

Government Stimulus Package II

The government announced the continuation of their economic stimulus package yesterday Sept 29th 2015. The packages still focus on deregulation and de-bureaucratization. The ultimate purpose of the packages is to try to boost the current supply of the dollar within the country by encouraging foreign direct investment and repatriation of the USD from income earned domestically.

The main takeaways from the second stimulus package are:

- 1. Purpose : To encourage domestic exporters to put their dollar earned locally.
- Action : To give tax deduction on DHE (export proceeds) that invested domestically.

Export proceeds invested in term deposits	Maturity				
	Tax on Term Deposits	1 Month	3 Month	6 Month	12 Month
in Dollar Currency		10.0%	7.5%	2.5%	0.0%
in Rupiah Currency		7.5%	5.0%	0.0%	0.0%

- 2. Purpose : To encourage investment into Indonesia.
- Action : Investors would get permission on tax allowance facility within 25 days, meanwhile it would take 45 days for the tax holiday facility after all the documents has been fulfilled.
- 3. Purpose : To incentivize investors under certain industry.
- Action : To give 0% VAT on certain industries such as, transportation especially dockyard, train, airplane, and its spare parts.
- 4. Purpose : To fulfill import substitute product domestically through creation of national logistic centre.
- Action : To create two national logistic centre by the end of 2016 which are located in Cikarang and Merak, Banten, Cikarang would focus on manufacture industry, meanwhile Merak would focus on gasoline industry.

Comment:

We see that the second package is more practical than the first one. However, still execution remains the key catalyst. Industrial estates could be the main beneficiaries once the stimulus are successfully implemented.

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