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Government Policy in Giving Income Tax Facilities to Investment Companies Based on Government Regulation (PP) No. 62 Year 2008

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ABSTRACT

Investment facilities are provided taking into account the level of economic competitiveness and the state's financial condition and must be promotive compared to facilities provided by other countries. Investment will only increase if a conducive and healthy investment climate is created and Indonesia's competitiveness is increased as an investment destination. For this reason, the government needs to issue an important policy for the country in facing the global financial crisis that is happening today in the form of providing tax incentives, especially income taxes for investment activities, where the policy is expected to strengthen Indonesia's position in facing the global financial crisis. The formulation of the problem in this thesis is a study of income tax based on Law no. 36 of 2008, the policy on tax facilities in investment in order to encourage the creation of a conducive national business climate and to accelerate the increase in investment, as well as the provision of income tax facilities based on Government Regulation (PP) no. 62 of 2008 and the effect of government policies on income tax facilities on the Indonesian economy.The research method used is a normative legal research method. The normative legal research method is a research conducted by collecting data through library research. The written sources or materials used in the writing of this thesis are books, newspapers, and internet searches. Changes in income tax provisions in Law no. 36 of 2008 especially in terms of reducing the income tax rate on taxable income aimed at creating a competitive investment climate in Indonesia. Policy on tax facilities in investment to encourage the creation of a conducive investment climate to strengthen the competitiveness of the national economy. Provision of income tax facilities for investment as regulated in Government Regulation no. 62 of 2008 can stimulate investment that can encourage quality economic growth by absorbing a lot of workers.

1. Introduction

The development of human civilization, among others, is marked by the formation of government institutions. The exercise of power to ensure the orderliness of social life, of course, requires a fee. The taxation mechanism is the main way for any government to mobilize resources to ensure the continuity of the government and its development programs. Taxes are basically the provision of people's assets, and or business entities to finance development activities carried out by the state.

Juridical tax collection can be forced or forcibly collected by the competent authorities. In the modern state, each tax collection carries an obligation to promote the general welfare. The state collects taxes has the consequence that the state absolutely must try to increase the welfare of the people. The state may burden its people with various burdensome taxes for one or two years without any reaction, but it is not fair if the sacrifices of the people are not accompanied by an increase in the welfare of the people.4

Tax is not only a mere obligation, but also is the right of the taxpayer (taxpayer). In European countries that have developed governments, every increase in tax rates is always questioned by the people through their representatives and if necessary exercise the right to protest against it, and sometimes proposed laws (laws on raising tax rates).) did not get approval from parliament, so the law could not be enforced. Why not, because every tax collection is the submission of the people's hard earned sweat.

Indeed, tax collection is a power, which is owned by the state so much, even the punishment can be created by the state itself, precisely because that must be accompanied by devotion to the people, to the general welfare, so that it turns into justice, because power without devotion is savagery, service without power is powerlessness, duty without rights is exploitation, rights without duty is greed.

After independence, Indonesia has its own authority to formulate a tax system that prioritizes the welfare of the people. The tax system is guaranteed by law, and because the law can only be enforced after obtaining the approval of the People's Representative Council (DPR), the applicable tax system represents the will of the people.

Taxes for the Indonesian state function as a means of state revenue (budgeter) and function as regulators. The first tax function is what ultimately places taxes as the government's mainstay to generate the highest revenue from the tax sector. Tax Laws Number 9, Number 10, and Number 11 of 1994, are laws that become references in taxation. One type of tax that is generally required for individuals and companies.

Talking about taxes used to finance development activities carried out by the state, investment is also an important requirement for a country in the development of economic development and also as the main means in the development of an industry. Investment becomes an inevitable international economic relationship, like other international economic relations, investment becomes a demand to meet the needs of a country, company, and society.

