

REGULATION OF THE MINISTER OF FINANCE
NUMBER 21/PMK.011/2010

CONCERNING
THE GRANTING OF TAXATION AND CUSTOMS FACILITIES FOR ACTIVITIES TO MAKE
USE OF RENEWABLE ENERGY SOURCES

BY GRACE OF THE ALMIGHTY GOD
THE MINISTER OF FINANCE,

Considering:

- a. that to reduce dependence on un-renewable energy and ensure sustainable energy supplies, it is necessary to support the use of renewable energy sources;
- b. that to attract investment and improve competitiveness in the use of renewable energy sources, it is necessary to provide taxation and customs facilities to businessmen engaged in the use of renewable energy sources;
- c. that based on the considerations in letters a and b, it is necessary to stipulate Regulation of the Minister of Finance concerning Granting of Taxation and Customs Facilities for Activities to Make Use of Renewable Energy Sources.

In view of:

1. Law No. 6/1983 concerning General Provisions and Taxation Procedures (Statute Book No. 49/1983, Supplement to Statute Book No. 3262) as amended several times, the latest by Law No. 16/2009 (Statute Book No. 62/2009, Supplement to Statute Book No. 4999);
2. Law No. 7/1983 concerning Income Tax (Statute Book No. 50/1983, Supplement to Statute Book No. 3263) as amended several times, the latest by Law No. 36/2008 (Statute Book No. 133/2008, Supplement to Statute Book No. 4893);
3. Law No. 8/1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (Statute Book of 1983 No. 51, Supplement to Statute Book No. 3312) as amended several times, the latest by law No. 18/2000 (Statute Book No. 128/2000, Supplement to Statute Book No. 3986);
4. Law No. 10/1995 concerning Customs (Statute Book No. 75/1995, Supplement to Statute Book No. 3612) as amended by Law No. 17/2006 (Statute Book No. 93/2006, Supplement to Statute Book No. 4661);
5. Law No. 47/2009 concerning the State Revenues and Expenses of Budget Year 2010 (Statute Book No. 156/2009, Supplement to Statute Book No. 5075);
6. Government Regulation No. 12/2001 concerning the Import and/or Delivery of Certain Strategic Taxable Goods Exempted from Value Added Tax (Statute Book No. 24/2001, Supplement to Statute Book No. 4083) as amended several times, the latest by Government Regulation No. 31/2007 (Statute Book of 2007 No. 69, Supplement to Statute Book No. 4726);
7. Government Regulation No. 1/2007 concerning Income Tax Facilities for Investment in Certain Business Fields and/or in Certain Regions (Statute Book of 2007 No. 1, Supplement to Statute

Book No. 4675) as amended by Government Regulation No. 62/2008 (Statute Book of 2008 No. 132, Supplement to Statute Book No. 4892);

8. Presidential Decision No. 84/P/2009;

HAS DECIDED:

To stipulate:

THE REGULATION OF THE MINISTER OF FINANCE CONCERNING THE GRANTING OF TAXATION AND CUSTOMS FACILITIES FOR ACTIVITIES TO MAKE USE OF RENEWABLE ENERGY SOURCES.

CHAPTER I GENERAL PROVISIONS

Article 1

In this Regulation of the Minister of Finance:

1. "Income tax" hereinafter abbreviated as PPh, refers to income tax as provided for in Law No.7 of 1983 concerning Income Tax as amended several times, the latest by Law No. 36/2008.
2. "Value added tax", hereinafter abbreviated as PPN, refers to value added tax as provided for in Law No. 8/1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended several times, the latest by Law No. 42/2009.
3. "Import duty" refers to state levy imposed on imported goods based on Law 10 of 1995 concerning Customs as has been amended by Law No. 17/2006.
4. "Renewable energy source" refers to an energy source originating from a sustainable energy source if managed properly, including geothermal, wind, bio-energy, sunray, water flow and fall, and movement and difference of sea layer temperature.
5. "Renewable energy" refers to energy originating from a renewable energy source.

CHAPTER II TAXATION AND CUSTOMS FACILITIES

Article 2

Activities to make use of renewable energy sources can be granted taxation and customs facilities in the form of:

- a. PPh facilities;
- b. PPN facilities;
- c. Import duty facilities;
- d. government-borne tax facilities.

