



Government Policy in Providing 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 state financial conditions 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, policies on tax facilities in investment in order to encourage the creation of a conducive national business climate and can accelerate the increase in investment, as well as provisions for 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.[1]

Taxes are basically the provision of people's assets and/or business entities to finance development activities carried out by the state. Juridical tax withdrawals can be forced or forcibly collected by the competent authorities.[2], [3]

In the modern state, each tax collection carries an obligation to promote the general welfare. The state levying 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[3], [5].

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 dedication 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[6]. 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.[7]

Taxes for the Indonesian state function as a means of state revenue (budgeter) and function as regulators. This first tax function finally places taxes as the mainstay of the government to generate the highest revenue from the tax sector[8]. 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 obligated to individuals and companies is income tax (PPh), which was determined based on Law No. 17 of 2000, which was amended by Law No. 36 of 2008s. 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.[9]. 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.[10]. 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. 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 benefit 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.[11].

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.[12].

Economic growth that only relies on consumption will run slowly and in the end will raise the problem of an increase in the unemployment rate which of course will have an impact on the increase in the number of poor people and have an impact on the creation of political and security instability. On this basis, what becomes a necessity that 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.[13], [14].

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, all parties, including the government, businesses, and the general public, must be able to create a healthy and conducive investment climate. Especially at this time, where the challenges in the country are increasingly complex, the role of investment will be increasingly needed. However, the increase in investment must remain within the corridors outlined in the planned national development policy by taking into account macroeconomic stability and economic balance between regions, sectors, business actors, and community groups as well as supporting the role of national businesses and complying with governance principles. good company. 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, forms of linkage between economic development and people's economic actors which are realized by regulating investment development. and the responsibilities of investors as well as investor facilities, ratification and licensing, coordination and implementation of investment policies, which regulates investment affairs institutions and provisions governing dispute resolution.[15], [16].

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. The importance of certainty of investment facilities requires more detailed regulation of the form of fiscal policy, land rights facilities, immigration and import licensing facilities. The provision of these facilities is at least an effort to encourage employment.[17].

The world economy is characterized by increasingly fierce international competition, so investment policies must be encouraged to create national economic competitiveness in order to encourage the integration of the Indonesian economy into the global economy. Therefore, the government needs to issue an important policy for the country in facing the current international financial crisis in the form of providing tax incentive facilities, especially income tax for investment activities, where the policy is expected to strengthen Indonesia's position in facing the international financial crisis.

2. Method

In every writing must use a writing method that is in accordance with the field under study. The research method used by the author can be described as follows:

a. Types of research

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.

b. Data and Data Sources

In compiling this thesis, the data and data sources used are primary, secondary, and tertiary legal materials. Primary legal materials, namely legal materials consisting of statutory regulations in the field of civil law that are binding, including Law Number 25 of 2007 concerning Investment, Law Number 36 of 2008 concerning Income Tax, and Government Regulation (PP)) No. 62 of 2008. Secondary legal materials, namely legal materials that provide an explanation of primary legal materials, namely the work of legal experts in the form of books and opinions of scholars.

Tertiary legal materials, namely legal materials that provide meaningful instructions or explanations for primary legal materials and/or secondary legal materials.

c. Data collection technique

To complete the writing of this thesis so that the objectives can be more directed and can be more accountable, the writing method used is a normative legal research method, with data collection by literature study (Library Research). 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,

d. Data analysis

The research conducted by the author in this thesis is included in the type of normative legal research. Data processing is essentially an activity to analyze the problems to be discussed. Data analysis was carried out by:

1. Collect legal materials that are relevant to the problem under study;
2. Choose legal methods that are in accordance with the research;
3. Explain the relationships between the various concepts of existing articles; and
4. Draw conclusions with a quantitative deductive approach.

3. Analysis and Results

3.1 Policy on Tax Facilities in Investment

Basic Investment Policy

Indonesia has several times enjoyed strong investment cycles, especially after the promulgation of Law No. 1 of 1967 concerning Foreign Investment and Law no. 6 of 1968 concerning Domestic Investment, in which national and foreign private investment experienced an encouraging episode, the Indonesian people looked to the future with reasonable optimism, even not long after the revival of the investment, the price of oil soared in the world and Indonesia enjoyed the price so that the source of government revenue greatly improved, but this did not last long. Finally, the government in 1982 developed an initiative to develop non-oil and gas exports and similarly in 1983-1986. To reduce the bias that weakens non-oil and gas competitiveness, the government devalued the rupiah. Then successively from 1986 to the 1990s, the government loosened trade and investment policies. Through the flexibility of this policy, the government managed to avoid a prolonged fall in investment, on the contrary, for 10 (ten) years until the end of 1996, investment in Indonesia was very strong.