Investment develops in line with the needs of a country in carrying out national development in order to improve the welfare and prosperity of its people. This need arises due to the inability of a country to meet the need for capital so that investment is one of the best alternatives other than through foreign debt. In addition, investment activities also occur as a consequence of the development of activities in the economic and trade fields. Then in its development the demand for foreign investment cannot be separated from the implications of increasing international relations and the rapid development of science and technology and information.7 In order to increase per capita income, in the sense of increasing economic activity and the level of community welfare, one of the sources of financing and resources that can be utilized for the interest of national development is investment which is carried out through various forms of investment, both domestic and foreign. By utilizing investment optimally, maximum profit can be sought, so that in turn will be able to carry out capital accumulation, have capital equipment, experience, and skills independently. Thus, the importance of capital for the economic development of developing countries, including Indonesia, is basically to improve the national economy. By utilizing investment optimally, maximum profit can be sought, so that in turn will be able to carry out capital accumulation, have capital equipment, experience, and skills independently. Thus, the importance of capital for the economic development of developing countries, including Indonesia, is basically to improve the national economy. By utilizing investment optimally, maximum profit can be sought, so that in turn will be able to carry out capital accumulation, have capital equipment, experience, and skills independently. Thus, the importance of capital for the economic development of developing countries, including Indonesia, is basically to improve the national economy.

Direct investment/investment activities, both in the form of foreign investment and domestic investment, for Indonesia have a direct contribution to development. Investment will further encourage economic growth, transfer of technology and knowledge, as well as create new jobs to reduce unemployment and increase people's purchasing power.

Economic growth that only relies on consumption will run slowly and in the end will raise the problem of increasing unemployment which will certainly have an impact on increasing the number of poor people and have an impact on the creation of political and security instability. What cannot be denied and avoided is that efforts to encourage investment must be made. Only by encouraging investment can economic growth continue to be spurred which in turn can create jobs, reduce unemployment, and alleviate poverty.

Indonesia's investment policy must be harmonized with major changes through pragmatic deregulation. Therefore, the Investment Law must regulate important matters, which include all direct investment activities in all sectors which include basic investment policies. capital, the form of linkage of economic development with people's economic actors which is realized by regulating the development of investment and the responsibilities of investors as well as investment facilities, ratification and licensing, coordination and implementation of investment policies which regulates the institutional affairs of investment and the provisions that regulates dispute resolution.

2. Method

The type of research used in writing this thesis is adjusted to the problems raised in it. Thus, the research carried out is normative legal research, namely research that analyzes written law.

The author conducts a library research, where legal research is usually carried out by means of library research or also called normative research, namely research conducted by examining library materials. Library Research method is to study the sources or written materials that can be used as material in writing this thesis. These sources include books, newspapers, internet searches by reading, interpreting, comparing, and translating from various sources related to income tax facilities in investment.

3. Analysis and Results

3.1 Basis For Setting Income Tax Facilities For Investors

Income tax facilities granted to investors have been regulated in laws and regulations, namely Law Number 25 of 2007 concerning Investment, Law Number 36 of 2008 concerning Income Tax, and Government Regulation (PP) Number 62 of 2008 concerning Income Tax Facility for Investment in Certain Business Fields and/or in Certain Regions.

Providing convenience on income tax to investors in Law no. 25 of 2007 has been regulated in Article 18 paragraph (4) letter a, which reads: “Income tax by reducing net income to a certain level on the amount of investment made within a certain time.” In Article 18 paragraph (5) of Law no. 25 of 2007 also regulates the ease or facility of income tax, where in the article it is stated that the exemption or reduction of corporate income tax in a certain amount and time can only be granted to new investment which is a pioneer industry, namely an industry that has broad linkages. , provide added value and high externality, introduce new technology, and have strategic value for the national economy.

Arrangements regarding income tax facilities for investors as stipulated in Law no. 36 of 2008 is regulated in Article 31A paragraph (1) and paragraph (2). Based on the provisions of Article 31A paragraph (1) of Law no. 36 of 2008 stated that: "Taxpayers who invest in certain business fields and/or in certain areas that receive high priority on a national scale may be given tax facilities."

