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The Implications of Incentive Taxes in Promoting the Investment Practice at Ibu Kota Nusantara

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ABSTRACT

This article aims to discuss the possibility of tax incentive policies affects the strengthening of the investment climate in the Capital City of the Archipelago (IKN) and its implications for investors and the legal protection for recipients of tax incentives who invest in the IKN. This research uses a method of normative juridical research with secondary Data. The result of this research shows that tax incentive policies can be an important factor in influencing the strengthening of the investment climate in the Capital City of the Archipelago by providing the right tax incentives to investor. The government's efforts to give investors tax breaks are anticipated to improve the investment climate in IKN and give investors legal certainty; nevertheless, stringent oversight is still required to ensure that the incentives are not abused and result in losses for the state. The protection and legal certainty that the government offers through laws and regulations greatly influences investors' willingness in funding the growth of IKN. When laws and regulations are clear, investors will feel more comfortable investing in IKN, allowing for the realization of shared goals and the future development of IKN.

Keywords	*IKN; Incentives Tax; Investment*
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Manuscript History: *Received:* July 17, 2024 *Accepted:* April 9, 2026 *Corresponding Author:* Markhamah Isnaini, isnainimarkhamah@gmail.com	Legal Spirit is *Licensed under a Creative Commons Attribution-ShareAlike 4.0 International License* **Indexed:** **Layout Version:** V8.2024

PRELIMINARY

After the enactment of Law Number 3 of 2022 on the National Capital City (IKN Law), the National Capital City will officially move. Despite initial concerns, the government has set the IKN roadmap in 2022-2023 which targets the start of the initial stage of relocation to the IKN area, building the main infrastructure which also includes the initial stage of moving the State Civil Apparatus (ASN), building and operating basic infrastructure for 500,000 initial residents. The 79th Indonesian Independence Day on August 17, 2024 is also planned to be celebrated in the IKN area.[1] Based on data from the National Development Planning Agency (Bappenas), the total cost required for the development of the IKN area is estimated to reach

[1] IKN. 2022. IKN: Menuju 2045. Cited July 17, 2024, From https://ikn.go.id/tentang-ikn

IDR 466.9 trillion.[2] As for 2023, the allocation of IKN development costs in the State Budget (APBN) is IDR 27 trillion to IDR 30 trillion. 27 trillion to Rp. 30 trillion.[3]

In addition to being sourced from the APBN, the development of the IKN area is also planned to be financed through a government work scheme with business entities (PPP) and through investment from the private sector. Based on observations from investors, the risk of investment in IKN is quite high.[4] As the new State Capital, the development of IKN requires massive infrastructure provision. The stages of the IKN development plan refer to appendix II of Law Number 3 of 2022 concerning the National Capital. Urban, infrastructure, and economic growth are the first priorities for 2022-2024. Based on data from the Ministry of National Development Planning or the National Development Planning Agency (Bappenas), there are several stages of realization of IKN.

In the first phase, which runs from 2020 to 2024, the government concentrates on constructing the Presidential Palace, the MPR/DPR Building, housing in the central IKN area, moving early-stage civil servants like the Indonesian National Army (TNI) and the Indonesian National Police (Polri), and constructing basic infrastructure like energy and water for the 500,000 people living in IKN.

The government's priorities in the second stage, which runs from 2025 to 2035, are creating innovation and economic hubs, finishing up the IKN government center's relocation, creating priority economic sectors, putting in place an incentive program for those sectors, and accomplishing the Sustainable Development Goals (SDGs). Subsequently, the third phase, which spans 2035 to 2045, is centered on augmenting urban growth and finalizing inter- and intra-city connectivity. Additionally, it promotes sustainable utility networks through the integration of circular economy facilitators. In the fourth stage, which ends in 2045, the major goal is to become the most competitive city in the world by reaching net zero carbon emissions and 100% renewable energy.[5]

The development of IKN which requires 4 (four) stages certainly requires a lot of money. The government provides conveniences such as ease of obtaining business licenses, certainty of the period of business use rights, exemption from entry fees for imported goods for development, and reduction of corporate income tax so that investors are interested in investing in IKN.[6]

