

**UNOFFICIAL TRANSLATION**

THE PRESIDENT OF THE REPUBLIC OF INDONESIA  
LAW NUMBER 11 OF 1970  
Concerning  
AMENDMENT AND SUPPLEMENT TO LAW NUMBER 1 OF 1967  
CONCERNING  
FOREIGN INVESTMENT

WITH THE BLESSING OF GOD ALMAIGHTY.  
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Considering :

- a. that the overall fiscal policy of the State in addressing it self to development, comprises the increase of Government savings through increase in revenue, encouragement of saving by the public, stimulation of investment and production as well as assistance in the redistribution of income towards more balanced and simplified administration.
- b. that in order to accelerate development in Indonesia it is deemed necessary to create a favorable fiscal climate for entrepreneurs, especially for investor.
- c. that in connection with the amendments made in the 1925 Company Tax Ordinance, it is necessary to bring Law No. 1 of 1967 concerning foreign investment into line with those amendments.

In observance of:

1. Article 5 section (1), Article 20 section (1) and Article 23 section (2) of the 1945 Constitution.
2. The Decision of the Provisional People's Consultative Assembly No. XX/MPRS/1966;
3. Law No. 11 of 1967 Concerning foreign Investment.
4. The 1925 Company Tax Ordinance as amended and supplemented most recently by Law No. 8 of 1970 (State Gazette 1970/No.43). With the approval of the Gototng Royong Peoples Representative Council).

HAS DECIDED

To Enact :

A law considering AMENDMENT AND SUPPLEMENT OF LAW NO. 1 OF 1967  
CONCERNING FOREIGN INVESTMENT.

Article 1

Law No. 1 of 1967 concerning Foreign Investment shall be amended and supplemented as follows;

- I. Article 15 shall be amended in its entirety read as follows : Foreign capital enterprises which are operating in the field of activities intended by Article 5 shall be granted tax concessions as follows.

#### CAPITAL STAMP DUTY

Firstly,

Exemption from capital stamp duty on the issuance of capital organizing from foreign investment.

#### IMPORT DUTIES AND SALES TAX

Secondly,

Exemption or relief from import duties and exemption from sales tax (on import) at the time of entry into Indonesia of fixed assets, such as machinery, tools or instruments needed for the operation of the enterprise.

#### TRANSFER DUTIES

Thirdly

Exemption from transfer duties on deeds of ship registration is effected for the first time in Indonesia within a period of up to 2 (two) years from the moment of commencement of production with due regard to the nature of the enterprise.

#### COMPANY TAX

Fourthly

Concessions in the field of company tax :

- a. Compensation for losses as governed by Article 7 section (1) of the 1925 company Tax Ordinance.
- b. Compensation for losses suffered during the first 6 (six) years from the time of establishment as governed by Article 7 section (2) of the 1925 Company Tax Ordinance.
- c. Acceleration of depreciation to be further regulated pursuant to Article 4 section (4) of the 1925 Company Tax Ordinance.
- d. Incentives for investment as governed by Article 4b of the 1925 Company Tax Ordinance.

#### DIVIDEND TAX

Fifthly

- a. Exemption from dividend tax for a period of 2 (two) years, counted from moment of commencement of production, on the portion of profit paid out to shareholders provided the said dividend is exempt from profit or income tax in the country of the recipients.
- b. The said 2 years period may be extended with an additional tax holiday as governed by Article 16 section (2). Article 16 shall be amended in its entirety to read as follows :

1. The Minister of Finance is authorized to grant new entities, which invest their capital in fields of production which obtain priority from the Government, an exemption from company tax for a period of 2 (two) years (tax holiday) counted from the moment the enterprise commences production.
2. The Minister of Finance may extend the period of the tax holiday intended by section (1) of this Article provided the following conditions are met :
  - a. Should the investment be able significantly to increase the State's foreign exchange, an additional tax holiday of 1 (one) be granted;
  - b. Should the said investment be made outside Java, an additional tax holiday of 1 (one) year shall be granted;
  - c. Should the said investment require large amounts of capital, due to the need to develop infrastructure and/or because the project faces greater than ordinary risk, an additional tax holiday of 1 (one) year shall be granted.
  - d. In cases which are given special priority by the Government, an additional tax holiday of 1 (one) year shall be granted.

In addition to the tax concessions mentioned in Article 15 and in section (1) and section (2) of this article, a foreign capital enterprise which is very much needed other additional concessions by Government Regulation.

III. Article 17 shall be amended in its entirety to read as follows :

The Implementation of stipulation in Article 15 and Article 16 section (1) and section (2) shall be determined by the Minister of Finance.

#### Article 2

- (1) The old provisions can be applied fully, upon request of the party concerned, to application for investment which are pending a decision by the Investment Committee.
- (2) Investments having already obtained tax facilities according to Article 16 section (2) may be entirely reviewed in accordance with the new stipulations. Should a request to the effect be filed by the company concerned.

