



The Effectiveness of Tax Holiday as a Tax Incentive in Increasing Domestic Investment in the National Capital City (IKN)

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Abstract. This study discusses the analysis of the effectiveness of the implementation of Tax Holiday incentives for domestic taxpayers who invest in the National Capital City. The provision of Tax Holiday incentives is one of the government's efforts to attract investors to invest in the National Capital City (IKN). This Tax Holiday incentive is officially provided through the issuance of Government Regulation Number 12 of 2023 concerning Provision of Business Licenses, Ease of Doing Business, and Investment Facilities for Business Actors in the Capital City of the Archipelago. Researchers will conduct an analysis using descriptive qualitative methods by extracting information through literature review on Tax Holiday in IKN. It is hoped that from the results of this analysis of the implementation of Tax Holiday incentives in IKN, it can be seen that the policy steps taken by the government are effective and provide benefits to economic acceleration with domestic investment in IKN.

Keywords: Tax Incentive, National Capital City, Tax Holiday

1 Introduction

With the enactment of Law No. 3 of 2022 concerning the National Capital City (IKN) on February 15, 2022, Indonesia will officially have a new capital city that replaces Jakarta. Gradually, the Indonesian government began to organize a series of ceremonial activities that showed the progress of IKN development, such as the procession of uniting the land and water of the archipelago in the Zero Kilometer Point of the Archipelago's National Capital in Penajam Paser Utara Regency, East Kalimantan, which was held on March 14, 2022 (Setkab, 2023) to the launch of the IKN logo on May 30, 2023. IKN itself has eight principles, namely: 1) Design according to natural conditions; 2) Unity in Diversity; 3) Connected, Active, and Accessible; 4) Low Carbon Emission; 5) Circular and Resilient; 6) Safe and Affordable; 7) Convenience and Efficiency through Technology; and 8) Economic Opportunities for All (IKN, n.d.). In supporting these principles, especially the 8th principle, namely "Economic Opportunities for All", it is necessary to start from development in various sectors through joint investment by the government and the private sector.

As we know, economic growth in Indonesia has not been evenly distributed. This is one of the urgencies of moving the national capital. In the press release HM.4.6/316/SET/M.EKON.3/6/2022 concerning the Development of the Archipelago's Capital City as a Stimulus for Equitable National Economic Growth, it is stated that the contribution of Java Island to Indonesia's GDP reached 57.78% in the first quarter of 2022, while for Kalimantan Island, which is currently the IKN Area, only contributed 8, 29%. For Sumatra 21.96%, Sulawesi 6.73%, Bali and Nusa Tenggara 2.66%, and Maluku and Papua 2.58%. Therefore, March 2023 was issued Government Regulation Number 12 of 2023 was issued concerning the Granting of Business Licenses, Ease of Doing Business, and Investment Facilities for Business Actors in the Archipelago Capital. The regulation is a super tax incentive policy, one of which regulates Tax Holiday incentives to attract investors who are taxpayers to invest in IKN and is expected to accelerate more equitable economic growth. Tax Holiday incentives are given to business fields with strategic value including (Siraz, 2023):

- a. Infrastructure and public services, such as power generation including new and renewable energy; development and operation of toll roads; and construction and operation of seaports.
- b. Economic growth, such as the development and operation of shopping centers (malls); and the provision of tourist facilities and accommodation services/star-rated hotels.
- c. Other business sectors, such as agricultural cultivation and/or urban fisheries; trade services; and construction services.

The nine income tax incentives provided to investors with strategic value business fields include a reduction in corporate income tax for domestic corporate taxpayers, a reduction in income tax on financial sector activities in financial centers, and a reduction in corporate income tax on the establishment and / or relocation of head offices and regional offices.

The indication of funding needs for the development of IKN is estimated at IDR 466 trillion. This nominal is listed in the 2020-2024 RPJMN. Quoting from (IKN, 2023) only 20 percent of the total IKN budget will be financed by the state budget. The funding is sourced from various schemes according to appendix II of Law No.3 of 2022 concerning IKN. The schemes that will be used are as follows (Javier, 2023):

- 1) APBN which can be done through budget allocation and/or financing;
- 2) Government and business entity cooperation (PPP) schemes to support IKN;
- 3) All or part of the capital is owned by the state including BUMN / pure private, among others:
 - a. BUMN through investment which in its implementation can cooperate with the private sector;
 - b. SOEs through assignments from the Government in accordance with the provisions of laws and regulations;
 - c. Pure private sector, through pure investment from the private sector that can be given incentives in accordance with the provisions of laws and

regulations.