One of the instruments offered by the government to attract investors is the tax incentive instrument. Tax incentives are one of the state expenditures that are generally not given in the form of money, but in the form of reduced tax obligations, these incentives are fiscal instruments commonly used by the government to ease the tax obligations of taxpayers

[2] Fitria C. Farisa. 2022. Berapa Dana APBN yang Akan Dipakai untuk Membangun IKN? Ini Hitung-hitungan Jokowi. Cited July 17, 2024, From https://nasional.kompas.com/read/2022/02/23/14282541/berapa-dana-apbn-yang-akan-dipakai-untuk-membangun-ikn-ini-hitung-hitungan

[3] Ridwan Pitoko. 2022. Segini Biaya buat Bangun IKN Tahun Depan yang Didanai dari APBN. Cited July 17, 2024, From https://www.idntimes.com/business/economy/ridwan-aji-pitoko-1/segini-biaya-buat-bangun-ikn-tahun-depan-yang-didanai-dari-apbn

[4] Ahnes Theodora. 2022. Banyak Ketidakpastian, Pengusaha Masih Ragu Berinvestasi di IKN. Cited July 17, 2023, From https://www.kompas.id/baca/ekonomi/2022/10/26/banyak-ketidakpastian-pengusaha-ragu-berinvestasi-di-ikn

[5] Kementerian Perencanaan Pembangunan Nasional/ Badan Perencanaan Pembangunan Nasional RI. 2021. Buku Saku Pemindahan Ibu Kota Negara. Cited July 17, 2024, From https://www.ikn.go.id/storage/buku-saku-ikn-072121.pdf

[6] Aulia S. Putri, Mei Indrawati & Rusdiyanto. (2024). Analisis Dampak Pembangungan Ibu Kota Nusantara (IKN) Terhadap Potensi Pertumbuhan Investasi Domestik Dan Asing. *EKOMA: Jurnal Ekonomi, Manajemen, Akuntansi*, 3(5), 1-12.

in certain sectors, which are expected to have a positive impact on the economy as a whole,[7] The purpose of tax incentives is to develop the economy by attracting global investors who offer the potential for greater returns and less business risk.[8] The provision of tax incentives is based on Government Regulation Number 12 of 2023 concerning the provision of business licenses, business facilities, and investment facilities for business actors in the Capital City of the Archipelago (IKN).

In the context of providing tax incentives in IKN, there are several levels and also the level of authority of the central government whose authority includes Income Tax (PPh), Value Added Tax (PPN), and Sales Tax on Luxury Goods (PPnBM) and customs. Meanwhile, facilities under the authority of the IKN Authority include special tax facilities and IKN special revenue, land provision, infrastructure facilities for the implementation of investment activities in IKN.[9]

The interest of investors to invest in the Nusantara Capital City development project is considered quite good. The IKN Authority noted that as many as 284 investors had submitted letters of intent (LoI) to invest in IKN until September 2023.In detail, 162 letters of interest were dominated by domestic private investors. Meanwhile, based on information from the Minister of Investment and the Investment Coordinating Board (BKPM), Deputy for Investment Promotion Nurul Ichwan said that investment in IKN requires support from private investors as much as 80% and 20% comes from state funding.[10]

To profit from their investment in IKN, private investors must still have assurance regarding the regulations and how they will be applied. Political stability is one of the factors that investors consider when making investments, along with other factors like the trend of rising interest rates that make financing more expensive. Bhima Yudhistira, Executive Director of the Center of Economic and Law Studies (Celios), explained that most investors are actually still waiting for certainty.[11]

Furthermore, the protection and legal certainty offered by government laws and regulations play a major role in attracting investors to participate in IKN development.[12] This relates to issues that investors still frequently encounter, including: 1) Indonesia's still insufficient and uneven infrastructure; 2) labor-related issues; 3) regulatory issues; 4) bureaucracy-related issues; 5) issues pertaining to the caliber of human resources; and 6) the existence of regional regulations, ministerial decrees, or laws that further stifle investment activity.[13]