During the 1997-1998 crisis, Indonesia lost its investment attractiveness and the investment appetite of local and foreign companies declined and as a result Indonesia had to live with an investment ratio lower than 20%. This sluggish investment was prolonged during 1998 to 2006. With this sluggish investment, solving some problems became difficult. Simultaneously, at the same time, in various parts of the world there was an extraordinary acceleration in economic development supported by strong capital. Per capita incomes in China, India and Vietnam are rising at a rapid pace. The increase in economic development has also occurred in several large economic countries such as Eastern Europe, Brazil, and Mexico and as a result, Indonesia is increasingly marginalized.

To win back the attention of investors, Indonesia needs to come up with policies that have an impact on increasing investment enthusiasm. It is the government's obligation to knit policies that are as friendly as possible to investors, where the policies outlined by the government must

be able to increase investment mobility which is very high. As a place to conduct investment activities, Indonesia has enormous potential, including:

1. Wa vast and fertile area with abundant natural wealth;
2. Relatively low labor wages;
3. Huge market
4. Strategic location
5. There is an interest in promoting a healthy investment climate;
6. There are no restrictions on foreign exchange flows, including on capital and profits; and others.

Taking into account the great potential that Indonesia has, to increase the entry of investors into Indonesia in the context of economic development, the government has determined and formulated basic investment policies to encourage the creation of a conducive national business climate for investment to strengthen the competitiveness of the national economy and accelerate the increase in investment.

The basic investment policy set by the government as set out in the form of the General Investment Plan is to provide equal treatment for domestic investors and foreign investors while still taking into account the national interest. Guarantee legal certainty, business certainty for investors from the licensing process until the end of investment activities in accordance with statutory provisions. Opening opportunities for development and providing protection for micro, small, medium and cooperative enterprises.

In accordance with the basic policy set by the government, the government provides equal treatment to investors, namely that the government does not differentiate the treatment of investors who have invested in Indonesia, unless otherwise stipulated by the provisions of laws and regulations. In Law no. 25 of 2007, equal treatment between foreign investors and domestic investors is used as the basic investment policy in Indonesia. In Article 4 paragraph (2) of the Law it is emphasized that in establishing basic policies, the government shall give equal treatment to domestic investors and foreign investors while still taking into account the national interest.

3.2 Government Policy in Providing Income Tax Facilities to Investment Companies Based on Government Regulation (Pp) No. 62 Year 2008

a. The basis of the Arrangement of 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 states 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, namely:

1. The reduction in net income is a maximum of 30% (thirty percent) of the total plantings made;
2. Accelerated depreciation and amortization;

3. Longer loss compensation, but not more than 10 (ten) years; and
4. 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 Government Regulation. Income tax facility is a facility provided to investors who invest in certain business fields and/or in certain areas.

The Government Regulation that regulates income tax facilities for investment in certain business fields and/or in 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 determined: Business fields, Regions; and Types of income tax facilities provided to investors.

1. The income tax facility specified in Government Regulation no. 62 of 2008 is a reduction in net income of 30% (thirty percent) of the total investment, charged for 6 (six) years each at 5% (five percent) per year;
2. Accelerated accelerated depreciation and amortization;
3. The imposition of income tax on dividends paid to foreign tax subjects is 10% (ten percent); and
4. 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. See Government Regulation No. 62 of 2008 concerning Income Tax Facilities for Investment in Certain Business Fields and/or in Certain Regions, Article 2 paragraph (2). and/or in certain areas that receive high priority on a national scale. The objectives of investment activities in Indonesia, among others, are to: increase national economic growth, create jobs, promote sustainable economic development,

The provision of tax facilities in investment can encourage Indonesia's economic growth through direct investment activities in Indonesia. Therefore, every facility or facility in the tax sector, if it is really needed, must refer to the applicable rules or provisions and must be maintained so that in its application it does not deviate from the intent and purpose of providing such facilities or facilities.

3.3 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 which 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:

1. Livestock development, such as the development of livestock business in terms of breeding, cultivation, fattening, slaughtering and integrated processing;

2. 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;
3. Development and utilization of low quality coal which is only to meet domestic needs;
4. Geothermal power business, which includes the search, drilling, and conversion of geothermal energy into electric power;
5. Dairy and food industry groups from the dairy industry, such as powdered milk, sweetened condensed milk, and liquid milk;
6. Other food industry groups, such as the seasoning and food seasoning industry
7. Textile and apparel industry groups, such as the weaving of jute sacks and the textile apparel industry and its accessories
8. 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
9. 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
10. Construction of a mini natural gas refinery, which includes refining and processing natural gas into Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG)
11. 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
12. Other chemical industry groups, such as pharmaceutical ingredients industry, cosmetic ingredients industry and cosmetics
13. Man-made fiber industry group
14. Rubber and rubber goods industry group
15. Industry groups of porcelain goods, such as industrial laboratory equipment and electrical/technical tools from porcelain
16. Iron and steel base metal industry groups, such as basic iron and steel industry, basic iron and steel industry to the steel milling industry
17. 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
18. Machinery and equipment industry group, which includes steam engine industry, turbines and windmills, internal combustion motor industry, pump and compressor industry, machinery/equipment industry for metal processing, textile machinery industry, and other special industrial machinery industry
19. The electric motor, generator and transformer industry group, which includes the electric motor industry and the power generation machinery industry
20. 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, audio and image recording equipment, industry camera photography, and software consulting services industry
21. Land transportation equipment industry group, which includes machinery/equipment industry for metal processing, four or more wheeled motorized vehicle industry, four or more wheeled motor vehicle equipment and components industry, and motorcycle component and equipment industry and the like
22. Ship and boat building and repair industry group, which includes the ship/boat industry, and ship equipment and supplies industry
23. Non-ferrous base metal manufacturing industries, such as hydrometallurgical nickel refining, lead processing and refining, and zinc processing and refining.