- 4) International funding/financing support scheme: international funding/financing support is a scheme to accommodate the provision of funds, among others, from bilateral/multilateral institutions that want to participate in the development of green and smart IKN which can be through grants and/or bailouts;
- 5) Other funding schemes (creative financing), such as crowdfunding and funds from philanthropy.

With this scheme, the issuance of PP 12/2023 is expected to be a stimulus for the growth of the IKN economy through the ease of business and investment provided by the government to investors who invest, invest in business or conduct business in IKN.

In March 2022, news broke about the withdrawal of foreign investor Softbank in the IKN project, but the government has made a counter issue by clarifying the reasons for the withdrawal of investors from Japan. Based on information from the Minister of Investment Bahlil Lahadalia, one of the reasons is that Softbank is considered to offer investments that are not profitable for Indonesia, in the sense that the investment model is unfair so that Indonesia rejects the investment because Softbank seems to dictate Indonesia with its own investment terms (CNN Indonesia, 2022).

In addition to the counter issue, policy bait and political negotiations have so far been well captured by business people at home and abroad, as evidenced by IKN having received around 220 Letters of Intent (LoI) from the business world who are ready to invest in IKN, including 24 LoI received when President Jokowi lobbied in Hiroshima, Japan, sometime ago. Of these LoIs, 34 of them have signed non-disclosure agreements (NDA), or closed agreements with the Government of Indonesia, and are ready to proceed further. This information was obtained at least until May 2023. It is also reinforced through the statement of OIKN Deputy for Funding and Investment Agung Wicaksono (IKN, 2023) that there are nine flagship investments from five different sectors that will invest in IKN because there will be a further signing process so that it can be determined that IKN is truly attractive and gets support from the business world (IKN, 2023).

Based on the phenomena that have been stated, so far the claim of high interest and interest of investors and/or business actors in tax holiday incentives emphasized through PP 12/2023 is still a one-sided claim by the government and IKN as the regulator. Therefore, researchers want to know another perspective from the side of the business actors themselves as the target of the tax holiday policy.

2 Literature Review

Tax Incentive. Tax incentives are concessions in tax regulations provided for taxpayers, where the existence of these facilities has an impact on reducing government budget

revenues (Cedefop, n.d.). In (Zolt, 2015) it is explained that tax incentives are special provisions that allow for exemptions, credits, special tax rates, or deferral of tax obligations. Tax incentives can take various forms such as: tax exemptions for a limited period of time, current tax deductions for certain types of expenses, or reduced import tariffs or import duties. A country's tax incentives, accompanied by good government intervention, are beneficial for correcting market inefficiencies or generating positive externalities. If this happens, the level of direct investment will be optimal (Zolt, 2015). Furthermore (Zolt, 2015) also mentions that direct investment includes increased capital transfers, knowledge and technology transfers, increased employment and assistance in improving conditions in less developed areas.

The types of tax incentives according to Thuronyi (1998) in (Aribowo, Irwan; Irwan, 2021) include:

- a. Tax holiday is a tax incentive provided through exemption from corporate income tax and/or reduction of tax rate on corporate income tax. Tax holidays are granted to newly established companies with a limited period of time. The effective period of the tax holiday depends on the beginning of the validity of the tax holiday. The effective date of the tax holiday can be the date of establishment or official registration of the company, the date of first production or business start, the year of first profit, or the year of first taxable income.
- b. Tax sparing credit is a quasi-tax credit agreed upon by the investor's home country. Tax sparing credit is necessary for the tax holiday to be effective. The investor's home country allows the investor to recognize the existence of overseas tax credits in the global tax calculation despite the fact that no tax is paid in the source country.
- c. Investment Allowances and Tax Credits, tax allowances are tax incentives by reducing the company's taxable income, while tax credits directly reduce the amount of tax to be paid. Investment allowances and tax credits are usually given for new investments with a certain investment value.
- d. Accelerated Depreciation (Timing Difference) Provides incentives in the form of accelerated depreciation. Depreciation is charged over a period of time shorter than the economic life of the asset or through special charges in the first year period. This is so that the company can get a return on its capital faster. This incentive only shifts the tax burden backward, but does not affect the overall tax.
- e. Tax Rate Reductions are reduced tax rates on income from certain sources or to companies that meet certain criteria, such as reduced rates for companies that go public. In this incentive, income tax is not exempted entirely, can be expanded to existing activities, and is not limited to a certain period of time.