There are at least five (five) factors that investors take into consideration before making an investment in Indonesia, and the absence of legal protection for investors themselves is the root of their concerns. First, the court cancels a number of long-term

[7] Ryan Mohammad, et.al. (2021). Efek Insentif Perpajakan Berdasarkan Dasar Pengenaan Pajak dan Tarif Pajak Terhadap Ekonomi Secara Makro: Studi Kasus Indonesia. Scientax: *Jurnal Kajian Ilmiah Perpajakan Indonesia*, 2(2), 179–198.
[8] Muhammad Zainul Abidin, et.al. (2020). Tax Incentive Policy for Geothermal Development: A Comparative Analysis in ASEAN. *Journal of Renewable Energy Development*, 9(1), 53–62
[9] Firman Hidranto. 2023. Asyik! Buka Usaha di IKN Dapat Insentif Pajak, Ini Ketentuannya. Cited July 17, 2024, From https://indonesia.go.id/kategori/indonesia-dalam-angka/6976/asyik-buka-usaha-di-ikn-dapat-insentif-pajak-ini-ketentuannya?lang=1
[10] Siti Rohani, et.al (2023). The Dynamics of Investment in the New Capital City (IKN) on the Use of Customary Land Rights (Hak Ulayat) in Legal Perspective. *In 3rd Borneo International Conference on Islamic Higher Education (BICIHE*), 1 (1) 414-419
[11] Nina Susilo, et.al. 2023. Ketika Para CEO Datang ke IKN. Cited July 17, 2024, From https://www.kompas.id/baca/ekonomi/2023/11/02/menebar-optimisme-dari-kantor-presiden-nusantara
[12] Alfirza D.A Ichwani, (2023). Foreign Direct Investment Sebagai Salah Satu Sumber Pendanaan Dalam Pembangunan Ibu Kota Nusantara. *Madani: Jurnal Ilmiah Multidisiplin*, 1(5). 1-13
[13] Agung S. Winata. (2018). Perlindungan Investor Asing Dalam Kegiatan Penanaman Modal Asing Dan Implikasinya Terhadap Negara*. Ajudikasi: Jurnal Ilmu Hukum*, 2(2), 127-136.

agreements between foreign and Indonesian parties that serve as investment protection. Second, law enforcement officials are considered less able to reduce labor demonstrations that lead to anarchism. Third, foreign investors are often targeted by government officials both at the center and in the regions for money-related matters. Fourth, legal protection is inadequate because there are often horizontal conflicts between central departments and vertical conflicts between central and local governments related to investment policies. Fifth, laws and regulations in the field of investment cannot protect investors because the implementation is not as beautiful as written in the rules.[14]

The ability of the government to uphold the law and assure security is the most powerful inducement to draw in foreign investment, according to James S. Kallman, President and Director of Grant Thornton Indonesia (GTI), aside from tax breaks. Deviating from the aforementioned facts, the researcher believes that the purpose of the study on the legal ramifications of tax incentives for enhancing the investment climate in IKN is to examine the potential impact of tax incentive policies on the enhancement of the investment climate in the Archipelago's capital city, as well as the implications for investors. The legal protections for those who invest in the IKN and receive tax advantages are also discussed.

METHOD

This study employs a method called normative juridical research, which involves reviewing library resources pertaining to the issues under investigation. The normative juridical method is predicated on extant legislation or rules. Research on legal products is the statutory approach that is used in this study. Secondary data sources are always the main focus of normative legal study.[15]

Laws and regulations, specifically Law Number 25 of 2007 concerning Investment, Law Number 3 of 2022 concerning the National Capital City, Government Regulation Number 17 of 2022 concerning Funding and Budget Management in the Framework of Preparation, Development, and Relocation of the National Capital City as well as the Implementation of the Special Regional Government of the Capital City of the Archipelago, 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, and Minister of Finance Regulation Number 130/PMK.010/2020 concerning Provision of Corporate Income Tax Reduction Facilities are some examples of secondary data used in this study. References to secondary legal sources include books and the results of earlier research.[16] Data analysis techniques used in the preparation of this research, namely qualitative analysis techniques.