There are 4 (four) forms of tax facilities provided to investors, ie:
a. The reduction in net income is a maximum of 30% (thirty percent) of the total plantings made;
b. Accelerated depreciation and amortization;
c. Longer loss compensation, but not more than 10 (ten) years; and
d. The imposition of income tax on dividends is 10% (ten percent), unless the rate according to the applicable tax agreement stipulates lower.

Further provisions regarding certain business fields and/or certain regions that receive high priority on a national scale as well as the provision of tax facilities as referred to in Article 31A paragraph (1) of Law no. 36 of 2008 is regulated by a Government Regulation.

Income tax facility is a facility provided to investors who invest in certain business fields and/or in certain areas. Government regulations governing income tax facilities for investment in certain business fields and/or in certain areas certain areas is Government Regulation (PP) No. 62 of 2008 concerning Amendments to Government Regulation no. 1 of 2007 concerning Income Tax Facilities for Investment in Certain Business Fields and/or in certain Regions.

In Article 2 of Government Regulation no. 62 of 2008 has been determined:
a. Business fields;
b. areas; and
c. Types of income tax facilities provided to investors.

The income tax facility specified in Government Regulation no. 62 Year 2008 is:
a. Reduction of net income by 30% (thirty percent) of the total investment, charged for 6 (six) years each at 5% (five percent) per year;
b. Accelerated accelerated depreciation and amortization;
c. The imposition of income tax on dividends paid to foreign tax subjects is 10% (ten percent); and
d. Compensation for losses that are longer than 5 (five) years but not more than 10 (ten) years.

The arrangement for providing income tax facilities or facilities for investors as described above is based on a goal in investment, namely to encourage direct investment activities in Indonesia, either through foreign investment (PMA) or domestic investment (PMDN) in certain business fields and/or in certain areas that receive high priority on a national scale.

The objectives of investment activities in Indonesia, among others, are to:
a. increase national economic growth;
b. create jobs;
c. promote sustainable economic development;
d. improve the competitiveness of the national business world;
e. increase national technological capacity and capability;
f. encourage the development of the people's economy;
g. cultivate potential economy into real economic strength by using funds originating, both from within the country and from abroad; and

h. improve people's welfare.

3.2 Provisions on Income Tax Facilities Based on Government Regulation (PP) No. 62 of 2008 concerning Income Tax Facilities for Investment in Certain Business Fields and/or in Certain Regions

Government Regulation (PP) No. 62 of 2008 is a revision of Government Regulation (PP) No. 1 of 2007 concerning Income Tax Facilities for Investment in Certain Business Fields and/or in Certain Regions.

Government Regulation (PP) No. 62 of 2008 expanded the number of business fields and investment location areas that received income tax facilities, from 15 (fifteen) business fields and 9 (nine) business fields in certain areas (Government Regulation No. 1 of 2007), to 23 (two) thirty three) business fields and 15 (fifteen) business fields in certain areas.

Certain business fields are business fields in the economic activity sector that receive high priority on a national scale, especially in the context of increasing exports. In Appendix I of Government Regulation (PP) No. 62 of 2008 has determined 23 groups of business fields that receive income tax facilities. The business groups are:

