



Requirements for a Public Company to Use Reduced Rate of Corporate Tax (Government Regulation No.30/2020)

Following the enactment of Law No. 2/2020 that approved Perppu-1/2020 as law, the Indonesian Government has issued Government Regulation No. 30 Year 2020 ('GR-30') on 18 June 2020, which provides the criteria for a company that is listed on the Indonesia Stock Exchange to use the additional reduction of 3% from the general rate of corporate income tax.

Potential reduced rate of corporate income tax

In accordance with Law No. 2/2020, the general rates of corporate income tax and the potential reduced rates of tax applicable for public companies are:

	General	Public Company
2020 & 2021 Tax Year	22%	19%
2022 & future Tax Years	20%	17%

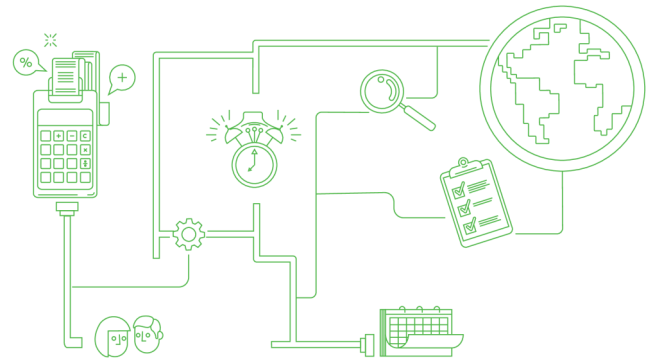
Criteria for utilizing the reduced rate

Under GR-30, a corporate taxpayer may use the reduced rate provided it fulfills the following criteria:

- It is listed on the Indonesia Stock Exchange;
- At least 40% of its shares are traded on the Indonesia Stock Exchange;
- The shares in item b should be owned by at least by 300 "parties" and each party may only hold less than 5% from the total issued and paid in capital;
- The above conditions must be met for a minimum of 183 calendar days within the tax year, and
- The company has submitted a report to the Director-General of Taxation ("DGT") regarding its fulfillment of these conditions.

"Party" is defined as any individual or organization (badan), but excludes shares bought back by the company (treasury shares) or held by shareholders that would be considered under the Income Tax Law to be related parties of the company. This also includes controlling shareholders as regulated in the Capital Market regulations.

Although treasury shares are generally excluded from the calculation, GR-30 further provides that such shares might still be included in the calculation if these shares meet the conditions of other tax regulations (such as Government Regulation No. 29/2020 that was issued on 10 June 2020 – please refer our [Client Alert re Additional Income Tax Facilities during COVID-19 \(Government Regulation No.29/2020\) dated 23 July 2020](#)).



There is no requirement for the purposes of this regulation that these shareholders are Indonesian tax residents or Indonesian.

The report to the DGT as per item (e) shall be stipulated in a future Minister of Finance regulation.

When is it effective?

GR-30 is effective on 19 June 2020 and therefore the following transitional provisions will apply for determining if a public company has met the criteria during any tax year ending after 19 June 2020:

- Government Regulation No. 77/2013, as last amended by Government Regulation No. 56/2015 shall apply from the beginning of the company's current 2020 tax year until 18 June 2020, and
- GR-30 shall apply from 19 June 2020 until the end of the company's current tax year.

RSM COMMENTS:

Public companies may need to review all requirements above to ensure that they are eligible to use the lower corporate income tax rates.

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