MINISTRY OF INVESTMENT/
INDONESIA INVESTMENT COORDINATING BOARD

INDONESIA INVESTMENT GUIDEBOOK

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FOREWORD

Foreign investment continues to play an important role in Indonesia's economy growth. For this purpose, Indonesia is committed to improve competitiveness and investment climate for foreign investment.

The Job Creation Law, a comprehensive law that governs and amends many provisions in various sectors, was signed by President Joko Widodo on 2 November 2020. It aims to carry out structural reforms and accelerate economic transformation. Some of the structural reforms include the ease of business licensing procedures, better environmental protection, and changes to existing labor regulations.

To implement the Job Creation Law, Indonesian Government has launched a risk-based online single submission (OSS RBA) system for business licensing. The OSS RBA integrates various government institutions' systems, and provides comprehensive information about various policies and requirements set out for business, including the maximum foreign ownership of relevant business, the required procedures, as well as the estimated timeline for the license application process, which eventually leading to improved transparency. The Government also aims to bring a positive image for inviting foreign investors with the new "Priority Investment List". The New Investment List significantly reduces the number of wholly closed sectors to any forms of investment (foreign or local) and those that are either totally closed or partially open to foreign equity investment which will encourage more foreign direct investment in Indonesia to create jobs.

Against this backdrop, the Ministry of Investment/Investment Coordinating Board (BKPM) took the initiative to publish "Indonesia Investment Guidebook". This book demonstrates our effort to continue assisting investors in establishing business in Indonesia. We hope that you will find this guidebook both useful, informative, and serve as a guidance for investors to have a better understanding on investing and doing business in Indonesia.

Finally, I am honored to invite you to explore the opportunities Indonesia offers for your future business. The Ministry of Investment/BKPM are more than happy to facilitate your interests.

December 2021
H.E. Bahlil Lahadalia
Minister of Investment/Chairman of Investment Coordinating Board

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INDONESIA AT A GLANCE

1. ECONOMIC AND POLITICAL OVERVIEW

1.1 Economic Overview

Indonesia is the largest economy in Southeast Asia, the world's 10th largest economy in terms of purchasing power parity, and a member of the G-20. Indonesia assumes G20 Presidency in 2022, and will adopt the theme 'Recover Together, Recover Stronger' to encourage joint efforts for world economic recovery. Inclusive, people-centered, environmentally friendly, and sustainable growth is the main commitment of Indonesia as the Chair of G20. Due to the COVID-19 pandemic, Indonesia registered negative GDP growth in 2020 for the first time since 1998, going from +5% in 2019 to -2.1%. The key drivers of the economy are private domestic consumption - stimulated by its huge market with a growing middle class of nearly 70 million people (55% of GDP).

Indonesia's economy grew for the first time in five quarters in the April-June period of 2021, recording its strongest expansion in more than a decade. Indonesia's real gross domestic product rose 7.07% in the second quarter from a year earlier. According to the IMF's April 2021 forecast, growth is expected to return in full force to 4.3% in 2021 before stabilising at 5.8% in 2022, subject to the post-pandemic global economy recovery.

Figure 1. Indonesia's Key Economic Outlook Indicators

Main Indicators	2018	2019	2020 (e)	2021 (e)	2022 (e)
GDP *(billions USD)*	1	1	1	1	1
GDP *(Constant Prices, Annual % Change)*	5.2	5.0	-2.1	4.3	5.8
GDP per Capita *(USD)*	3.9	4.2	3.9	4.3	4.6
General Government Balance *(in % of GDP)*	-1.7	-2.2	-4.7	-5.1	-3.9
General Government Gross Debt *(in % of GDP)*	30.1	30.6	36.6	41.4	42.8
Inflation Rate *(%)*	3.3	2.8	2.0	2.0	3.1
Unemployment Rate *(% of the Labour Force)*	5.3	5.3	7.1	6.5	5.8
Current Account *(billions USD)*	-30.6	-30.3	-4.7	-15.1	-18.2
Current Account *(in % of GDP)*	-2.9	-2.7	-0.4	-1.3	-1.4

SOURCE: IMF – WORLD ECONOMIC OUTLOOK DATABASE, APRIL 2021
NOTE: (E) ESTIMATED DATA

The Job Creation Law was passed and signed into law in October 2020, and reform labour, taxes, and other important laws in order to reduce bureaucracy and stimulate investment in a post-pandemic economy. Under the Job Creation Law, 79 laws have been revised through one law governing various sectors. This law consists of 15 chapters and 186 articles in which it regulates 11 clusters from employment to environment. Following the Constitutional Court's ruling Number 91/PUU-XVIII/2020 dated 25 November 2021, the Omnibus Law on Job Creation still prevails. All substantial provisions in the Law and its implementing regulations remain in effects. Domestic and foreign investors have nothing to worry about as the Government of Indonesia will revise the law accordingly within two years.

Moreover, to respond to the COVID-19 crisis, the government implemented emergency fiscal packages equivalent to 3.8% of GDP (actual spending) in 2020 and to 4.2% of GDP in 2021, to deal with the health impact, provide relief to households and firms, and support the vaccine roll-out, and the recovery.

Indonesia Vision 2045

With an average growth target of 5.7% per year, Indonesia is targeting to become a high-income country by 2036 and the world's fifth-largest economy by 2045. This high growth would gradually increase the middle-income class to about 70% of Indonesia's population by 2045. To that end, strengthening the process of economic transformation to achieve the development goals of 2045 has become the focus in the context of achieving sustainable infrastructure, high human development, and better public services and welfare standards.

Figure 2. Economic Growth Scenario in Indonesia's Vision 2045

1986-2015	Indicators	Scenario 2016-2045**	
		Basic	High
5,1	**Economic Growth** (billions USD)	5.1	5.7
16	**World GDP ranking***	7	5
3.378	**GDP per Capita (USD)***	19,794	23,199
	Year of acceding to high-income country status	2038	2036
32,8	**Contribution of Investment***	33.1	38.1
21,1	**Contribution of Industry***	22.5	26
13,5	**Contribution of Industry***	7.8	7.4

SOURCE: THE MINISTRY OF NATIONAL DEVELOPMENT PLANNING/NATIONAL DEVELOPMENT PLANNING AGENCY (BAPPENAS), 2019.