Incentive policies have various types such as investment allowances, cheap labor, resource procurement, land allocation, accelerated depreciation, and tax incentives are no exception. Tax incentives themselves based on OECD (2019) in (Nar, 2020) are practiced in various forms such as tax reduction/tax credit, tax exemption, tax exemption, tax refund, and tax holiday. Tax Holiday in Indonesia was present marked by the emergence of Law No. 1 of

1967 issued in conjunction with Law No. 11 of 1967 concerning Foreign Investment (PMA) (Pohan, et al, 2021).

Tax Holiday. In literal terms, a tax holiday means a period in which a person or company is allowed to pay no tax or pay less tax than usual (Collins, n.d.). According to (Larkins, 2004; McGee, 2008) in (Nar, 2020) a tax holiday is an income tax exemption for foreign investors for a period of time that may be limited in accordance with government decisions. In general, tax holidays are intended to exempt taxes for up to 10 years for specified types of investments. Therefore, tax holiday is the elimination of income tax (corporate income) for a certain period of time in developing countries (Nar, 2020).

Based on (PERTAPSI, 2016) Tax holiday is one of the most frequent forms of tax incentives given in an effort to attract foreign investment. In line with this, quoted from DGT online, in the world of taxation, tax holidays are known as tax incentives that are often used by developing countries with the aim of attracting foreign direct investment (Saputra, 2023). Tax holidays have criteria for the facilities provided, which are usually companies will get a minimum income tax exemption for 5 years and a maximum of 10 years from the start of commercial production. In addition, the company is given an income tax deduction from the tax payable of 50% for two years (Saputra, 2023). Then, Bella & Yudianto (2021) in (Muamarah, 2022) found that tax holidays have a positive and significant influence on foreign investment in Indonesia.

Tax holiday in the context of capital investment in IKN has a scheme to attract investment by providing investment incentives in the form of 1) Exemption from corporate income tax; 2) Reduction of corporate income tax rates for companies that invest new capital into the country for a certain period of time. Government Regulation Number 12 of 2023 concerning the Granting of Business Licenses, Ease of Doing Business, and Investment Facilities for Business Actors in the Capital City of the Archipelago explains the period of granting tax holidays as follows:

Table 1 Tax Facilities for Investors

Location	Field of Investment	Investment period	Reduction period	Reduction rate
IKN	Infrastructure and Public Services	2023 up to 2030	30 years	100%
		2031 up to 2035	25 years	100%
		2036 up to 2045	20 years	100%
	Economic awakening	2023 up to 2030	20 years	100%
		2031 up to 2035	15 years	100%
		2036 up to 2045	10 years	100%
	Other business fields	2023 up to 2030	10 years	100%
2031 up to 2045		10 years	50%	
Partner	Infrastructure and	2023 up to 2030	25 years	100%

Region	Public Services	2031 up to 2035	20 years	100%
		2036 up to 2045	15 years	100%

Source: Reprocessed based on (Syailendra & Santoso, 2023)

1. For investment made in the infrastructure and public services business sector, the period of facility provision is:
 - a. 30 tax years, for investment in the period 2023-2030;
 - b. 25 tax years, for investment in the period 2031-2035; and
 - c. 20 tax years, for investment in the period 2036-2045.

2. For investment carried out in the economic generation business sector, the period of facility provision is:
 - a. 20 tax years, for investment in the period of 2023-2030;
 - b. 15 tax years, for investment in the period 2031-2035; and
 - c. 10 tax years, for investment in the period 2036-2045.

3. For investment made in other business fields regulated in this Government Regulation, the period of facility provision is:
 - a. 10 tax years, for investment in the period of 2023-2030; and
 - b. 10 tax years, for investment in the period of 2031-2045.