RESULT AND DISCUSSION

Tax Incentive Policies in Promoting the Investment Climate in IKN and its Legal Implications for Investors

Until now, some investors still express doubts about investing in the Capital City of the Archipelago (IKN). According to information from the Indonesian Employers Association (Apindo), Some entrepreneurs are still rethinking or waiting and seeing before investing in the construction of the new State Capital in Penajam Paser Utara, East Kalimantan. The investors are still calculating the profit and loss especially with the difficult economic conditions, some investors also question if investing in IKN can be profitable

[14] Ahmad R. Fachrurazi. (2023). Legal Protection for Foreign Investors in Investing Capital in the National Capital City. *Andalas Law Journal*, 8(2), 51-66.
[15] Jonaedi Efendi. (2018). *Metode Penelitian Hukum: Normatif dan Empiris,* Jakarta: Prenada Media, 149
[16] Ajat Rukta. (2018). *Pendekatan Penelitian Kualitatif (Qualitative Research Approach*). Jakarta: Deepublish. 21

Sarman Simanjorang stated that the interest of domestic entrepreneurs in investing in IKN is actually high, but some of these entrepreneurs are unsure whether to immediately realize it in the form of investment commitments. This information was obtained from the Deputy Chairman of the Indonesian Chamber of Commerce and Industry (Kadin). Regarding the future, the government reassured investors that they didn't have to worry because they were preparing a number of incentives, including the creation of laws and regulations pertaining to tax incentives, to pique the interest and appeal of entrepreneurs planning to invest in IKN.[17]

As for its development until the end of 2023, the Government of the Capital City of the Archipelago (IKN) noted that private investment in the entertainment sector in IKN had reached IDR 20 trillion and almost covered a quarter of the total funds needed for private development in the region. Agung Wicaksono, Deputy for Funding and Investment at the IKN Authority, explained that the investment is mostly related to entertainment, hotels and related facilities, including the development of green open spaces.[18]

The IKN government has received 270 investment interests from potential investors from both within and outside Indonesia, in the form of letters of intent (LOI) and most of the investment interests are from domestic companies. Tax incentives are a form of incentive to reduce or eliminate tax burdens with the aim of attracting investors to invest in certain projects or business sectors.[19]

Tax incentives are the most preferred form of incentives used by nations to entice foreign investors to place money there; in fact, nearly 80% of nations provide these incentives, according to UNCTAD's World Investment Report 2023: International Tax Reforms and Sustainable Investment.[20] These tax incentives are offered by nations to investors for a variety of reasons, including the following: 1) they are simpler to administer than labor and infrastructure deficiencies, which take time to fix; 2) they don't require the expenditure of public funds or cash subsidies to investors; and 3) they are more politically acceptable than providing funds to investors, particularly in those nations where spending public funds requires parliamentary approval.

The Investment Law's Article 18 Paragraph 4 describes a number of tax advantages, including the following: 1) income tax through a reduction of net income up to a specific level against the amount invested within a specific amount of time; 2) Import duties on capital goods, machinery, or equipment that cannot be produced domestically are exempted or relieved; 3) Raw materials and supporting materials for production purposes are exempted or relieved from import duties for a set amount of time and subject to certain requirements; 4) the removal or suspension of value-added tax on the importation of products, machinery, or equipment for manufacturing that, for a set amount of time, cannot be produced domestically; 5) land and building tax relief, especially for certain business fields, in certain areas or regions.

Exemption or reduction of corporate income tax in a certain amount and time can only be given to investments that are industrial pioneers, namely industries that have broad linkages, provide added value, and have strategic value for the national economy as stipulated in Article 18 paragraph (5) of the Investment Law. In addition, the facilities also provided by the government to investors are tax allowances. Tax allowance is regulated in Investment Coordinating Board Regulation Number 4 of 2021 concerning Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities, for

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[17] Putri Sari & Siti Maysarah. (2024). Foreign Direct Investment in Indonesia: Economic Growth IKN. *Ilomata International Journal of Tax and Accounting,* 5(2), 503-518.