NOTES: * END OF THE PERIOD, PERCENTAGE OF GDP.
** BASIC: LOW GLOBAL ECONOMIC GROWTH AND STRUCTURAL REFORM ARE RUNNING AS BUSINESS AS USUAL.
HIGH: STRUCTURAL REFORMS GO AS EXPECTED AND RELATIVELY HIGH GLOBAL ECONOMY ECONOMIC GROWTH.

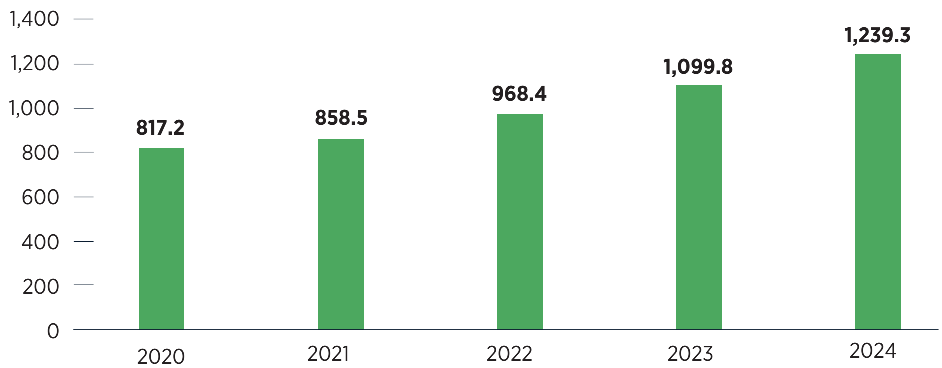
Investment Needs

To achieve the economic growth rate of 5.7-6%, an investment of IDR 35,212.4 trillion - IDR 35,455.6 trillion is needed for the 2020-2024 period. To meet these needs, the government, and state-owned enterprises (BUMN) will contribute 8.4-10.1% and 8.5-8.8% respectively, whereas the rest will be covered by the public and/or private sector.

The total realization of Indonesia's direct investment in 2015-2019 was IDR 3,381.9 trillion. The government targets IDR 4,983.2 trillion in 2020-2024 to achieve 6% economic growth. Even though the national economic condition experienced economic contraction due to the COVID-19 pandemic, the 2020's investment realization target of IDR 817.2 trillion has been surpassed by approximately IDR 9 trillion with Domestic Direct Investment (DDI) contribution higher than Foreign Direct Investment (FDI). DDI has become the locomotive of investment realization within the COVID-19 period and Ministry of Investment/BKPM provide equal assistance towards both DDI and FDI, as shown by the last five years.

Figure 3. Investment Target

(In IDR Trillion)



SOURCE: BKPM STRATEGIC PLAN 2020-2024

NOTE: A MANDATE FROM PRESIDENT JOKO WIDODO TO INCREASE INVESTMENT REALIZATION OF IDR1,200 TRILLION IN 2022 AND IDR900 TRILLION IN 2021 FROM THE EXISTING TARGET.

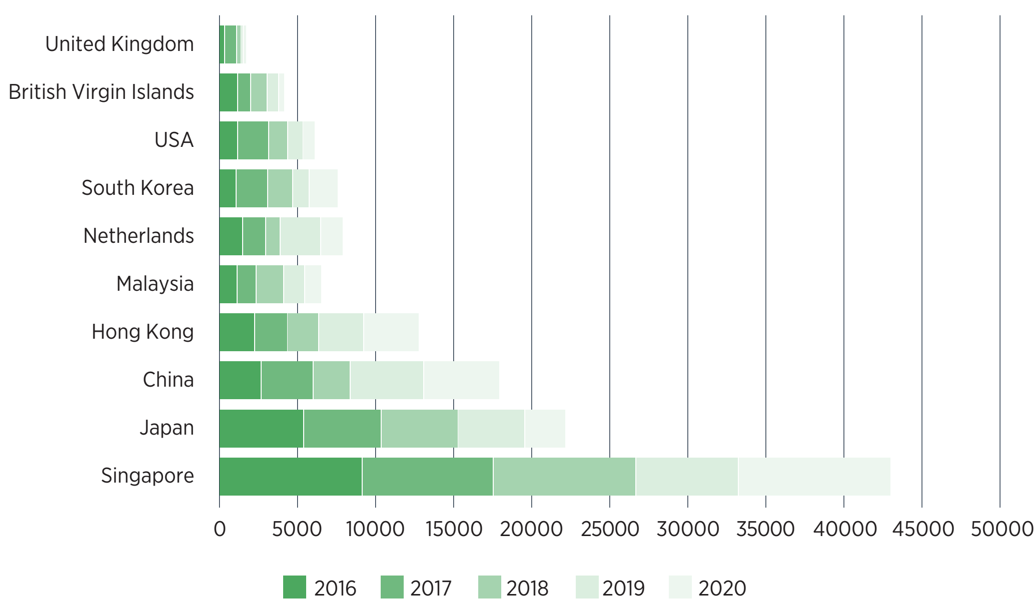
Indonesia is still an attractive destination for foreign investors. At the end of 2020, foreign direct investment amounted to approximately IDR 412.8 trillion (USD 28.67 billion).

Figure 4. FDI Trend 2016-2020 by Sector
(IN USD BILLION, EXCL. UPSTREAM OIL, GAS, AND FINANCIAL SECTORS)

Sector	2016	2017	2018	2019	2020
Manufacturing	16.7	13.1	10.4	9.5	13.2
Services	7.8	13	14.1	15.4	12.2
Mining	2.7	4.4	3.1	2.3	2
Food Crops and Plantation	1.6	1.4	1.7	0.9	1.2
Livestock	0.05	0.2			
Forestry	0.08	0.05	0.04	0.04	0
Fishery	0.04	0.1	0.02	0.1	0

SOURCE: MINISTRY OF INVESTMENT/BKPM

Figure 5. Top 10 FDI 2016-2020 by Country of Origin
(IN USD MILLION, EXCL. UPSTREAM OIL, GAS, AND FINANCIAL SECTORS)