a. Livestock development, such as the development of livestock business in terms of breeding, cultivation, fattening, slaughtering and integrated processing;
b. Plantation forest utilization businesses, such as teak forest exploitation, pine forest, mahogany forest, albasia forest, sandalwood forest, acacia forest, eucalyptus forest, and other forest concessions;
c. Development and utilization of low quality coal which is only to meet domestic needs;
d. Geothermal power business, which includes the search, drilling, and conversion of geothermal energy into electric power;
e. Dairy and food industry groups from the dairy industry, such as powdered milk, sweetened condensed milk, and liquid milk;
f. Other food industry groups, such as the cooking and seasoning industry;
g. Group of textile industry and apparel industry, such as the weaving industry of jute sacks and the textile apparel industry and its accessories;
h. Pulp, paper, and paper board industry groups, such as the cultural paper industry, the precious paper industry, the specialty paper industry, and the tissue paper industry;
i. Petroleum refining, such as petroleum refining that produces gas/LPG, avtur, avigas, diesel oil, kerosene, diesel oil, baking oil, the priority of which is to meet domestic needs;
j. Construction of a mini natural gas refinery, which includes refining and processing natural gas into Liqufied Natural Gas (LNG) and Liqufied Petroleum Gas (LPG);
k. Industrial chemical industry groups, such as basic inorganic chlorine and alkali chemical industry, inorganic basic chemical industry sourced from agricultural products, basic organic chemical industry sourced from agricultural products, basic organic chemical industry sourced from petroleum, natural gas, and coal , and the artificial rubber industry;
l. Other chemical industry groups, such as pharmaceutical material industry, cosmetic and cosmetic ingredient industry;
m. Man-made fiber industry group;
n. Rubber and rubber products industrial group;
o. Industrial group of porcelain goods, such as industrial laboratory equipment and electrical/technical equipment made of porcelain;
p. Iron and steel base metal industry groups, such as basic iron and steel industry, basic iron and steel industry to steel milling industry;
q. Non-ferrous base metal industry group, which includes non-ferrous base metal manufacturing industry, non-ferrous metal grinding industry, non-ferrous metal extrusion industry, and pipe and pipe connection industry of non-ferrous metal and steel;
r. The group of machinery and equipment industry, which includes the steam engine, turbine, and pinwheel industry, the internal combustion engine industry, the pump and

compressor industry, the machinery/equipment industry for metal processing, the textile machinery industry, and the industry of other special industrial machines.

s. The electric motor, generator and transformer industry group, which includes the electric motor industry and the power generation machinery industry;
t. The electronics and telematics industry group, which includes the office machinery industry, computing and electronic accounting, the gas cylinder lighting industry, the electronic tube and valve industry, the transmission and communication equipment industry, radio, television, aura and image recording equipment, industry camera photography, and software consulting services industry;
u. The land transportation equipment industry group, which includes the machinery/equipment industry for metal processing, the industry of four or more wheeled motor vehicles, the industrial equipment and components for motorized vehicles with four or more wheels, and the industry of components and accessories for motorcycles and the like;
v. Ship and boat manufacturing and repair industry group, which includes ship/boat industry, and ship equipment and supplies industry; and
w. Non-ferrous base metal manufacturing industries, such as hydrometallurgical nickel refining, lead processing and refining, and zinc processing and refining.

3.1 Basis For Setting Income Tax Facilities For Investors

Government policy in providing tax facilities, especially income tax to investors in their investment activities as regulated in Government Regulation (PP) No. 62 of 2008 can encourage economic growth. This Government Regulation (PP) in principle provides convenience and various tax reduction facilities for investors.

Therefore, every investor is expected to understand the existence of this Government Regulation (PP) as the basis for obtaining facilities to the government.
By providing tax relief facilities to investors, it is hoped that it will spur investors' desire to invest in Indonesia. With the high interest of investors to invest in Indonesia, it is expected to encourage increased investment in Indonesia. Based on this situation, it is expected that the rate of economic growth in Indonesia will also increase.

The slowdown in world economic growth in addition to causing the volume of global trade to fall sharply in 2009 will also have an impact on many large industries that are threatened with bankruptcy, a decline in production capacity, and a spike in the number of world unemployment.76 For developing countries, this situation can damage economic fundamentals. and trigger an economic crisis.