Tax Holiday provided by the government to investors who make investments in the form of a 100% reduction incorporate income tax. This incentive is given to:

1. Domestic corporate taxpayers who make investment in IKN; and
2. Domestic corporate taxpayers investing in partner regions.

Who make an investment of at least IDR 10 billion. The partner area in question is a certain area on the island of Kalimantan formed for the construction and development of the economic super-hub of the Archipelago Capital, which cooperates with the Archipelago Capital Authority, and is stipulated through the Decree of the Head of the Authority (Siraz, 2023). Quoting the statement of the Chairman of the IKN Authority, Bambang Susantono, that usually a tax holiday is obtained by investing around IDR 100 billion, but with PP 12/2023 in IKN it is made easier with only IDR 10 billion being able to get a tax holiday facility for 20-30 years plus an estimated rate of return of 11-13% (Kompas.com, 2023).

However, based on research (Aribowo, Irwan; Irawan, 2021) tax holidays cannot alone attract investment. It is influenced by other factors such as ease of licensing, size of the domestic market, international market access, infrastructure, social and security conditions, and availability of human resources.

Investment in IKN. The variable components that are the main attraction for investors in IKN are tax incentives, legal certainty and security, said the Chairperson of the Indonesian

Chamber of Commerce (KADIN) for the Special Capital Region (DKI) Jakarta, Diana Dewi (Hariani, 2023). Even so, tax incentives such as tax holidays that have been given to foreign investors through PP 12/2023 cannot be the only bridge in attracting investment. Based on research (Aribowo, Irwan; Irawan, 2021) investment is also influenced by other factors such as ease of licensing, size of the domestic market, international market access, infrastructure, social and security conditions, and availability of human resources. Chairman of Apindo Public Policy, Sutrisno Iwantono in (Iwantono, 2023) who is also an entrepreneur in the tourism and hospitality sector said that there are indeed factors that influence investor interest in investing in IKN, namely:

- a. Risk Factors, related to the threat of economic recession or economic instability
- b. Legal Certainty Factor, political instability due to changes in the head of state
- c. Infrastructure Availability Factor, related to the exhalation of road construction, urban planning, ports, airports, transportation, water, electricity and so on.
- d. Human Resources Availability Factor, related to the quantity of existing human resources, the competence and quality of human resources, and how much the price of human resources is.
- e. Market Access Factor, related to the availability of markets in various sectors within the scope of investment (manufacturing, tourism, etc).

Table 2 Previous Research

RESEARCHER	CONCEPT
(Zolt, 2015)	One place to start thinking about tax incentives is to consider what role governments should play in encouraging growth and development. Governments have many social and economic objectives and a variety of tools to achieve those objectives. Tax policy is just one option, and taxes are just one part of a complex decision as to where to make new domestic investment or commit foreign investment
(Pohan, et al, 2021)	This study concludes that the tax holiday policy is quite effective in increasing investment in Indonesia, but its achievement has not been optimal, and in its implementation the tax holiday policy still faces several obstacles. One of the things that is suggested is to make several efforts to overcome obstacles such as simplifying licensing, integrating central and regional policies, increasing the integration of central and regional policies, expanding the socialization of tax holidays and Electronically Integrated Business Licensing Services or Online Single Submission (OSS), supervision and examination of taxpayers who carry out Tax Avoidance or Tax Avoidance must be further improved so that state tax revenues can be optimized.
(Nar, 2020)	Tax holiday can be defined as the elimination or reduction of taxes for a certain period of time. Countries may practice tax holidays mainly to promote investment or for various purposes.

(Aribowo, Irwan; Irawan, 2021)	Tax holiday is expected to be able to provide a positive signal to investors that Indonesia is the right country to invest in. In this paper it was found that tax holidays are not capable of attracting investment alone, but other factors are needed in order for tax holidays to be successful in attracting investment.
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When comparing with the previous studies mentioned above, there is no research that focuses on tax incentives in IKN. In addition, this research also leads to a policy study, namely PP 12/2023, which is expected to be an accelerator of investment in IKN. Therefore, this research has a novelty that will add perspectives in the academic and practical scope.

3 Methodology

This study aims to determine the effectiveness of the tax holiday policy in IKN. To find out this, researchers will analyze using descriptive qualitative methods by extracting information through a literature review on Tax Holiday in IKN. The literature used is in the form of scientific journals, printed books, articles in the mass media, credible websites and open interviews published by digital media.