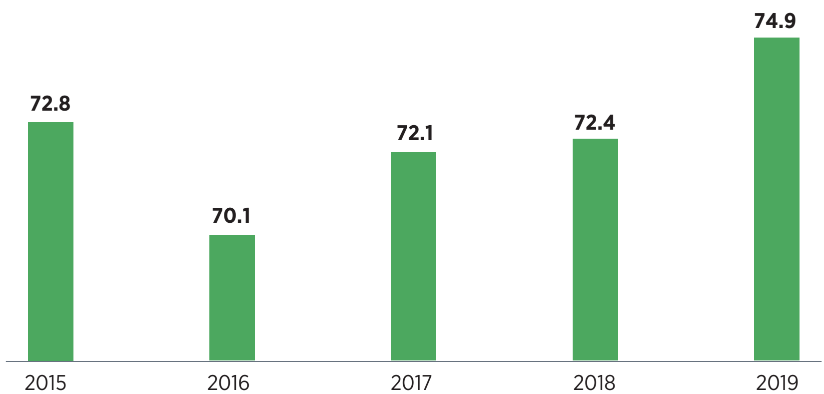
SOURCE: MINISTRY OF INVESTMENT/BKPM

1.2 Political Overview

The politics of Indonesia take place in the framework of a presidential representative democratic republic whereby the President of Indonesia is both head of state and head of government and of a multi-party system. Executive power is exercised by the government. Legislative power is vested in both the government and the bicameral People's Consultative Assembly. The judiciary is independent of the executive and the legislature.

Having maintained political stability, Indonesia is one of East Asia Pacific's most vibrant democracies. As the third largest democracy in the world, Indonesia continues to uphold the values of democracy and Pancasila. To maintain it, the Government of Indonesia measures the Indonesian Democracy Index (IDI). Indonesia scored 74.9 points out of 100 in the 2019 democracy index, up by 2.53 points from the previous year, categorized as "fair".

Figure 6. Indonesia Democracy Index 2015-2019



SOURCE: STATISTICS INDONESIA (BPS)

2. INVESTMENT CLIMATE

The Indonesian government continues to strive to create economic stability and an attractive investment climate for investors. This effort has received international recognition. Based on the ranking results of three international rating agencies, Indonesia is categorized as an investment-worthy country.

According to Fitch Ratings, Indonesia's sovereign credit rating is 'BBB' with a stable outlook. The key factors that support Indonesia's rating affirmation are its good medium-term economic growth prospects and its low debt burden. In its assessment, Fitch projects that Indonesia's economic growth will gradually recover from negative growth due to the COVID-19 pandemic. In 2021, economic growth is projected to be 5.3%, then it will increase to 6% in 2022.

The economic recovery will be driven by fiscal and export stimulus supported by improvement in commodity prices. It is also supported by infrastructure development and handling of the pandemic through the acceleration of the vaccination program. Rating agency Moody's gave the category 'Baa' with a stable outlook. This refers to Indonesia's credit profile which is supported by its large economy, low fiscal deficit, and modest debt burden.

Meanwhile Standard and Poor's (S&P Global) maintained the BBB level with a negative outlook. This means that Indonesia's economic growth prospects are strong with a track record of prudent policies adopted by the authorities.

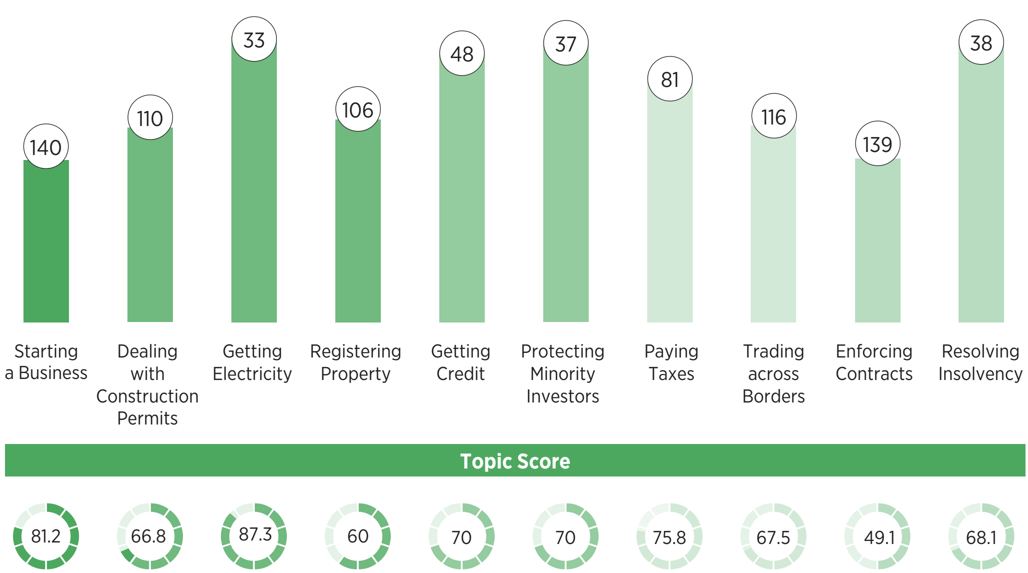
Figure 7. Indonesia's Sovereign Credit Rating

Rating Agency	Rate	Outlook
Fitch	BBB *(as of March 2021)*	Stable
Moody's	Baa2 *(as of February 2020)*	Stable
S&P Global	BBB *(as of April 2021)*	Negative

According to IMD's World Competitiveness Center, Indonesia improved its overall competitiveness ranking by 3 positions (from 40 to 37) in 2021 thanks to its improvements in business efficiency, economic performance, government efficiency, and an increase in business confidence among Indonesian executives.

In the last five years, Indonesia has also managed to improve the World Bank's ease of doing business (EODB) rating, from 106th in 2016 to 73rd in 2020. In 2020, ease of doing business for Indonesia was 69.6 score. Ease of doing business of Indonesia increased from 62.1 score in 2016 to 69.6 score in 2020, means that the government continuously and consistently reforming the business and investment climate to support the economic growth.

Figure 8. Ranking Ease of Doing Business Indonesia DB 2020 Report



SOURCE: DOING BUSINESS REPORT INDONESIA 2020

Going forward, even though the Doing Business Report has been discontinued by the World Bank, the Government of Indonesia remains focusing on structural reform by creating better business and investment regulations that refers to international best practice and focusing on systems reform by implementing Online Single Submission System with the Risk Based Approach.

