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## Expanded tax holiday will spur investments and economic growth

Last week the Minister of Finance unveiled a new tax holiday scheme. This is an expansion of the 2011 tax holiday scheme, with the key changes including:

1. An increase in the number of sectors, from 5 to 11. Previously, the sectors were basic metals, oil and gas refining, machinery, renewable energy, and telecommunication devices. The present regulation covers the upstream metal industry, oil and gas refining, the machine tools industry, the processing industry for agriculture, the forestry and fishery industries, the telecommunications sector, sea transport, industries in special economic zones, and infrastructure other than PPP.
2. Extension of the timeframe. The concession length has been extended from a maximum of 10 years to 20 years.
3. Lowering barriers. For telecommunications, the minimum investment is lowered to IDR500bn. For investments over IDR1 trillion the concession can be up to 100%.
4. Simplification of procedures. Investors are required to submit their proposals to the Indonesia Investment Coordinating Board (BKPM) under the one door investment approval procedure.

Concessions will be given under the condition that it is a new venture, there is a minimum investment of IDR1 trillion, and there is a commitment to place at least 10% of the investment funds in Indonesian banks with the venture having an Indonesian legal status.

We believe this new policy provides strong incentives for FDI - especially in key investment areas such as renewable energy, downstream agriculture as well as fishery and infrastructure. And, therefore, it should help increase investments in the near future.

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