CHAPTER III INCOME TAX FACILITIES

Article 3

(1) PPh facilities as described in Article 2 a are:

- a. the reduction of net income by as much as 30% (thirty percent)' of the amount of investment, charged for 6 (six) years at 5% (five percent) per year;
- b. accelerated depreciation and amortization as follows:

Group of intangible fixed asset	Economic life	Tariff of Depreciation and Amortization based on	
		Straight Line	Declining Balance Method
I.	Non-buildings:		
	Group I	2 years	50% (charged all at once)
	Group II	4 years	25% 50%
	Group III	8 years	2.5% 25%
	Group IV	10 years	10% 20%
II.	Building:		
	Permanent	10 years	10%
	Non Permanent	5 years	20%

- c. the imposition of income tax on dividends paid to non-resident tax subjects as much as 10% (ten percent), or the lower tariff according to the existing Agreement on Avoidance of Double Taxation; and
- d. the compensation of losses for more than 5 (five) years but less than 10 (ten) years as follows:
 - 1) plus 1 year: if the new investment is made in certain business fields in industrial estates and bonded zones;
 - 2) plus 1 year: if the new investment employs at least 500 (five hundred) Indonesian workers for 5 (five) consecutive years;
 - 3) plus 1 year: if the new investment spends at least Rp 10,000,000,000 (ten billion rupiahs) on economic and social infrastructures in the business location;
 - 4). plus 1 year: if the new investment spends at least 5% (five percent) of the investment for a period of 5 (five) years on domestic research and development activities as part of efforts to develop products or production efficiency; and/or
 - 5) plus 1 year: If the new investment uses domestic raw materials and/ or components amounting to at least 70% (seventy percent) of the total needs since the 4th (fourth) year.

(2) The procedure of granting PPh facility as described in paragraph (1) shall follow Government Regulation No. 1/2007 concerning Income Tax Facilities for Investment in Certain Business Fields and/or in Certain Regions and its implementation regulations and their amendment.

Article 4

- (1) The import of goods in the form of completely built up or completely knocked down machines and apparatuses, excluding spare parts needed by companies to make use of renewable energy sources shall be exempted from the collection of PPh Article 22 on imports.
- (2) The exception from the collection of PPh Article 22 on imports as described in paragraph (1) shall be done automatically without PPh free certificate (SKB).

CHAPTER IV VALUE ADDED TAX FACILITIES

Article 5

- (1) PPN facilities as described in Article 2 b are PPN free facilities for the import of strategic taxable goods in the form of completely built up or completely knocked down machines and apparatuses, excluding spare parts needed by companies to make use of renewable energy sources to produce taxable goods.
- (2) The procedure of granting PPN free facilities as described in paragraph (1) shall follow Government Regulation No. 12/2001 concerning the Import and/ or Delivery of Certain Strategic Taxable Goods Exempted from Value Added Tax and its implementation regulations and their amendment.

CHAPTER V IMPORT DUTY FACILITIES

Article 6

- Import duty facilities as described in Article 2 c are import duty facilities as provided for in:
- a. Regulation of the Minister of Finance No. 176/PMK.011/2009 concerning Import Duty Facilities for the Import of Machines as well as Goods and Materials for the Construction or Development of Industries within the Framework of Investment, and its amendment;
 - b. Regulation of the Minister of Finance No. 154/PMK.011/2008 concerning Import Duty Free Facilities for the Import of Capital Goods within the Framework of Constructing and Developing Power Plants In the Interests of the Public, and its amendment.

CHAPTER VI GOVERNMENT BORNE TAX FACILITIES

Article 7

Government borne tax facilities as described in Article 2 d are government borne tax facilities as provided for in the Law on the State Budget and its implementation regulations.

CHAPTER VII CLOSING

Article 8

This Regulation of the Minister of Finance shall come into force as from the date of promulgation.

For public cognizance, this Regulation of the Minister of Finance shall be promulgated by placing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta
on January 29, 2010
THE MINISTER OF FINANCE
signed,
SRI MULYANI INDRAWATI