3. INVESTMENT OPPORTUNITIES

3.1 Strategic Priority Projects (Major Projects)

To implement the 2020-2024 RPJMN (National Medium Term Development Plan), the Strategic Priority Projects (or Major Projects) were formulated. In the 2020-2024 RPJMN, there are 41 planned Major Projects with clear and detailed information containing all the targets, locations, and the implementing agencies. These projects have high strategic value and leverage to achieve priority development goals. Through BKPM Strategic Plan 2020-2024, The Ministry of Investment/BKPM are supporting in increasing investment realization, specifically in three major projects in Figure 9.

Figure 9. List of Strategic Priority Projects (Major Projects)

No	Major Projects	Projects Benefits	Funding Indications (in IDR trillion)	Implementing Agencies
1	**Industry 4.0 in 5 Priority Sub-Sectors:** Food and beverages, textile, apparel, automotive, electronics, chemicals, and pharmaceuticals	Increase industry's share in total GDP to 21%	**245.8** State budget (APBN): 13 BUMN: 125.9 Private: 106.9	Among others: Ministry of Industry, Ministry of Trade, business entities (BUMN/private)
2	**10 Priority Tourist Destinations:** Lake Toba, Borobudur, Lombok-Mandalika, Labuan Bajo, Manado-Likupang, Wakatobi, Raja Ampat, Bromo-Tengger-Semeru, Bangka Belitung, and Morotai	• Increase foreign exchange earnings in the tourism sector to US$30 billion by 2024 • Increase the number of tourist trips to 350-400 million, and foreign tourists to 22.3 million arrivals	**161** (APBN, public private partnership project/KPBU, BUMN, and private sector)	Among others: Ministry of Tourism and Creative Economy, Ministry of Public Works and Housing, local governments, business entities (BUMN/private)
3	**9 Industrial Estates outside Java and 31 smelters**	Industrialization outside Java; able to achieve economic growth targets outside Java	**317.4** APBN: 15.7 BUMN: 111.4 Private: 176 KPBU: 14.3	Among others: Ministry of Energy and Mineral Resources, Ministry of Industry, local governments, business entities (BUMN/private)

SOURCE: THE NATIONAL MEDIUM TERM DEVELOPMENT PLAN (RPJMN) 2020-2024

3.2 Priority Sectors

6 (six) priority sectors have been set for investment, namely labor-intensive export-oriented industries, renewable energy, infrastructure and mining industry, which can create more jobs and improve human capital and infrastructure development in the middle of COVID-19 pandemic.

Mining Industry
which will create added value

Infrastructure

Renewable Energy

Labour-Intenstive Manufacturing

- Pharmaceutical and Medical Devices Industry
- Automotive Industry
- Electronic Industry

3.3 Economic Zone as Strategic Investment Location

In recent years, the Government has developed economic zones in order to boost economic development throughout the region. In Law No. 3 Year 2014 on Industry, as amended by Job Creation Law No. 11 Year 2020, and Government Regulation No. 28 Year 2021 on the Implementation on Manufacturing Sector, stated that any industrial company undertaking industrial activities must be located within Industrial Estates.

Indonesia has a number of investment locations which can be taken into consideration when choosing a location for investment in Indonesia, such as tax incentives, infrastructure and logistics, proximity to resources, labor costs and skill levels. Today, there are 19 Special Economic Zones (15 existing and 4 new), 118 Industrial Estates, 4 Free Trade Zones, 1,360 Bonded Zones, and 91 Bonded Logistic Center in 131 locations.

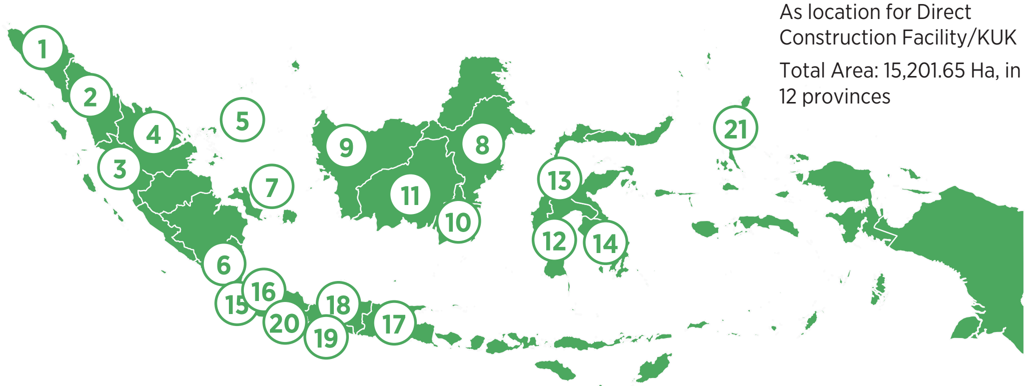
Indonesia Economic Zones

19 SEZs
(Special Economic Zones)
Total Area: 19,766.974 Ha

4 FTZs
(Free Trade Zones)
Total Area: 127,472 Ha

118 IEs
(Industrial Estate) large scale
Total Area: 51,861.64 Ha

48 IEs
As location for Direct Construction Facility/KUK
Total Area: 15,201.65 Ha, in 12 provinces



1,360 BZs
(Bonded Zones)

91 BLCs
(Bonded Logistic Centers)

10 New Bali
(Priority Tourism Destinations)

Industrial Estates
Indonesia focuses on its programs to localize investments into economic zones spreading across Indonesia’s islands. There are 118 industrial estates at present spread all across Indonesia comprising 70 industrial estates in Java, 33 industrial estates in Sumatra, 10 industrial estates in Kalimantan and 5 industrial estates in Sulawesi.

The Government of Indonesia has developed economic zones in order to boost economic development throughout the region.

Figure 10. List of Indonesia Industrial Estates

For detail location see the maps of Indonesia Economic Zone (page 15)

ACEH 1

Kawasan Industri Aceh Ladong

NORTH SUMATRA 2

- Kawasan Industri Medan
- Medan Star Industrial Estate

WEST SUMATRA 3

Padang Industrial Park

RIAU 4

- Kawasan Industri Tanjung Buton
- Kawasan Industri Tenayan
- Kawasan Industri Dumai

RIAU ISLANDS 5

- Bintan Inti Industrial Estate
- Kawasan Industri Wiraraja
- Batamindo Industrial Park
- Panbil Industrial Estate
- Bintang Industrial Park
- Latrade Industrial Park
- Puri Industrial Park 2000
- Tunas Industri Kabil
- Tunas Industrial Estate
- Union Industrial Park
- Kabil Integrated Industrial Park
- West Point Batam Industrial Park
- Executive Industrial Park
- Sarana Industrial Point
- Kawasan Industri Sekupang Makmur Abadi
- Cammo Industrial Park
- Citra Buana Industrial Park
- Hijrah Industrial Park
- Indah Industrial Park
- Kara Industrial Park
- Kawasan Industri Malindo Cipta Perkasa
- Mega Cipta Industrial Park
- Taiwan International Park

LAMPUNG 6

- Kawasan Industri Waylaga Bizpark
- Kawasan Industri Lampung

BANGKA BELITUNG ISLANDS 7

Kawasan Industri Sadai

EAST KALIMANTAN 8

- Kaltim Industrial Estate
- Kawasan Industri Kariangau

WEST KALIMANTAN 9

- Kawasan Industri Ketapang
- Kawasan Industri Ketapang Ecology and Agriculture Forestery

SOUTH KALIMANTAN 10

- Kawasan Industri Batulicin (APP)
- Kawasan Industri Batulicin (BCK)
- Kawasan Industri Batulicin (SCL)
- Kawasan Industri Batulicin (TSB)
- Kawasan Industri Batulicin (WCS)

CENTRAL KALIMANTAN 11

Kawasan Industri Surya Borneo

SOUTH SULAWESI 12

Kawasan Industri Makasar

CENTRAL SULAWESI 13

- Kawasan Industri Morowali
- Kawasan Industri Anugrah Tambang Indonesia
- Kawasan Industri Stardust Estate Investment

SOUTHEAST SULAWESI 14

Virtue Dragon Nickel Industrial Park

BANTEN 15

- Krakatau Industrial Estate Cilegon
- Kawasan Industri Panca Puri
- Kawasan Industri Nikomas Gemilang
- Modern Cikande Industrial Estate
- Kawasan Industri Terpadu MGM Cikande
- Sumber Bina Sukses
- Millenium Industrial Estate
- Kawasan Industri Pasar Kemis
- Kawasan Industri & Pergudangan Cikupamas
- Kawasan Industri Purati Kencana Alam
- Griya Idola Industrial Park
- Kawasan Industri Sumber Rezeki
- Kawasan Industri dan Pergudangan Taman Tekno BSD
- Kawasan Industri Terpadu Wilmar

DKI JAKARTA 16

- Jakarta Industrial Estate Pulogadung
- Kawasan Berikat Nusantara

EAST JAVA 17

- Kawasan Industri Gresik
- Maspion Industrial Estate
- Ngoro Industrial Park
- Surabaya Industrial Estate Rungkut
- Sidoarjo Industrial Estate Berbek
- Pasuruan Industrial Estate Rembang
- Kawasan Industri Safe N Lock
- Kawasan Industri Tuban
- Kawasan Industri SiRIE

CENTRAL JAVA 18

- Jawa Tengah Land Industrial Park Sayung
- Kawasan Industri Wijayakusuma
- Tanjung Emas Export Processing Zone
- BSB Industrial Park
- Kawasan Industri Terboyo Semarang

SPECIAL REGION OF YOGYAKARTA 19

Kawasan Industri Piyungan Creative Economy Park

WEST JAVA 20

- Kawasan Industri Marunda Center
- Kawasan Industr`i Terpadu Indonesia China
- Bekasi International Industrial Estate
- MM2100 Industrial Town BFIE
- MM2100 Industrial Town MMID
- Kawasan Industri Jababeka
- East Jakarta Industrial Park
- Kawasan Industri Gobel
- Greenland International Industrial Center (GIIC)
- Kawasan Industri Lippo Cikarang
- Cibinong Center Industrial Estate
- Kawasan Industri Sentul
- Kawasan Industri Bogorindo Sukabumi
- Pura Delta Industrial Estate
- Karawang Jabar Industrial Estate
- Kawasan Industri Indotaisei (Kota Bukit Indah)
- Kawasan Industri Kujang Cikampek
- Kawasan Industri Mitrakarawang
- Karawang International Industrial City
- Suryacipta Industrial Estate
- Karawang New Industrial City
- Mandalapratama Permai Industrial Estate
- Podomoro Industrial Park
- Kawasan Industri Artha Industrial Hill
- Kawasan Industri GT Tech Park
- Kawasan Industri Pertiwi Lestari
- Kota Bukit Indah Industrial City
- Kawasan Industri Lion
- Kawasan Industri Sumber Karja International (SKI)
- Kawasan Industri Multi Optima Sentosa (MOS)
- Kawasan Industri Subang Smartpolitan PT BAS
- Kawasan Industri Subang Smartpolitan PT SSI
- Kawasan Industri Subang Smartpolitan PT ABC
- Kawasan Industri Subang Smartpolitan PT JSU
- Kawasan Industri Rancaekek
- Kawasan Industri Kertajati Majalengka

NORTH MALUKU 21

- Kawasan Industri Weda Bay
- Kawasan Industri Emerald Ferrochromium Industry

Batang Integrated Industrial Park

In facilitating companies relocating to Indonesia, President Jokowi has given Instruction to prepare an Industrial Designated Area in Batang Regency covering an area of more than 4,000 Ha located on PTPN IX's land (Indonesia's State-Owned Plantation Company). Batang Integrated Industrial Park has series of excellence in terms of its strategic location due to high accessibility and connectivity, land conformity, competitive land price and built-in infrastructures. Moreover, labor wage in Central Java is still very competitive compared to other regions.