[18] Robert Adhi KSP. (2023). *Membangun Indonesia Melalui Industri Properti.* Jakarta: Pustaka KSP Kreatif. 21

[19] Hadining Kusumastuti & Adiza Fatin (2023). The Effectiveness of Tax Holiday as a Tax Incentive in Increasing Domestic Investment in the National Capital City (IKN*). In The 6th International Conference on Vocational Education Applied Science and Technology (ICVEAST 2023), 78 (3).* 485-500

UNCTAD. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All.* Swiss: UN Press, 194

[20] UNCTAD. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All.* Swiss: UN Press, 194

business actors who have a Business Identification Number (NIB), standard certificate, and/or license, they can obtain investment facilities.[21]

Article 66 paragraph (2) of BKPM Regulation Number 4 of 2021 outlines the following investment facilities: a) zero import duties; b) income tax for investments made in specific business fields and/or in specific regions; c) corporate income tax reduction; d) corporate income tax reduction and income tax facilities for investments made in specific business fields and/or in specific regions in special economic zones (KEK); e) reduction of gross income for specific research and development activities in Indonesia; f) reduction of net income for new investment or business expansion in specific business fields.

"In the context of preparation, construction, relocation of the National Capital, development of the Archipelago Capital and / or partner regions and / or implementation of the special regional government of the Archipelago Capital, fiscal facilities / incentives can be provided in accordance with the provisions of laws and regulations in the field of taxation," states Article 188 of Government Regulation Number 17 of 2022 concerning Funding and Budget Management in the Framework of Preparation, Development, and Relocation of the National Capital and Implementation of the Special Regional Government of the Archipelago Capital.

According to the explanation in the same article, fiscal facilities and incentives include: a) tax facilities provided by the central government in accordance with tax laws and regulations concerning the establishment, development, and relocation of the National Capital City; and b) special tax incentives or facilities for IKN in accordance with tax laws and regulations concerning regional taxes and regional retributions, particularly in relation to the implementation of the Nusantara Capital City's special regional government.[22]

The government then issued Minister of Finance Regulation Number 130 / PMK.010/2020 concerning Provision of Corporate Income Tax Reduction Facilities, specifically Article 2, to give investors who wish to invest in the IKN area more legal certainty. This regulation states that corporate taxpayers who make new investments in pioneer industries can obtain a reduction in corporate income tax on income received or obtained from the main business activities carried out. The industries that are trailblazers are:

a. Basic metal industry; steel and non-steel;
b. Oil and gas refining or refining industry;
c. Organic basic chemical industry sourced from petroleum, natural gas, and/or coal;
d. Organic basic chemical industry sourced from agricultural, plantation or forestry products;
e. Inorganic basic chemical industry;
f. Pharmaceutical main raw material industry;
g. Irradiation, electromedical equipment manufacturing industry;
h. Manufacturing industry of main components of electronic equipment. Manufacture of major components of electronic or telematics equipment;
i. Manufacture of machinery and major components of machinery;
j. Manufacture of robotic components;
k. Manufacture of major components of power generation machinery;
l. Manufacture of motor vehicles and major components of motor vehicles;
m. Manufacture of major components of ships;
n. Manufacture of major components of trains;
o. Manufacture of major components of aircraft;
p. Economic infrastructure.

[21] Rotua A. Siregar & Arianto Patunru (2021). The Impact of Tax Incentives on Foreign Direct Investment in Indonesia. *Journal of Accounting Auditing and Business,* 4(1), 66-80.
[22] Julia M. Lau, et.al. (2023). *The Road to Nusantara: Process, Challenges and Opportunities*, Singapore: ISEAS Publishing, 125.

Investors basically look at 2 (two) main things when evaluating a country as an investment destination. First, they look at the country because of dominant factors or comparative advantages such as market potential, access to raw materials or natural resources, geographical location and availability of labor. Second, then investors look at the incentives, facilities and conveniences offered by the country.[23]

In line with this opinion, Steven Clark explains that an important factor in attracting investors is to look at market potential or market size, income level and purchasing power, labor skill level, availability of infrastructure and other resources that facilitate production efficiency, trade policies, political stability and macroeconomics of the recipient country.

