

# A Guide to Indonesia's Tax Holiday for Solar Manufacturing Investors

A factual, analytical guide to fiscal incentives for photovoltaic manufacturing investment

**Content Partner: J. v. G. technology GmbH**

*Turnkey solar module production lines — since 1997*

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# Technical Overview: Indonesia's Tax Holiday for Solar Manufacturing Investors



Created as part of the PVKnowHow Knowledge Network



Prepared by J.v.G. Technology GmbH



European specialists in turnkey solar module production lines

# Why Fiscal Incentives Shape Solar Manufacturing Economics

## The Investment Challenge

- Solar module factories require significant upfront capital expenditure
- Automated production lines, equipment, and site infrastructure drive costs
- Payback horizons depend directly on the effective tax burden during ramp-up
- Corporate income tax (CIT) is a primary lever governments use to attract manufacturing FDI

## Indonesia's Strategic Position

- Southeast Asia's largest economy — 270M+ population, growing energy demand
- Government has made solar manufacturing a national industrial priority
- Tax holidays can eliminate CIT for up to 20 years, materially changing project economics
- Incentive structure is defined by law — not discretionary — providing investor predictability

📄 An often-overlooked variable in solar factory business plans: government incentives can fundamentally alter projected cash flows and payback timelines — Source: PVKnowHow

# What Is Indonesia's Tax Holiday?

## Definition

- A corporate income tax (CIT) reduction or full exemption granted to qualifying investors
- Applies for a defined period — from 5 to 20 years — from the start of commercial production
- Not a discretionary benefit: governed by ministerial regulation (PMK 69/2024)

## Legal Framework

- Ministry of Finance Regulation No. 130/PMK.010/2020 (foundational regulation)
- Amended and extended by PMK No. 69/2024
- BKPM Regulation No. 4/2021 governs integration with investment licensing
- Framework being extended into 2026 and aligned with OECD Global Minimum Tax (15% floor)

## Scope of Benefit

- Covers corporate income tax on main business activities only
- VAT and employee income tax remain applicable
- After the holiday period: transitional CIT reduction for 2 additional years

# Why Solar Manufacturing Qualifies as "Pioneer Industry"



## National Strategic Priority

Indonesia has officially designated the renewable energy sector — including upstream manufacturing of photovoltaic components — as a Pioneer Industry, signaling a policy commitment to domestic energy industrialization.



## Government Objectives

- Reduce reliance on imported solar panels
- Develop a domestic industrial ecosystem for renewable energy
- Create skilled employment in advanced manufacturing
- Support national energy transition and climate commitments



## KBLI Classification

PV cell and module manufacturing falls within the officially recognized Pioneer Industry classifications (KBLI codes), covering semiconductors and electronic components — including photovoltaic cells and modules.

**i** Pioneer Industries are defined as those with high value-added output, strong multiplier effects, advanced technology, and strategic importance to national economic development.

# Investment Thresholds and Tax Holiday Benefits

Criterion	Tier 1 (Lower Band)	Tier 2 (Upper Band)
Investment Range (IDR)	IDR 100B – < IDR 500B	IDR 500B and above
Approximate USD Equivalent	~\$6M – ~\$31M	~\$31M+
CIT Reduction	50% reduction	100% exemption
Duration	5 years	5–20 years (investment-scaled)
Post-Holiday Transition	25% CIT reduction for 2 additional years	50% CIT reduction for 2 additional years
Applies From	Commencement of Commercial Production (SMB)	Commencement of Commercial Production (SMB)

- ☐ Solar Cell Manufacturing Industry: specifically listed as qualifying for 50% CIT reduction for 5 years at IDR 500B minimum investment threshold (PMK 69/2024). Minimum entry threshold for any pioneer industry: IDR 100 billion (~\$6M). Source: Jakarta Globe / PVKnowHow

# Legal Requirements: Entity Structure and Registration

1

## PT / PT PMA Entity

A new Indonesian legal entity (Perseroan Terbatas) must be established. Foreign investors use PT PMA (foreign investment company). The incentive applies only to new corporate taxpayers — existing companies cannot apply.

2

## NIB — Business Identification Number

Nomor Induk Berusaha: the 13-digit unique identifier obtained via OSS. Functions as import license, customs ID, and business registry. Required before any commercial operation can commence.

3

## OSS — Online Single Submission

Indonesia's official digital licensing and registration platform ([oss.go.id](https://oss.go.id)). Mandatory for all PT and PT PMA entities. Tax holiday application is submitted and tracked through OSS.