#### Article 3

This law shall take effect on the day is promulgated. In order that every person may be informed, promulgation of this law is ordered to be published in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta  
On August 7, 1970  
The President of The Republic of Indonesia  
Sgd  
Soeharto

Promulgated in Jakarta

On August 7, 1970  
State Secretary of The Republic of Indonesia  
Sgd  
ALamsyah

ELUCIDATION! OF LAW NUMBER 11 OF 1970  
concerning  
AMENDMENT AND SUPPLEMENTO TO LAW NO. 1 OF 1967  
CONCERNING FOREIGN INVESTMENT

GENERAL

In the context of utilizing the potentials of capital, technology and skill available in foreign countries to serve national economic development. Law No. 1 of 1967 concerning Foreign Investment was enacted.

This Law in addition to containing general provisions and regulation on investment of foreign capital, also contains provision concerning tax exemption and concession and other facilities to attract foreign investors.

In connection with the amendments made in the 1925 Company Tax Ordinance to bring it more into line with the broad outlines of the state policy on taxation in addressing itself to development, it is necessary that the provisions concerning tax exemptions and concessions governed by the Foreign Investment Law be made uniform and brought into conformity with the new provisions of the 1925 Company Tax ordinance.

ARTICLE BY ARTICLE

Article 1

1. The new Article 15 governs tax concessions granted to foreign capital enterprises which operate in field of activities by Article 5.

Firstly,

Exemption from capital stamp duty on issuance of capital previously governed by Article 15, letter a number 5 (old).

Sufficiently clear

Secondly,

Exemption or relief from import duties and exemption from sales tax (on import) previously governed by Article 15 Letter a number 4 (old) sufficiently clear.

Thirdly,

This exemption is an expansion of the exemption in accordance with Article 8 of the 1924 Transfer Duties Ordinance, i.e., for ships which are to be registered in Indonesia for the first time. Ships which have been deployed/registered in Indonesia are ineligible for this exemption, even through for the investor concerned this may constitute registration for first time. The above exception is only granted when the registration is effected within a period up to 2 (two) years after the moment of commencement of production. According to the prevailing definition, the moment of commencement of production means the moment a

new enterprise start producing goods which are distributed in the market. The last sentence with due regard to the nature of the enterprise" means that the exemption is only granted for ships required and employed in its field of activity.

Fourthly,

Concessions in the field of Company Tax :

- a. Compensation for losses which was not clearly regulated by Law No. 1 of 1967 is now governed by Article 15 section (1) 3rd, letter a and the execution there of is in conformity with Article 7 section (1) of the 1925 Company Tax Ordinance i.e. losses of any year can be carried forward for the 4 (four) successive year.
- b. Compensation for losses during the first year after its establishment which was previously governed by Article 15 letter b number 2 (old) is now governed by Article 15 section (1) 3 rd letter b and the execution there of is in conformity with Article 7 section (2) of the 1925 Company Tax Ordinance. The aforementioned losses, customarily referred to as initial losses can be carried forward in successive years until exhausted.
- c. Depreciation is accelerated for expenditures for investments in conformity with the government program as intended by Article 4 section (4) of the 1925 Company Tax Ordinance, the execution of which of the Minister of Finance.
- d. Incentive for investment as governed by Article 4b of the 1925 Company Tax ordinance, are also applicable to foreign enterprises.

Fifthly,

Exemption from dividend tax previously governed by Article 15 letter a number 2 (old)

Sufficiently clear,

These provisions concerning tax concessions Article 15 were previously governed by Article 16 section 1 (OLD)

- II. The new Article 16 governs the tax exemption period (tax holiday) which was previously governed by Article 15 letter a number 1 instruction of the Cabinet Presidium No. 06/1K.IN/I/1967 dated January 27, 1967.

This article of further surpulation under Article 1a section 1 (new) of the 1925 Company Tax Ordinance.

Section (1) : Since the provision of a tax exemption period (tax holiday) is granted only to facility, it is granted only to new (newly established) entities which have invested their capital in field of production which have obtained priority from the Government, which fact will be set forth in a decision of the Minister of Finance.

Section (2) : In order more effectively to guide foreign investment towards targets de-sired by the Government, the 2 (two) years tax holiday intended by section (2) may be extended in cases as in-tended by letter, a, b, c, and d. The extension of time intended by letter d will be reserved for a foreign capital enterprise which invests its capital in a certain location or in

type of activity determined by the Government: Previously governed by Article 16 section  
Section (3) : Previously governed by Article 16 section 2 (old).

#### Article 2

- (1) Sufficiently clear
- (2) This provision is intended for investments approved on the basis of instruction of the President Number 18 of 1968 (mining enterprises)

#### Article 3

Sufficiently clear

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA