

Indonesia issues implementing regulations for 200% super deduction

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Executive summary

The Indonesian Minister of Finance issued Regulation No. 128/PMK.010/2019 on 9 September 2019 containing implementing regulations (the Regulations) for the 200% super deduction (Super Deduction) for apprenticeship, internship and teaching activities conducted by the taxpayer's employees.¹ The Regulations are effective for deductions incurred on or after 9 September 2019.

The Government of Indonesia encourages the Indonesian subsidiaries of multinational companies to participate in the Super Deduction program with the aim of transferring international experience and knowledge to local educational institutions.

This Alert summarizes the key aspects of the Regulations.

Detailed discussion

To qualify for the Super Deduction, the taxpayer must satisfy all of the following:

- ▶ Conducts, through its employees, apprenticeship, internship² and teaching³ activities in certain competency sectors.⁴
- ▶ Has entered into a Cooperation Agreement⁵ with the vocational or government institution.

- ▶ Does not incur a tax loss in the tax year when the Super Deduction arises.
- ▶ Has submitted Fiscal Statements of Tax Compliance.⁶

The Qualified Super Deduction includes any costs related to:

- a. Providing premises and supporting facilities such as electricity, water, fuel, maintenance fee, and any other related expenses
- b. Instructors or educators appointed by the taxpayer
- c. Goods or materials
- d. Cash incentives paid to the participants
- e. Certifications for the participants

Other conditions:⁷

- ▶ The Super Deduction is not available for any expense incurred for apprenticeship and/or internship participants who have certain special relationships with the owner, commissioner, director, and/or management of the taxpayer.
- ▶ The 100% bonus deduction element will be capped if the bonus deduction would result in a loss.

- ▶ The Super Deduction is not available if certain other incentives are already granted.
- ▶ The taxpayer must submit a notification, the Cooperation Agreement and Fiscal Statement before the program is initiated.⁸ A confirmation will be issued by the Online Single Submission (OSS) or Regional Tax Office.
- ▶ An annual report must be submitted by the taxpayer with its corporate income tax return.

The Director General of Tax may deny the Super Deduction for any of the following reasons:

- ▶ No Cooperation Agreement was entered into by the taxpayer.
- ▶ The activities performed deviate from the Cooperation Agreement.
- ▶ The notification is not submitted to the OSS or Regional Tax Office.
- ▶ The annual report is not submitted within the timeline or does not meet the prerequisite information.

Endnotes

1. See EY Global Tax Alert, [Indonesia announces 300% super deduction for R&D and other incentives](#), dated 29 July 2019.
2. The apprenticeship and internship programs include:
 - ▶ Attendance by students, educators and any education staff of a vocational high school or a vocational diploma program.
 - ▶ Attendance by participants, instructors and coaching staff of a vocational training center.
 - ▶ Attendance by unemployed individuals which is coordinated by the Manpower Authority of the local government.
 - ▶ Activities held on the taxpayer's premises as part of the program curriculum.
3. The teaching activities are performed by personnel assigned by the taxpayer to teach in the vocational high schools, vocational diploma programs and vocational training centers.
4. The list of "certain competency" sectors is provided in the Regulations and includes manufacturing, medical, agri-business, tourism, creative industry, digital economy and migrant labor.
5. The Regulations require certain information to be outlined in the Cooperation Agreement such as taxpayer identity, competency sectors, vocational institution identity, effective date of the program, estimation of number participants, estimated number of assigned employees, and estimated cost.
6. It outlines the taxpayer's tax compliance status for certain periods and can be obtained from the tax office where the taxpayer is registered.
7. The Regulations also provide general rules regarding the calculation of qualified expenses.
8. Submitted on the OSS channel developed by the Foreign Investment Coordination Board. If the OSS channel is not available, the documents can be submitted to the taxpayer's regional tax office.

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