Indonesia as a country with an open economy, although it has built a fairly high momentum of economic growth, will not be separated from the negative impact of the weakening world economy. The global financial crisis began to have a significant impact since the third quarter of 2008. The impact of this crisis will be felt to increase in intensity in 2009, it could even have a negative impact on Indonesia's economic performance in 2009.

To minimize the impact of the global financial crisis, the government needs to take emergency adjustment measures in the fiscal or taxation sector in order to save the national economy in 2009 from the global crisis.

One of the emergency adjustments in the fiscal or taxation sector carried out by the government is the issuance of a government policy on income tax facilities for investment in certain business fields and/or in certain regions, in the form of Government Regulation no. 62 of 2008.

The purpose of the issuance of the government's policy on the income tax facility is in order to further increase direct investment activities in order to encourage economic growth as well as for equitable development, and to accelerate development for certain business fields and/or certain regions.

Provision of income tax facilities for investment as regulated in Government Regulation no. 62 of 2008 can stimulate quality economic growth by creating a domestic market and also absorb as many workers as possible which will reduce unemployment in Indonesia. According to the Director of Facilities Services for the Investment Coordinating Board, Sugiyono, that: "Manpower absorption is one indicator of quality economic growth and certain business fields that receive income tax facilities are sectors that will encourage Indonesia's economic growth.".

With the government's policy on income tax facilities for investment, it has proven that there have been 2 (two) companies interested in investing since the enactment of Government Regulation no. 62 of 2008. One of them is an electronics company, which will then invest in oil refineries, milk, and grain products (explained the Director of Facility Services at the Investment Coordinating Board).

Thus, to strengthen the Indonesian economy in the face of the current global financial crisis, which is expected to affect liquidity and international capital flows including to Indonesia, the government will continue to improve the investment climate and national competitiveness with various policies that can not only minimize the impact of the crisis. global finance, but also to maintain the momentum of higher economic growth in the last 5 (five) years. This policy is realized in the form of providing income tax facilities for investment as stipulated in Government Regulation no. 62 of 2008.

With the Government Regulation (PP) No. 62 of 2008 is expected to encourage Indonesia's economic growth to a better direction. For this reason, this Government Regulation (PP) will be very reliable in the future in helping the movement of the real sector when facing the global financial crisis. Thus, the government's policy in Government Regulation (PP) No. 62 of 2008, is expected to be part of the security function of the real sector, so that in the future there will be employment

4. Conclusion

Based on the descriptions in the previous chapters, the following conclusions can be formulated: (1) Income tax is a tax imposed on a tax subject on income received or earned in the tax year. In Law no. 36 of 2008 concerning income tax, there are points of view that can be studied regarding changes to provisions regarding income tax from the previous law (Law No. 17 of 2000). The amendments to the provisions are mainly concerning the reduction of the income tax rate on taxable income, both for individual taxpayers as well as for domestic corporate taxpayers and permanent establishments. This reduction is intended to adjust to the relatively lower PPh rates prevailing in neighboring countries, thereby increasing domestic competitiveness, reducing the tax burden, and increasing taxpayer compliance. (2) One of the basic investment policies set by the government is to provide equal treatment for domestic investors and foreign investors while still paying attention to national interests. The government provides tax facilities to investors, both domestic and foreign, who invest in Indonesia. (3) The income tax facility specified in Government Regulation (PP) No. 62 of 2008 can only be given to domestic corporate taxpayers in the form of Limited Liability Companies and cooperatives that carry out.

Investment in certain business fields and/or in certain areas as stipulated in Appendix I and Appendix II of Government Regulation no. 62 of 2008. The income tax facility provided is regulated in Article 2 paragraph (2) of Government Regulation no. 62 of 2008, namely: Provision of income tax facilities for investment as regulated in Government Regulation no. 62 of 2008 can stimulate investment that can encourage quality economic growth by absorbing a lot of workers. This can be proven by the entry of investment by electronics companies and companies in the fields of oil refineries, dairy, and grain products.

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