Batang Integrated Industrial Park: Regional Perspective

65 KM
from Tanjung Mas Seaport

4 hours
from Jakarta

50 KM
from Ahmad Yani International Airport

1 hour
from Semarang

Special Economic Zone (SEZ)

By definition, SEZ means an area with certain boundaries within the jurisdiction of the Republic of Indonesia which has been determined to carry out economic functions and obtain certain facilities. In order to complete the ecosystem within the SEZ, education and health sectors are now included in the scope of business activities that are allowed to operate in SEZ. Hence, the activities allowed within the SEZ encompass (a) production and manufacturing; (b) logistics and distribution; (c) technology development; (d) tourism; (e) education; (f) health; (g) energy; and other economic purposes as set by the National Economic Council. These activities will be implemented in accordance with the SEZ zoning plan. Currently there are 19 SEZ (4 new SEZ are number 16 to 20 below) with a total area of 19,766.974 Ha.

19 SEZ (15 SEZ + 4 New SEZ)

1 ARUN LHOKSEUMAWE SEZ
- North Aceh, Kota Lhokseumawe, Aceh (2,622.5 Ha)
- PT Patriot Nusantara Aceh
- *Export Processing, Logistic, Industry, Energy, and Tourism*
- Operating (14th Dec 2018)

2 SEI MANGKEI SEZ
- Simalungun, North Sumatra (2,022.8 Ha)
- PT KINRA (PTPN III)
- Industry, Logistic, and Tourism
- Operating (27th Jan 2015)

3 TANJUNG API-API SEZ
- Banyuasin, South Sumatra (2,030 Ha)
- PT Sriwijaya Mandiri Sumsel
- Industry, Logistic, Export Processing, and Energy
- Development Phase

4 MALOY BATUTA TRANS KALIMANTAN SEZ
- East Kutai, East Kalimantan (557.3 Ha)
- PT Maloy Batuta Trans Kalimantan
- Industry, Logistic, and Export Processing
- Operating (1st Apr 2019)

5 PALU SEZ
- Palu, Central Sulawesi (1,500 Ha)
- PT. Bangun Palu Sulawesi Tengah
- Industry, Logistic, and Export Processing
- Operating (27th Sep 2017)

Operating (12 SEZ)

Development Phase (7 SEZ)

Tourism SEZ (8 SEZ)

7 SEZ TANJUNG LESUNG
- Pandeglang, Banten (1,500 Ha)
- PT. Banten West Java TDC
- Tourism
- Operating (23rd Feb 2015)

6 BITUNG SEZ
- Bitung, North Sulawesi (534 Ha)
- PT. Membangun Sulut Hebat
- Industry, Logistic, and Export Processing
- Operating (1st Apr 2019)

8 GALANG BATANG SEZ
- Bintan, Islands Riau (2,333.6 ha)
- PT Bintan Alumina Indonesia
- Export Processing, Industry, Logistic, dan Energy
- Operating (8th Dec 2018)

9 TANJUNG KELAYANG SEZ
- Belitung, Bangka Belitung (324.4 Ha)
- PT. Belitung Pantai Intan
- Tourism
- Operating (14th Mar 2018)

10 MANDALIKA SEZ
- Central Lombok, West Nusa Tenggara (1,035.7 Ha)
- PT. Indonesia Tourism Development Center (ITDC)
- Tourism
- Operating (20th Oct 2017)

11 MOROTAI SEZ
- Morotai Islands, North Maluku (1,101.8 Ha)
- PT. Jabebeka Morotai
- Tourism, Industry, Export Processing, and Logistic
- Operating(1st Apr 2019)

12 SORONG SEZ
- Sorong, West Papua Barat (523.7 Ha)
- PT. Malamoi Olom Wobok
- Industry, Export Processing, and Logistic
- Operating (1st Apr 2019)

13 SINGHASARI SEZ
- Malang, East Java (120.3 Ha)
- PT ITDC, PT Intelegensia Grahatama, PT Cakrawala Mandala Nusantara
- Tourism and Digital Technology
- Development Phase

14 LIKUPANG SEZ
- North Minahasa, North Sulawesi (197.4 Ha)
- PT. Minahasa Permai Resort Development (MPRD)
- Tourism
- Development Phase

15 KENDAL SEZ
- Kendal, Central Java (1,000 Ha)
- PT. Kendal Industrial Park (KIP)
- Export Processing, Logistic, and Industry
- Development Phase

16 NONGSA SEZ
- Batam, Riau Islands (166.5 Ha)
- PT Taman Resor Internet (PT Tamarin)
- IT Digital, Tourism
- Development Phase

17 BATAM AERO TECHNIC SEZ
- Batam, Islands Riau (30 Ha)
- PT Batam Teknik (BAT)
- Industri MRO (Maintenance, Repair, Overhaul)
- Not operated

18 LIDO SEZ
- Bogor, West Java (1,040 Ha)
- PT MNC Land Lido
- Tourism
- Not operated

19 GRESIK SEZ
- Gresik, East Java (2,167 Ha)
- PT Berkah Kawasan Manyar Sejahtera
- Metal Industry,Electronic Industry Elektronik, Chemical Industry, Energy Industry, Logistic
- Not operated

Free Trade Zone and Free Port (FTZFP)

FTZFP is an area located in the jurisdiction of the Republic of Indonesia which is separated from the customs area so that it is free from imposition of import duties, value added tax, sales tax on luxury goods, and excise. In Indonesia, there are 4 (four) FTZFPs with a total area of 127,472 ha which are oriented for export activities. Business activities in FTZFP will be given facilities in the form of entry and release of goods, taxation, customs, excise, immigration, prohibitions and restrictions, and other facilities.

The activities allowed within the FTZFP encompasses (a) marine and fisheries; (b) agriculture; (c) forestry; (d) energy and mineral resources; (e) industry; (f) trading; (g) public works and housing; (h) transportation; (i) health; (j) culture; (k) tourism; (l) telecommunication; (m) logistic; (n) water resources; (o) waste and the environment.