However, the incentives offered by the country are not the same as those offered by the government, However, tax incentives offered by the government are also one of the attractions for investors to be interested in investing their capital.[24] In addition to attracting investors by providing tax facilities, the Indonesian government also needs to pay attention to other aspects, because based on data from the World Economic Forum entitled "The Global Competitiveness Report 2017-2018" one of the inhibiting factors in making investments is due to a large amount of corruption and inefficiency of the government bureaucracy, so that in addition to providing tax facilities to investors, the government also needs to improve the quality of government including bureaucracy, political stability, regulatory quality, law enforcement, and prevention and handling of corruption so that investor interest in investing in IKN increases.[25]

In addition to the problem of corruption and government bureaucracy, the factor that needs to be considered then is the problem of infrastructure, Chief Economist of Samudra Indonesia Research and Initiatives (SIRI) Denny Irawan said that there are 3 (three) challenges related to infrastructure in the process of moving the capital city of Jakarta to IKN, first access to intra-IKN land routes, second, access to supporting needs such as clean water, port aspects, and connecting lines with other regions, and third the development of industrial estates, especially manufacturing.

Therefore, although the tax incentive policy is not the only way to attract investors to invest in IKN, the government's efforts in providing tax incentives to investors are expected to strengthen the investment climate in IKN and can provide legal certainty for investors, however, it is still necessary to carry out strict supervision so that the provision of incentives is not misused so that it can cause losses to the state.

Legal Protection for Investors Receiving Tax Incentives in IKN

Legal protection can be understood as the ability granted by the law to behave in a way that serves an individual's interests.[26] It is explained that there are two types of legal protection offered by the state: preventative (prohibited) and punitive (sanctioned), based on the expose of R. La Porta in his article published in the Journal of Financial Economics.

As for now, Indonesia is one of the countries that has not become the main destination for investors to invest their capital, this is due to the many investment obstacles encountered by investors before deciding to invest in Indonesia.[27] Investors basically always prioritize legal certainty and business certainty before investing their capital. Law is an important factor related to legal protection provided by the state.

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[23] Mas Rahmah (2020). *Hukum Investasi* (Cetakan ke-1). Jakarta: Penerbit Kencana, 31

[24] Sebastian Eichfelder, et.al. (2023). Do tax incentives affect investment quality? *Journal of Corporate Finance*, *80*, 102-113.

[25] Praditya Editha, et.al. (2023). Nusantara Capital City (IKN): Threats and Defense Strategies for Indonesia's New Capital. *Journal of Indonesia Sustainable Development Planning*, 4(1), 21-34.

[26] Satjipto Rahardjo (2000). *Ilmu Hukum.* Jakarta: PT. Citra Aditya Bakti, 18

[27] Raynard K, Bonanio. 2023. Investor IKN Menunggu Kepastian. Cited July 17, 2024, From https://www.kompas.id/baca/ekonomi/2023/04/10/investor-ikn-menunggu-kepastian

Basically, the government has an obligation to offer business confidence and security for the implementation of investment, especially IKN, by regulating the authority of the central government, the authority of the provincial government, and the authority of the IKN authoritative body. This legal certainty includes the provisions of laws and regulations which in many cases are unclear and even contradictory and these obstacles are often faced by developing countries that invite foreign and domestic investors to help their economic growth.[28]

According to Hulman Panjaitan, one of the elements that can impact the investment climate is the legal aspect, which has to do with the government's protections.[29] In terms of the legal protection compiled by the OECD Committee of Fiscal Affairs Forum on Tax Administration, which includes: 1) the right to be informed, assisted, and heard; 2) the right to appeal; 3) the right to pay no more than the correct amount of tax; 4) the right to certainty; 5) the right of privacy; and 6) the right of confidentiality and secrecy, investors are among the subjects who receive legal protection as both taxpayers and recipients of tax incentives.