Government Regulation (PP) No. 62 of 2008 provides income tax facilities for certain business fields and/or certain regions because certain business fields and/or certain areas that receive

these facilities are sectors that will encourage Indonesia's economic growth. The addition of certain business fields and certain regions that receive income tax facilities as regulated in Government Regulation (PP) No. 62 of 2008 is a government policy to improve the investment climate and increase national competitiveness. Therefore, the government issued regulations to stimulate investors to invest in the form of Government Regulation (PP) no. 62 of 2008 which is also one of a series of policies contained in the Presidential Instruction (Inpres) No.

As Deputy VI Coordination of Economic Cooperation and International Financing said Coordinating Minister for the Economy Mahendra Siregar in Jakarta on Monday, October 06, 2008 in the Media Indonesia daily, that: "The issuance of this regulation (PP No. 62 of 2008) is expected to strengthen Indonesia's position in facing the crisis. international finance that is happening today. The international financial crisis is expected to affect liquidity and international capital flows including Indonesia." The income tax facility provided is as specified in Article 2 paragraph (2) of PP No. 62 of 2008 are:

- a. Reduction of net income by 30% (thirty percent) of the total investment, is charged for 6 (six) years at 5% (five percent) per year each. The net income reduction facility is provided for 6 (six) years from the year commercial production commences, which is 5% (five percent) annually of the total investment in the form of acquisition of tangible fixed assets including land for main business activities. This facility is meant to reduce net income (in the case of operating profit) or increase fiscal loss (in the case of operating loss).
- b. Accelerated depreciation and amortization. Amortization is the reduction in the value of intangible assets, such as trademarks, copyrights, etc., gradually over a certain period of time in each accounting period. Accelerated depreciation and amortization facilities are provided for fixed assets acquired and used for investment purposes, which is a convenience provided to investors.

3.4 The Effect of Government Policy on Income Tax Facilities on the Indonesian Economy

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. 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 steps -Emergency adjustment measures in fiscal or taxation fields 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:

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 able to maintain the momentum of economic growth which has been getting higher in the last 5 (five) years. This policy was 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. 62/2008, it is hoped that it will become part of the security function of the real sector, so that later employment will occur. In addition, this Government Regulation (PP) is expected to affect liquidity and attract international capital flows to Indonesia.

The government hopes that the economy can continue to grow in the midst of the current global crisis. The government will continue to improve the investment climate and national competitiveness with various policies and measures, which will not only anticipate the impact of the imminent crisis, but also maintain the momentum of economic growth.

4. Conclusion

Based on the descriptions in the previous chapters, it can be concluded that income tax is a tax imposed on tax subjects 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 income tax rates in neighboring countries, thereby increasing domestic competitiveness. reduce the tax burden, and improve taxpayer compliance. By lowering tariffs and providing tax incentives, it can provide convenience and comfort for investors to invest.

One of the basic investment policies set by the government is to provide equal treatment for domestic and foreign investors pennforeign capital with due regard to national interests. The government provides tax facilities to investors, both domestic and foreign, who invest in Indonesia. This facility is given to investors who are expanding their business or making new investments. Investments that receive these facilities must meet one of the criteria set out in Article 18 paragraph (3) of the Investment Law, namely, to absorb a large number of workers, including high priority scales, including infrastructure development, technology transfer, pioneering industries, being in remote areas, underdeveloped areas, border areas, or other areas deemed necessary, preserving the environment, carrying out research, development and

innovation activities, partnering with micro-enterprises, small, medium or cooperative. Industries that use domestically produced capital goods or machinery or equipment.

The tax facility for investment is stipulated in Article 18 paragraph (4) and paragraph (5) of Law no. 25 of 2007. Specifically for foreign investment, the tax facilities specified in Article 18 of Law no. 25 of 2007 can only be granted if the foreign investment is in the form of a Limited Liability Company. The income tax facility specified in Government Regulation (PP) No. 62 of 2008 can only be granted to domestic corporate taxpayers in the form of limited liability companies and cooperatives that invest 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: Reduction of net income by 30% of the total investment is charged for 6 years at 5% each per year, Accelerated depreciation and amortization, Imposition of income tax on dividends paid to foreign tax subjects of 10%; and Compensation for losses that are longer than 5 years but not more than 10 years. 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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