ABSTRAC

One of the government's policies in increasing foreign investment (PMA) is to provide tax incentives in the form of tax exemptions within a predetermined period or commonly referred to as a tax holiday. Initially in Indonesia, investment was needed to increase economic growth and development of the country, especially foreign investment. The greater the competition in other developing countries in attracting foreign investors, the more important the government's national economic policy is.

However, even though the Tax Holiday policy has been issued, it is considered less than optimal in increasing foreign investment in Indonesia. This study aims to determine the effect of tax holidays, inflation, and exchange rates on FDI in Indonesia from 2000 to 2019 using statistical data obtained from the relevant agencies. The research method used is the Autoregressive Distributed Lag Model (ARDL) in order to determine the effect in the long and short term.

Based on the results of the research conducted, it shows that in the short and long term the tax holiday variable does not significantly affect FDI in Indonesia because the tax holiday is not the main determinant of investors in investing their capital so that it can be interpreted that the provision of tax holidays is less effective in increasing FDI in Indonesia. Then inflation and exchange rates do not significantly affect FDI in Indonesia in the short term, but significantly affect FDI in the long term.

Keywords: Tax Holiday, PDB, Inflation, Exchange Rate, Tax Incentive, FDI, ARDL