp30 trillion.

Reduced levels of tax reduction between 25% and 50% of the corporate income tax will continue to apply for two further years after the expiration of the original period.

Applications for tax reduction in accordance with Regulation No. 150 can be made online through OSS system and will be assessed and granted by the Director General of Taxes on behalf of the Ministry of Finance.

To encourage investment in certain the pioneer industries, and to stimulate economic growth, the Minister for Finance has issued a Regulation concerning Tax Reduction \* (**Regulation No. 150**) and has come into effect as of November 27, 2018 by revoking and declaring null and void the previous regulation. \*\*

*Regulation of the Minister for Finance No. 150/PMK.010/2018 Concerning Provision of Corporate Income Tax Reduction Facility.*

*\*\* Regulation of the Minister for Finance No. 35/PMK.010/2018 regarding Provision of Corporate Income Tax Reduction Facility.*

Under Regulation No. 150, the following types of corporate taxpayers are eligible for a tax reduction, including those that:

- are carrying out business in pioneer industries;
- are an Indonesian legal entity;
- have not been the subject of decisions relating to tax irregularities;
- plan to invest not less than Rp100 billion in their respective industries; and
- fulfill certain specified debt/capital ratios.

The relevant industries include, among other areas, oil and gas, mining, agriculture, technology, telecommunications, transport and power.

The amount of the reduction is dependent on the amount of investment the company makes, it can be given 100% or 50% of corporate income tax. Similarly, the period of the tax reduction is determined by the level of investment, so that a tax reduction of:



# Corporate Governance for Investment Managers

by Pratiwi Widyastuti



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On 1 August 2018, the Financial Services Authority issued a regulation setting out new corporate governance obligations for investment management companies (**Regulation 10**)\*.

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Regulation 10 introduces obligations relating to:

- proper procedures for decision making and reporting those decision to the FSA;
- directors' duties including the requirement that all directors must pass an FSA assessment;
- remuneration of directors;
- procedures for investment management companies that offer Shariah compliant investment products including the requirement to put in place a Sharia Capital Market licence;
- the development and implementation of certain policies and procedures including a code of conduct for employees, a conflict of interest policy and a risk management policy;
- the preparation and presentation to the FSA of an annual business plan, which must include financial details, and progress on the implementation of corporate governance measures;
- the company's website which must include certain information including how the company's customers can report problems, make complaints, resolve conflicts and which sets out the company's policies and procedures; and
- the proper due diligence for any companies in which the investment management company intends to invest.

\*OJK Regulation No. 10/POJK.04/2018 on the Implementation of Corporate Governance for the Investment Manager.

# Sharia Compliant Deposits: New Regulations

by Budi Wibowo



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On 6 November 2018, the Bank of Indonesia enacted a regulation introducing certification of Sharia compliant money market deposits\* (**Regulation 20/27**). Regulation 20/27 brings welcome clarity on questions relating to Sharia compliant investment products.

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A certificate of deposit that can be traded on money market, must comply with several qualifications, such as:

- issued, traded and administered without any physical certificate (scripless);
- issued in Rupiah or foreign currency;
- having a minimum value of Rp1.000.000.000,- (one billion Rupiah) or equivalent to;
- having a period of 1 (one), 3 (three), 6 (six), 9 (nine), 12 (twelve), 24 (twenty four) or 36 (thirty six) months.

Regulation 20/27 sets out a number of obligations relating to the trade in Sharia compliant certificates of deposit including that money market support institutions must re-register with [the Bank of Indonesia] before they can start trading in these financial instruments.

Regulation 20/27 sets out penalties for the violation of its provisions including warning letters, fines, temporary cease and desist orders and the revocation of business licenses.

\* Board of Governors of the Bank Indonesia, Regulation No. 20/27/PADG/2018 relating to Sharia-Based Certificate of Deposit Transaction on the Money Market.

# Online Transactions: New Rules for Electronic Certification

by Melisa Kristian



In September 2018, the Minister for Communication and Information (the **Minister**) issued Regulation No. 11 to introduce electronic certification\* to enhance the efficiency of online transactions.

Certification means that the identity of the entity is officially verified and, as such, an entity with the correct certification can enter into legal transactions online. Certification is issued by the authorised electronic certification organizers (the **Organizers**, each an **Organizer**) and the whole system is supervised by the Minister.

Regulation No. 11 sets out guidelines that entities need to comply with in order to be acknowledged as an Organizer. The acknowledgement will be valid for 3 (three) years and may be extended based on the request of the relevant Organizer. Regulation No. 11 makes the distinction between foreign and Indonesian entities and also sets forth the levels into which the Organizers are divided. Under the Regulation, the Minister has appointed an Organizer certification body (*lembaga sertifikasi penyelenggara sertifikasi elektronik*) to evaluate the feasibility of potential Organizers as well.

The Minister will maintain a registry of all acknowledged Organizers and form a team to monitor the Organizers in implementing its functions. For the purpose of monitoring, the Organizers are obliged to deliver a periodic activity report to the Minister.

Online certification may be applied by individuals, including the armed force and the police, and business entities. Individuals may conduct the application offline and online, however business entities may only conduct the application offline.

Administrative sanctions, such as a written warning/temporary suspension, may be handed down by the Minister for any Organizer violating its obligations under the Regulation.

*\*Regulation of the Minister for Communication and Information Technology, No. 11 of 2018 concerning the Implementation of Electronic Certification.*