**⚠ Critical:** The incentive is exclusively for new legal entities. An investor must establish a fresh PT in Indonesia — an existing foreign company cannot directly claim the benefit. Correct KBLI code selection at registration is essential and difficult to correct later.

# Step-by-Step Tax Holiday Application Process

- 1 — Step 1 — Establish Legal Entity (PT / PT PMA)**

Reserve company name · Notarize Deed of Establishment · Ministry of Law approval  
Obtain Tax ID (NPWP) · Deposit minimum paid-up capital into Indonesian bank account
- 2 — Step 2 — Register via OSS and Obtain NIB**

Register on oss.go.id with company details and correct KBLI manufacturing codes  
NIB issued electronically; enables import license, customs access, and sector licensing
- 3 — Step 3 — Prepare and Submit Capital Investment Plan**

Capital Investment Plan is the centerpiece document of the application  
Must detail planned investment value, production scope, technology, and employment projections  
Submitted through OSS; investment threshold must meet minimum IDR 100 billion
- 4 — Step 4 — BKPM Review and Verification**

Investment Coordinating Board (BKPM / Ministry of Investment) verifies eligibility  
Checks: investment threshold met · Pioneer Industry qualification confirmed · Documents complete
- 5 — Step 5 — Ministry of Finance Decree (KMK)**

Application forwarded to Ministry of Finance upon successful BKPM verification  
Minister of Finance issues the formal decree (Surat Keputusan Menteri Keuangan) granting the holiday  
Total process: typically 3–6 months from submission to final decree


# The Role of the Capital Investment Plan

## What It Must Contain

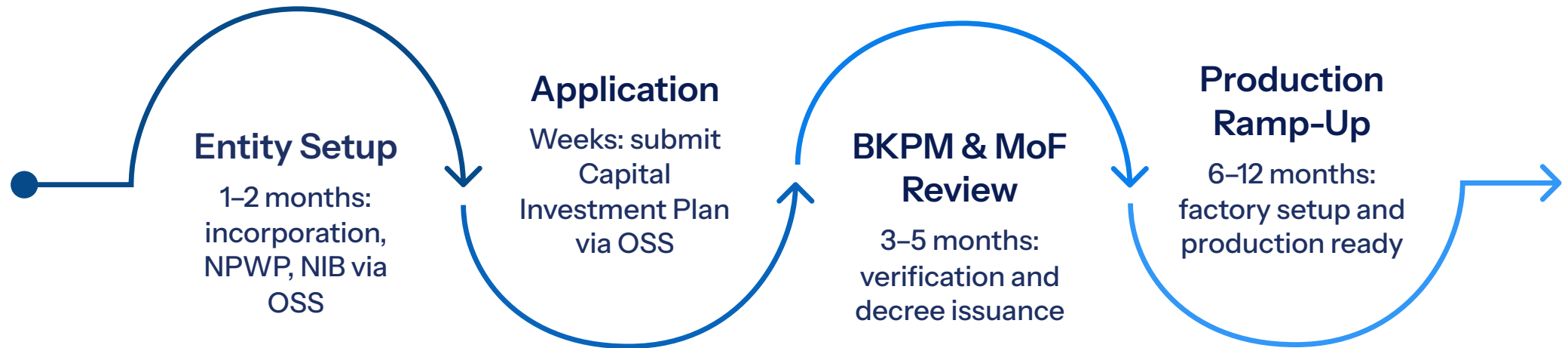
- Total planned investment value (determines CIT reduction tier)
- Planned production capacity and technology description
- Projected employment numbers and workforce development plan
- Site location and factory specifications
- Capex breakdown: production line, civil works, utilities, working capital

## Why It Is Critical

- Investment threshold is based on the **planned** investment — not realized investment at time of application
- Government monitors realization against the plan post-approval
- Significant deviations must be reported to BKPM — may affect holiday status
- Incomplete or misaligned plans are the primary cause of application delays and rejections
- Investment must be realized within 1 year of receiving tax holiday approval

 **Key principle:** A credible, technically accurate Capital Investment Plan — aligned with a proven turnkey manufacturing concept — is the single most important document in the application. Errors at this stage cannot easily be corrected.

# Timeline and Approval Process Overview



The full pathway from entity establishment to commercial production typically spans 12-18 months. BKPM review for clearly categorized pioneer industries is faster; projects using the scoring mechanism require interministerial coordination. The tax holiday period officially begins from the fiscal year in which commercial production (SMB) is confirmed by an audit from the Directorate General of Taxes (DJP).