Figure 11. Incentive in Economic Zones

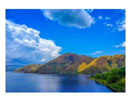
<table>
<tr><th></th><th>Industrial Estate</th><th>Bonded Zone</th><th>Bonded Logistic Center</th><th>Free Trade Zone</th><th>Special Economic Zone</th></tr>
<tr><td rowspan="2">Tax Holiday</td><td rowspan="2" colspan="4">Applying general provisions of TH (18 pioneer industries)</td><td>TH is applicable</td></tr>
<tr><td>on income received or obtained from the carried out Main Activities regulated in PMK 237/2020 jo 33/2021 and Perdenas KEK No. 1/2021</td></tr>
<tr><td rowspan="2">Tax Allowance</td><td rowspan="2" colspan="4">Applying general provisions of TA (certain sectors and locations)</td><td>TA is applicable</td></tr>
<tr><td>for activities outside the Main Activities of SEZ regulated in PMK 237/2020 jo 33/2021</td></tr>
<tr><td>VAT or VAT and Luxury Goods Tax</td><td>General provision is applicable</td><td>VAT or VAT and Luxury Goods Tax is not collected</td><td>VAT or VAT and Luxury Goods Tax is not collected (Entry comes from PLB, TPB other than PLB, and other area inside custom area)</td><td>Exemption of VAT or VAT and Luxury Goods Tax</td><td>VAT or VAT and Luxury Goods Tax is not collected on certain Tangible Taxable Goods from other places within the Customs Area/TLDDP, free areas, and bonded storage places to Business Entities and/or Business Actors; import of certain Tangible Taxable Goods to SEZ by Business Entities and/or Business Actors; import of Consumer Goods to Tourism SEZ by Business Entities and/or Business Actor; and so on</td></tr>
</table>

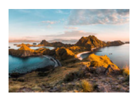
	Industrial Estate	Bonded Zone	Bonded Logistic Center	Free Trade Zone	Special Economic Zone
Custom	• General provision is applicable • Master list is decided by Minister of Investment/ Chairman of BKPM	Deferred Import Duty	Deferred Import Duty	• Exemption of Import Duty • Master list is decided by Minister of Investment/ Chairman of BKPM	• Exemption of Import Duty for the construction or development of SEZ • For SEZs that have completed construction and development stages, import duties are exempted for consumer goods, and there is a suspension of import duties for business fields in the SEZ • For supervision, part or all of the SEZ can be designated as a Customs Area
Excise	Applying excise's provisions	Excise Exemption	Excise exemption (for consumption needs of people living in free zones)	Excise Exemption	Excise Exemption for raw materials or auxiliary materials in the manufacturing of finished goods which are not subject to excise
Income Tax Art 22 Import	-	Not collected	Not collected	Not collected	• Not collected on the import of capital goods for the construction or development of SEZ • Not collected for SEZs that have completed the stage of construction and development

	Industrial Estate	Bonded Zone	Bonded Logistic Center	Free Trade Zone	Special Economic Zone
Inland FTA	-	Applicable	-	Applicable	0% Import Duty rate applies (Local content/TKDN min 40%)
Goods Traffic	Provisions on prohibitions and restrictions on imports and exports are applied	Provisions for the entry of goods prohibited from being imported and the export of goods prohibited from export are applied	Provisions for the entry of goods prohibited from being imported and the export of goods prohibited from export are applied	Provisions for the entry of goods prohibited from being imported and the export of goods prohibited from export are applied	Goods subject to provisions on import and export restrictions can be given exemptions and/or relaxation

10 New Bali (National Tourism Strategic Zone)

As part of the 10 new Bali's that are being developed by the government to increase the visits of foreign and domestic tourists, five (5) areas have been designated as Super Priority Tourism Destinations which has several key tourism attractions in each area.





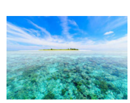
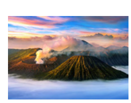
1 **Lake Toba** 2 **Borobudur** 3 **Labuan Bajo**

Managed by the **Tourism Area Management Authority** that has been established through a Presidential Regulation




4 **Mandalika** 5 **Likupang** 6 **Bangka Belitung** 7 **Morotai**

It has been designated as a **Special Economic Zone (KEK)** through a Government Regulation

8 **Raja Ampat** 9 **Wakatobi** 10 **Bromo Tengger Semeru**

Designated as a **National Tourism Strategic Area (KSPN)** through a Government Regulation

5 Super Priority Tourism Destinations

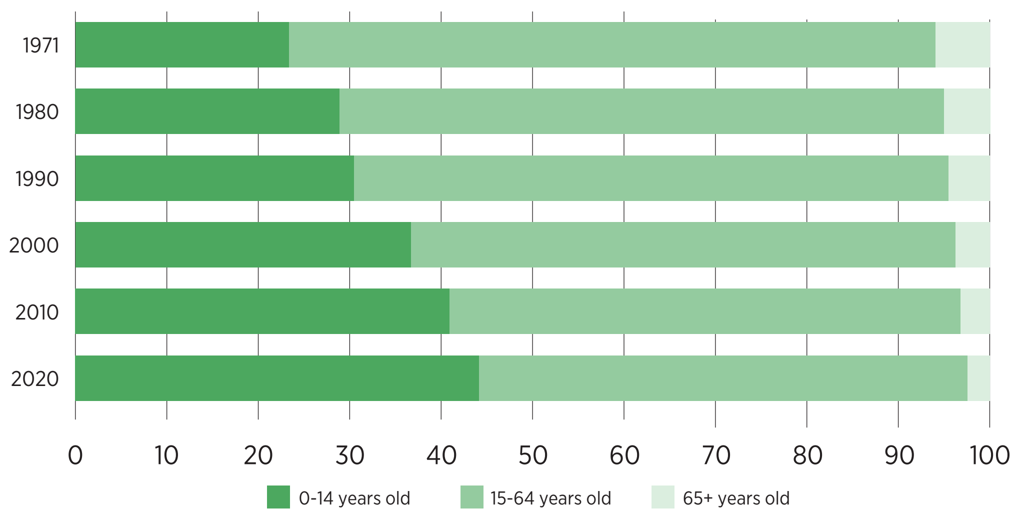
1. Danau Toba
2. Borobudur
3. Mandalika
4. Labuan Bajo
5. Likupang

4. DEMOGRAPHY

As a country with the fourth largest population in the world, Indonesia's population in 2020 is 270.2 million. The number increased by 32.6 million people compared to 2010 with a population growth rate of 1.25% per year (2010-2020). About 70.72% or 191.9 million people are in the productive age group (15-64 years) in 2020. This condition shows that Indonesia is in the demographic bonus period. Labor Force Participation Rate in Indonesia also increased to 68.08% in 2021 from 67.77% in 2020 according to trading economics.