4 Results and Discussion

According to (Muamarah, 2022) the right tax incentives in the context of IKN development are through tax holidays, because the government can provide a reduction in income tax payable for a certain period. Not only that, the government also needs to pay attention to other things such as infrastructure availability, better bureaucratic quality, and macroeconomic conditions. The Chairman of the IKN Authority, Bambang Susantono, stated that up to now there are five countries that are in the process of agreeing to become investors in IKN, namely South Korea, Japan, China, Germany, and the UAE (United Arab Emirates) (Kompas.com, 2023).

Quoting from the Chairman of KADIN DKI Jakarta, Ms. Diana Dewi, there are three variables to determine the perception of business actors towards the tax holiday policy in IKN, namely tax incentives, legal certainty and security. In terms of tax incentives, through a statement from the Chairperson of KADIN DKI Jakarta, Diana Dewi, it is stated that investors, both local and international, will be attracted by the offer of tax incentives that are considered light. If there are no investors who have implemented their investment commitments in IKN Nusantara, then the government is advised to check the supporting regulations again because there is a possibility that the regulations are not synchronized or the existing regulations still seem burdensome to potential investors. So far, a series of super tax incentives in the form of income tax reduction, import duty exemption, and tax reduction for R&D activities have been granted. All of these facilities including the tax

holiday will be served in the online single submission licensing mechanism, OSS-Plus, an electronically integrated business licensing system (Hariani, 2023).

Table 3 Comparison of Tax Incentives in IKN vs Outside IKN

No	TAX INCENTIVE	GENERAL SCHEME (OUTSIDE IKN)	INCENTIVE SCHEME IN IKN
1	Tax Holiday	<ul style="list-style-type: none"> • Offer to certain sector • Min. investment threshold: IDR 100bio • Max period up to 20 years 	<ul style="list-style-type: none"> • Offer to certain sectors in IKN, relocation of MNE HQ and financial activities in financial centre in IKN • Min. investment threshold: IDR 10 bio • Max. period: up to 30 years
2	Super deduction Tax for Vocational Activity	<ul style="list-style-type: none"> • Tax deductible up to 200% of expenditures incurred for vocational activities such as training and internship 	<ul style="list-style-type: none"> • Tax deductible up to 250% of expenditures incurred for vocational activities such as training and internship
3	Super deduction Tax for R&D	<ul style="list-style-type: none"> • Tax deductible up to 300% of expenditures incurred for research conducted in Indonesia 	<ul style="list-style-type: none"> • Tax deductible up to 350% of expenditures incurred for research conducted in IKN
4	Donations	<ul style="list-style-type: none"> • Tax deductible up to 100% of actual donation • Not exceeding 5% of net income for previous year 	<ul style="list-style-type: none"> • Tax deductible up to 200% of donation • May be deducted if not exceeding net income of the current year
5	MSMEs Tax Incentives	<p>Unincorporated (Individual) MSMEs</p> <ul style="list-style-type: none"> • 0% tariff for gross income up to IDR 500 mio per year • 0,5% for gross income more than IDR 500 mio up to IDR 4,8 bio per year 	0% tariff for gross income up to IDR 50 bio per year
		<p>Incorporated MSME</p> <p>0,5% for gross income up to IDR 4,8 bio per year</p>	
6	Payroll Tax borne by Govt	<ul style="list-style-type: none"> • Provided in certain period of time during Covid 19 pandemic (PEN Program) for certain business sectors • Max payroll threshold less than IDR 200 mio per year 	<ul style="list-style-type: none"> • Applicable for all employee resided in IKN • No payroll threshold

7	VAT Incentives	<ul style="list-style-type: none"> • VAT exempted for certain strategic goods/services • VAT not collected for limited sectors (transportation, public goods and in special economic zones) 	Expansion of sectors exempted on top of existing schemes, namely: <ul style="list-style-type: none"> • Property transfer • Property leasing • EV purchase • Construction project in IKN • Waste treatment services
8	Custom Duty	<ul style="list-style-type: none"> • Import tax exempted for public good and for investment project for the period of 2 - 4 years • Import tax exemption including 7 service sectors: tourism, public transportation, public health, mining, construction, telecommunication, seaport 	<ul style="list-style-type: none"> • Import tax exempted for public good and for investment project for the period of 4 – 6 years • Expansion of service sectors tailor made for IKN

