

**UNOFFICIAL TRANSLATION**

THE PRESIDENT OF THE REPUBLIC OF INDONESIA  
LAW NUMBER 12 OF 1970  
Concerning  
AMENDMENT AND SUPPLEMENT OF LAW NUMBER 6 OF 1968

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Considering :

- a. that the overall fiscal policy of the State in addressing itself to development comprises: the increase of Government savings through increases in revenue.
- b. that the overall fiscal policy of the State in addressing itself to development comprises; the increase of Government savings through increases in revenue; encouragement of savings by the public, stimulation of investment and production as well as assistance in the redistribution of income towards more balanced and simplified administration;
- c. that in order to accelerate development in Indonesia it is deemed necessary to create a favorable fiscal climate for entrepreneurs, especially for capital investors;
- d. that in connection with the amendments made in the 1925 Company Tax Ordinance, it is necessary to bring Law no. 6 of 1968 concerning Domestic investment into line with said 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. XXIII/MPRS/1966;
3. Law No. 6 of 1968 concerning Domestic 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 as the Gotong Royong People Representative Council.

HAS DECIDED

To enact :

A LAW CONCERNING AMENDMENT AND SUPPLEMENT OF LAW NO. 6 OF 1968  
CON-CERNING DOMESTIC INVESTMENT.

Article 1

Law No. 6 of 1968 concerning Domestic Investment shall be amended and supplemented as follows;

I. Article 10 shall be supplemented by a new section, section (3), which shall read as follows :

(3) The concessions referred to in section (1) and section (2) of this article shall apply for a period of 5 (five) years after this law has taken effect.

II. Article 11 shall be deleted.

III. Article 12 shall be amended in its entirety to read as follows :

Enterprise which invest their capital in the fields of activity intended by article 9 section (1) shall be granted tax concession as follows :

Firstly :

CAPITAL STAMP DUTY:

Exemption from capital stamp duty on the issuance of capital.

Secondly:

IMPORT DUTIES AND SALES TAX:

Exemption or relief from import duties and exemption from sales tax (on import) at the time to entry into Indonesian territory of capital goods (including equipment) heeded for development and rehabilitation activities.

Thirdly :

TRANSFER DUTIES :

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

Fourthly:

COMPANY TAX:

Concessions of 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.

Fifthly

DIVIDED TAX:

- a. Exemption from dividend tax for a period of 2 (two) years counted from the moment of commencement of production on that proportion of profit paid out to shareholders.
- b. Said 2 year period may be extended with an additional tax holiday as government by article 13 section (2).

IV. Article 13 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 said investment be able significantly to increase and conserve the State's foreign exchange, an additional tax holiday of 1 (one) year shall 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 amount of capital, due to the need to develop an infrastructure and/or because the project faces a greater then ordinary risk, an additional tax holiday of 1 (one) year shall be granted.
- (3) In addition to the tax concessions mentioned in Article 12 and inn section (1) and section (2) of this article, and enterprise which is very much need for economy growth may be granted other additional concessions.

V. Article 15 shall be deleted.

VI. Article 17 shall be amended in its entirety to read of follows :

The implementation of stipulations intended by article 9, article 10, article 12, article 13 and article 14, article 15 and article 16, shall be executed by the Minister of Finance.

#### Article 2

The old provisions can be applied fully, upon, request of party concerned to applications for investment which have been field before this law takes effect and which are pending decision by the Investment Committees.

#### Article 3

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

Enacted in Jakarta on August 7, 1970  
PRESIDENT OF THE REPUBLIC OF INDONESIA  
sgd.  
SOEHARTO

Army General

Promulgated in Jakarta on August 7, 1970

STATE SECRETARY OF THE REPUBLIC OF INDONESIA  
Sgd

Alamsyah

ELUCIDATION OF LAW NUMBER 12 OF 1970  
concerning  
AMENDMENT AND SUPPLEMENT OF LAW NUMBER 6 OF 1968 CONCERNING  
DOMESTIC INVESTMENT

General

In the context of utilizing domestic capital, i.e. a portion of the property of Indonesia society, including rights and goods. Whether owned by the State, private national economic development Law No. 6 of 1968 concerning Domestic Investment was enacted.

This Law, in addition to containing provisions on the regulation of domestic capital, broad guidelines for entrepreneurs and either enterprises, reform and improvement of Government Regulation No. 10 of 1959, also contains provisions concerning tax exemption and relief to further stimulate the accumulation of capital and to guide investment into fields of activity in accordance with the development program of the Government.

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 it self to development it is necessary that the provisions concerning tax exemption and relief governed by the Domestic Investment Law be made uniform and brought into conformity with the new provisions on the 1925 Company Tax ordinance.

ARTICLE BY ARTICLE

Article 1

- I. This supplement to section (3) article 10 is necessary to bring it into accord with the concessions granted by article 9 which limits the period for whitening of capital to five years this Law takes effect.
- II. Deletion of article 11 which is now government by article 12, 1st.
- III. The new article 12 governs tax concessions granted to domestic capital enterprises;

Firstly : exemption from capital stamp duty on the issuance of capital previously governed by article 11 (old)

Sufficiently clear.

Secondly : exemption or relief from import duties and exemption from sales tax (imports) previously governed by article 15 (old)

Sufficiently clear.

Thirdly : this exemption is a s expansion of 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.

Ship which have been deployed / registered in Indonesia are ineligible for this exemption, even though for the investor concerned this may constitute a first registerent. The above exemption is only granted when the registration of 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 starts producing goods which are distribution in the market.

The last sentence with due regard to the nature of the enterprise "means that the expectation is only granted for ships require and employed in its filed of activity".

Fourthly : CONCESSION IN THE FILED OF COM-PANY TAX:

- a. Compensation for losses which was previously not regulated by Law no. 6 of 1968 is now governed, by article 12, 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 4 (four) successive years.
- b. Compensation for losses during the first 6 years after its establishment, which was previously not regulated by Law No. 6 1968 is now governed by article 12, 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 investment in conformity with the Government program as intended by article 4 section (4) of the 1925 Company Tax Ordinance, the execution of which shall be governed by decision of the Minister of Finance.

- d. Incentives for investment as governed by article 4b of the 1925 Company Tax Ordinance, are also applicable to domestic capital enterprises.

Fifthly : exemption from dividend tax previously governed by article 12 section (1) (old)

sufficiently clear.

- IV. The new article 13 governs the tax exemption period (tax holiday) which was previously governed by article 12. This article consists of further stipulations under Article 1a section 1 (new) of the 1925 Company Tax Ordinance.

#### Section (1)

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

#### Section (2)

In order more effectively to guide domestic investment towards targets desired by the Government, the 2 (two) years tax holiday intended by section (1) may be extended in cases intended by letter a, b, c, and d. The extension of time intended by letter d will be reserved for a domestic capital enterprise for a domestic capital in a type of activity determined by the Government.

#### Section (3)

There is a possibility that an enterprise very much needed for the growth of the Indonesian economy may be able to prove that the tax concessions referred to in article 12 and section (1) and section (2) of article 13 are not yet sufficient to operate efficiently and effectively. This may occur when said enterprise needs a very large capital for investment or infrastructural costs.

In such situations, the Minister of Finance may grant said concessions to any enterprise deemed deserving thereof.

- V. Deletion of article 15 which is now governed by article 12, 2nd (new).

- VI. Covers adjustments to the amended article.

Article 2

Sufficiently clear

Article 3

Sufficiently clear