# Additional Incentives: Import Duty Exemptions

## Machinery & Equipment

- Import duty exemption on capital equipment used for initial production line setup
- Reduces upfront capex significantly – particularly relevant for automated modular lines
- Applied during construction and commissioning phase

## Raw Materials & Components

- Duty exemption on raw materials and production components
- Typically granted for 2–4 years of production operation
- Covers inputs not locally available at required specification or scale

## Application Process

- Processed through the OSS system – parallel to the CIT tax holiday application
- Can be pursued simultaneously with the main tax holiday application
- Non-fiscal incentives may also include expedited licensing and infrastructure support

- ✓ Combined effect: Import duty exemptions on equipment + CIT holiday on profits = materially improved project IRR and shortened payback period during the most capital-intensive phase of a new factory.

# Strategic Importance for Solar Manufacturing Investors

1

## Financial De-Risking

A 5–20 year CIT exemption structurally improves IRR, accelerates payback, and increases lender confidence — directly affecting financing terms and project viability

2

## Competitive Positioning

Locally manufactured modules benefit from duty-free production inputs and avoid import tariffs on finished panels — creating a structural cost advantage in the domestic Indonesian market

3

## Policy Alignment

Investing as a Pioneer Industry aligns the project with national energy policy — improving access to infrastructure support, licensing facilitation, and long-term regulatory stability

📄 Tax holidays are not merely a tax issue — they are a strategic decision that directly affects cash flow, financing structure, and long-term profitability projections. Source: [xpnd.co.id](http://xpnd.co.id) / PVKnowHow

# Risk Reduction Through Proper Planning

## Entity and KBLI Setup Risk

- Incorrect KBLI code selection at PT registration is difficult and costly to correct
- Requires validation against the Positive Investment List before incorporation
- Engage local legal counsel experienced with OSS and BKPM procedures

## Capital Plan Documentation Risk

- Incomplete or inconsistent Capital Investment Plan is the leading cause of delays
- Production line specifications must be technically credible and internally consistent
- A proven, documentable turnkey manufacturing concept reduces approval risk significantly

## Post-Approval Compliance Risk

- Quarterly Investment Activity Reports (LKPM) must be submitted via OSS
- Investment realization must align with the approved plan — deviations must be reported
- Non-compliance or material discrepancy in fixed assets may result in revocation of the holiday

## Global Minimum Tax Consideration

- OECD Pillar Two rules: multinational groups with revenue  $\geq$  EUR 750M face a 15% minimum ETR
- Medium-scale investors below this threshold can fully enjoy the holiday under domestic rules
- Effective Tax Rate (ETR) simulation is a critical pre-application planning step for large groups

# Key Project Data — Indonesia Solar Manufacturing Reference

**100–500 MW**

Typical Scale

Indonesia entry range for viable solar module manufacturing investment

**\$6M–\$31M+**

Investment Range

Aligned with IDR 100B–500B+ tax holiday thresholds (50% and 100% CIT reduction tiers)

**5–20 yrs**

Holiday Duration

Corporate income tax exemption period, scaled to investment size

**6–12 mo**

Production Ramp-Up

Typical timeline from line commissioning to full production readiness

❏ Line type: Automated / modular production line · Region: Indonesia (Southeast Asia) · Source: PVKnowHow / J.v.G. Technology GmbH · Legal framework: PMK 69/2024 (Ministry of Finance, Indonesia)


# Summary: Application Readiness Checklist

## Legal & Structural Readiness

- New PT / PT PMA established (not an existing entity)
- Correct KBLI codes confirmed against Positive Investment List
- NPWP (tax ID) and NIB obtained via OSS
- Registered Indonesian business address secured
- Minimum paid-up capital deposited

## Application Document Readiness

- Capital Investment Plan prepared — technically detailed and internally consistent
- Investment value confirmed above IDR 100B threshold (and tier assessed)
- Production line concept documentable and credible
- Parallel import duty exemption application prepared
- Post-approval LKPM reporting plan established

 Source: PVKnowHow · J.v.G. Technology GmbH · PMK 69/2024 (Ministry of Finance Indonesia) · BKPM / OSS framework · PWC Tax Summaries Indonesia · Jakarta Globe

# About the Content Partner

## **J. v. G. technology GmbH** – The DESERT Company

Founded in 1997 in Bavaria, Germany. Family-owned engineering company specializing in turnkey solar module production lines.

More than 90 factory projects delivered worldwide.

On-site team training included – no prior manufacturing experience required.

### **Key areas:**

Turnkey PV manufacturing lines | DESERT Technology® |  
TÜV-certified module designs | Factory planning to production

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