Source: Reprocessed based on Ministry of Finance in (KADIN, 2023)

It can be seen that Table 2 show the lightness and magnitude of incentives provided by the government to investors to facilitate investment in IKN. In the tax holiday incentive, by investing starting from 10 billion rupiah, investors are allowed to enjoy facilities for up to 30 years where in incentives other than IKN with a much higher investment value of 100 billion rupiah only get facilities for 20 years. This relief can already answer the questions of potential investors who consider tax incentives in deciding their investment in IKN.

In terms of legal certainty, the government has intensively socialized the ease of doing business which is manifested through Government Regulation Number 12 of 2023 concerning Provision of Business Licensing, Ease of Doing Business, and Investment Facilities for Business Actors in the Capital City of the Archipelago. Not only that, the licensing process for PMDN and PMA is accelerated and convenience through the OSS system which is the special authority of the IKN Authority is also confirmed through Law Number 3 of 2022 (KADIN, 2023).

In terms of security, the Chairman of KADIN said that despite entering the political year, investors do not need to worry about the continuation of the IKN development project. The thought of wait and see to invest must exist and can be understood, but with the track record of the success of previous elections that can end well and the two competing camps can sit together in the government it shows the security and stability of the conditions of government and this country. Arsjad continued, the development of IKN Nusantara has also received support from neighboring countries such as Malaysia and Brunei Darussalam. They believe that the relocation of the capital city can give birth to a state economic area (KADIN

Indonesia Secretariat, 2023). The government's concrete steps in terms of security guarantees are illustrated by PRESS RELEASE No. 46/SP/HM.01.02/POLHUKAM/3/2023 which explains the plan for the smart security system development process.

The government's efforts to attract investors, apart from issuing legal policies and multilateral political negotiations, also embrace organizations such as KADIN as a representation of business actors and / or domestic investors as government partners in the development of IKN. This was revealed in the statement of the Chairman of KADIN, Arsjad Rasjid in a press conference disclosing Kadin's strategy as a government partner to attract investors, both foreign and domestic investors in IKN (KADIN Indonesia Secretariat, 2023). Therefore, the statements issued by KADIN officials are in a pro-government position. Even so, KADIN seems to maintain objectivity through suggestions as recommendations for further government policies to continue to see everything holistically so that the impact of good policies is felt not only by large businesses and/or investors but also MSMEs. In (Hariani, 2023) the Chairperson of KADIN DKI Jakarta, Diana Dewi also conveyed the need for synchronization of regulations and implementing regulations or supporting regulations to ensure that investors are confident in investing in IKN after the clarity of security guarantees, law enforcement, simple licensing bureaucracy, reasonable taxation provisions, and precise labor issues. In addition, regulations on labor also need to be checked again so as not to burden potential investors, said Diana Dewi (Hariani, 2023).

The tax holiday policy is considered an attractive incentive for investors. The first phase of investment packages opened as many as 300 investment packages and as of May 2023, IKN has received around 220 Letters of Intent (LoI) from businesses that are ready to invest in IKN, including 24 LoI received when President Jokowi lobbied in Hiroshima, Japan (IKPI, 2023). This means that of the 300 investment packages in the first phase that were opened, only 17% or only 80 investment packages remain open. In addition, with an investment value starting from IDR 10 billion, PP 12 of 2023 is expected to help lower the barrier to entry for business actors in Indonesia, said Arsjad Rasjid (KADIN Indonesia Secretariat, 2023).

Findings. Despite the many statements related to investment interest and support, the researcher also found statements indicating the hesitancy of potential domestic investors to invest in IKN due to the following issues:

- 1. Logistics Costs**

Benny Soetrisno, as Deputy Chairman of the Chamber of Commerce and Industry (Kadin) for Trade, stated that logistics issues are one of the main challenges of investing in IKN. According to him, for now investing in IKN is not yet attractive for the manufacturing sector due to the mobilization of raw materials and further mobilization of products, where the largest markets are still on the islands of Java-Bali and Sumatra, so there is the potential for swelling the

final price. In addition, other production cost issues such as electricity and water tariffs. Meanwhile, the population in IKN is still small, compared to Java. Whereas the consumer goods subsector manufacturing relies on a large market (CNBC Indonesia, 2023).