The right to information, support, and a hearing on complaints is known as the right to be informed, assisted, and heard. It is intended to help taxpayers who obtain tax benefits, such as investors, fulfill their tax obligations and be properly educated about their rights. The right of appeal allows taxpayers and investors to lawfully contest any decision that tax authorities make, although this is accomplished through court-room litigation.[30]

The right to pay no more than the correct amount of tax, is the right of investors as taxpayers to pay taxes not exceeding what should be owed according to statutory provisions, the amount of tax to be paid by investors must be determined with certainty by statutory regulations. The right to certainty, is the investor's right to obtain legal certainty, certainty means that there is clarity of norms so that it can be used as a guide for investors who will invest in Indonesia. The right of privacy is where investors have the right not to be disturbed for privacy in doing business. The right of confidentiality and secrecy, means that the information available to the tax authorities regarding the tax affairs of investors is confidential, funds will only be used for purposes specified in the provisions of tax regulations.[31]

Government Regulation Number 12 of 2023 regarding the Provision of Business Licensing, Ease of Doing Business, and Investment Facilities for Business Actors in the Capital City of the Archipelago also regulates legal protection to investors in this case as recipients of tax incentives. Article 7 of the PP states that business actors who will start and carry out business activities in the Capital City of the Archipelago and partner regions must meet the basic requirements of business licensing and business licensing including:

a. Suitability of space utilization activities;
b. Environmental approval;
c. Building approval and certificate of function.

Article 56 explains that domestic taxpayers, excluding permanent establishments, who make capital investments in the Capital City of the Archipelago with a value of less than IDR 10 billion and meet certain requirements can be subject to final income tax at a rate of 0%. These requirements include: a) residing or having a domicile and/or having a branch in the Capital City of the Archipelago; b) conducting business activities in the Capital City of the Archipelago; and c) has filed an application to use the final income tax facility; d) has invested in the Capital City of the Archipelago and has micro, small, and medium business

[28] Fetrus dan Aturkian Laia. (2023). *Robohnya Kemanfaatan Kepastian Keadilan pada Penegakan Hukum di Indonesia.* Jakarta: CV Jejak (Jejak Publisher), 57

[29] Hulman Panjaitan. (2003). *Hukum Penanaman Modal Asing*. Jakarta: Ind-Hill Co., 44

[30] Herlina Manik, et.al (2024). Is it Possible to Appeal the Recommendations of the Indonesian National Arbitration Board in Efforts to Achieve Justice. *Jurispro Law Review*, 1(1). 1-6

[31] Sri Wahyuni & Ssiwo H. Sumantri, (2023). Taxation Policy in Indonesia: Dilemma Between Revenue Targets with Self Assessment Systems (A Study of the Implementation of the Minister of Finance Regulation on Access to Tax Information at the East Java DGT Regional Tax Office). *Croatian International Relations Review,* 29(94). 17-53

qualifications issued by the competent authority; e) is registered as a taxpayer at the tax service office whose working area covers the Capital City of the Archipelago or has a tax identity at the place of business activities located in the Capital City of the Archipelago.

Therefore, in order for investors to get legal protection and obtain tax incentive rights, they must fulfill the conditions stipulated in Government Regulation Number 12 Year 2023. Overall, the author argues that legal protection for investors who are recipients of tax incentives in the development of the Archipelago's Capital City is important to ensure that investments are safe, transparent, and protected from risks that may occur. With clear regulations and laws and regulations, of course investors will feel safe and confident to invest in IKN, so that the future development of IKN can be realized in accordance with what is aspired to.

CLOSING

Tax incentive policies can be an important factor in influencing the strengthening of the investment climate in the Capital City of the Archipelago. Providing the right tax incentives to investors can encourage investors to invest in the Capital City of the Archipelago. However, the availability of tax relief is one of the factors that encourage investors to invest in IKN, because there are still other factors that need to be considered by the government to attract investors, namely bureaucratic factors, prevention and handling of corruption, and labor issues.

Investors who receive tax incentives must also receive adequate legal protection, especially in the areas of legal certainty, supervision, and law enforcement as the author concludes in the discussion on the legal protection of investors. In order for investments made in the Capital of the Archipelago to run smoothly and have a positive impact on its development, the author recommends that the Indonesian government ensure that existing laws and regulations related to investor protection are clear and can be implemented effectively to protect the rights of investors as recipients of tax incentives in investing in the Capital of the Archipelago.

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