2. Small Population

Director of Strategic Consultancy Knight Frank Indonesia Sindiani Adinata highlighted that the population of IKN is certainly still small so building a mall or shopping center in IKN at the beginning of the IKN project is still too risky because population is the main driver of demand. Meanwhile, there are still some new IKN residents who will occupy IKN. According to him, for the initial stage, what IKN needs is the presence of supporting retail businesses, not malls. (CNBC Indonesia, 2023). CELIOS economist Bhima Yudhistira said that, investors still cannot be sure how many residents will move to IKN. According to him, this is important for investors to determine what business is suitable for the new capital city (Intan, 2023).

3. Regulatory Consistency

Chairman of the Indonesian Employers Association (Apindo) Hariyadi Sukamdani highlighted the government's consistency in implementing applicable policies. Seeing cases of overlapping and dualism of regulations in various regions, there are concerns about the dualism of the application of different regulations between the center and the regions (CNBC Indonesia, 2023).

4. Presidential Election

Then PP No. 12/2023 can be a breath of fresh air for business actors but is not a determining factor in whether or not the IKN project sells. If you look at the socialization that has been carried out to IKN, there have been many letters of intent (LoI) from incoming investors, but to what extent will this LoI continue with a real investment commitment. Until now, investors are still seeing what happens to the results of the 2024 Presidential Election. Potential investors still do not know the certainty of the sustainability of the IKN project in the hands of the new president in 2024. This concerns how serious the government is about continuing the IKN development program, because in fact the attitudes and work programs of the presidential candidates, both Anies, Ganjar and Prabowo, are not clear enough related to IKN (Intan, 2023)

5. Return on Investment

Questions related to the calculation of return on investment are also a factor of hesitation. Such as how long is the rate of return on capital? What is the break even point? Then how much is the return of investment, and the internal return rate? (Intan, 2023)

6. Java-centric

The government is considered to still often offer national strategic projects (PSN) in Java, such as the Jakarta-Surabaya fast train development project and the Patimban Port development project on the north coast of Java. Which is the case shows that the direction of development is still Java-centric, there will still be a lot of state budget focused on building infrastructure, and industrial estates in Java. Meanwhile, IKN is not designated as an industrial area, where the infrastructure is not commercial. This is what makes many investors still interested in investing in Java (Intan, 2023)

7. Macro situation

Prospective investors consider that the macro situation is not yet favorable with rising interest rates, and still high inflation in many countries so that prospective investors also consider how much the interest loan costs, and also if they enter IKN, they may enter but directly, but enter through the purchase of SBN (government securities) so that it is considered a safe instrument. The possibility of investing in IKN still exists but indirectly through the purchase of SBN (state securities) so that it is considered a safe instrument (Intan, 2023)

Based on these findings, it can be said that the PP 12/2023 policy was welcomed by potential investors and domestic business actors, even so it did not make them immediately invest but still wait and see to consider the various factors mentioned above. This is because the IKN project is still running, so potential investors who might join are investors with strong and large capital to be able to wait until IKN becomes an active capital city with stable economic and government activities.

5 Conclusion

Based on the results of the discussion, it can be concluded as follows:

1. The tax holidays policy has shown success with the filling of investment package slots as much as 73% of the 300 first phase investment packages opened by the government.
2. In terms of tax incentives, legal certainty and security that are taken into consideration by investors have been fulfilled by the government through the regulation of PP 12/2023 concerning the Granting of Business Licenses, Ease of Doing Business, and Investment Facilities for Business Actors in the Capital City of the Archipelago and Law Number 3 of 2022 concerning the National Capital City. Then, regarding security, the Government through the Ministry of Political, Legal and Security Affairs has designed a smart security system to ensure security in IKN with an explanation in PRESS RELEASE No. 46/SP/HM.01.02/POLHUKAM/3/2023.
3. Researchers found statements indicating the hesitancy of potential domestic

investors to invest in IKN due to the following issues: Logistics Costs, Small Population, Regulatory Consistency, Presidential Election, Return on Investment, Java-centric, and Macro situation.

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