The Indonesian middle class has been a major driver of economic growth as the group's consumption has grown at 12% annually since 2002 and now represents close to half of all household consumption in Indonesia. Consumer confidence levels in Indonesia have been slow to improve, but are on an upward trajectory. Latest recordings for May 2021 put the index at 104.4, a significant improvement from the 77.8 recorded in May 2020, according to Fitch Solutions.

Figure 12. Population Composition by Age Group (1971-2020)
(in %)



SOURCE: STATISTICS INDONESIA (BPS)

5. REGIONS IN INDONESIA

Indonesia consists of 34 provinces, and as an archipelagic country, it has several major islands namely Sumatra, Java, Kalimantan, Bali, and Nusa Tenggara, as well as Maluku and Papua. Investment realization, especially FDI, has for long been concentrated in Java Island. To encourage a better distribution of investment that would eventually contribute to the regional economy, government has done several efforts including accelerating infrastructure development and providing investment incentives.

Figure 13. Top 10 Provinces by Regional GDP (PDRB) 2016-2020
(In IDR trillion)

Province	2016	2017	2018	2019	2020
DKI Jakarta	2,159.1	2,365.3	2,592.6	2,816.8	2,772.4
East Java	1,855.7	2,012.9	2,188.8	2,345.8	2,299.5
West Java	1,653.2	1,788.1	1,960.6	2,124	2,088
Central Java	1,087.3	1,172.8	1,268.3	1,361.6	1,348.6
North Sumatra	626.1	684.6	741.3	799.6	811.3
Riau	681.7	704.7	752.3	760.6	729.2
Banten	517.9	563.6	613.8	661.7	626.4
East Kalimantan	508.9	591.9	635.5	652.2	607.3
South Sulawesi	377.1	415.6	461.8	504.3	504.5
South Sumatra	353.9	382.9	419.4	453.6	458.4

SOURCE: STATISTICS INDONESIA (BPS)

Figure 14. Top 5 FDI by Location 2016-2020
(In USD Billion excl. upstream oil, gas, and financial sectors)

Province	2016	2017	2018	2019	2020
West Java	5.5	5.1	5.6	5.9	4.8
Jakarta	3.4	4.6	4.9	4.1	3.6
Banten	2.9	3	2.8	1.9	2.1
Central Java	1	2.4	2.4	2.7	1.4
East Java	1.9	1.6	1.3	0.9	1.6

SOURCE: MINISTRY OF INVESTMENT/ BKPM

6. LIVING IN INDONESIA

6.1 Business Culture

Although Indonesia has a diverse culture, the standard manner of greeting with everyone present upon arrival and departure from a meeting is a handshake. This practice, however, should be avoided due to COVID-19. '*Bapak*' (Sir) for men and '*Ibu*' (Madam) for woman is the standard polite greeting, which should be spoken before their first name. Always keep a supply of business cards on hand and handle other people's cards with respect when you receive them. Your right hand should be used to provide or offer your business card (or any items). All names should be written in full when addressing letters to Indonesians.

Whatsapp and other online messaging systems are commonly used and the preferred means of communication for businesses and government officials. It is worth checking with your Indonesian counterparts which communication method they prefer. Companies may not respond very quickly to emails, especially if the sender is not well known to them.

Invitations to business functions often state lounge suit/batik. Long-sleeved batik shirts are considered as formal wear (equivalent to a business suit) and are commonly worn by both Indonesians and foreign businesspeople in Indonesia. Trousers, shirts, and ties are common business attires for men and women's business attire is typically a two-piece suit with a blazer, or a modest dress with sleeves.

Always allow plenty of travel time for meetings. When scheduling appointments, it's important to keep in mind that it's customary to offer lunch or dinner between 11.30 a.m. and 2.00 p.m. or 6.30 p.m. and 8.30 p.m. Friday afternoon appointments should be avoided because it is a prayer day and businesses typically have longer lunch breaks. Because 88% of Indonesia's population are Muslim, alcohol and pork are not generally consumed. Although Indonesians generally tolerate alcohol consumption, it is always a good idea to ask whether the appointment venue serves alcohol or pork before ordering beverages or food to show respect for their beliefs.

Personal contacts and networks are consequently vital in establishing business deals because business relationships are built on trust and familiarity. Decisions are typically made by consensus and attempting to force a decision will often result in a negative outcome negotiation. The corporate culture of larger or more traditional organizations is top-down, with ultimate decision-making frequently reserved for a small group of executives. When meeting a new client, it's critical to analyze these factors to ensure that your engagements are as productive as possible.

6.2 Housing and Living Cost

Indonesia has various types of places to live. In the context of buying property (landed house), regulations in Indonesia still require the buyer to be an Indonesian citizen (WNI). In 2020, foreigners are allowed to buy apartments through a 30-year lease agreement with an extension of 20 years.

Job Creation Law in Article 144 paragraph (1) stipulates that ownership of apartment units can be given to Indonesian citizens; Indonesian legal entities; foreign citizens who have a license following the provisions of laws and regulations; foreign legal entities that have representatives in Indonesia; or representatives of foreign countries and international institutions that are located or have representatives in Indonesia.

Indonesia is currently the 42nd most affordable nation out of 138 countries, with a cost-of-living index of 37.44.

6.3 Health and Education

The Indonesian healthcare system is divided between private insurance schemes and basic state provision. In January 2014, the country launched a compulsory health insurance scheme called Jaminan Kesehatan Nasional (JKN), which makes basic medical treatment and facilities available to all citizens.

As a foreign professional working in Indonesia, your employers are obligated to register you and your dependent family members in the BPJS scheme. To be eligible to participate in the BPJS scheme, you must be working in Indonesia for at least 6 months. Afterwards, you and your family members will receive BPJS cards that you will need to bring every time you visit public hospitals, clinics, or Puskesmas (state-owned community health clinics).

Getting private health insurance will also give you more options, including private healthcare facilities, hospitals, and clinics. These private medical facilities usually have superior amenities and service quality. Moreover, they are also more likely to have English-speaking staff to help you get better medical services.

The Ministry of Education, Culture, Research and Technology administers the education system in Indonesia. There are nine years of compulsory education consisting of six years at elementary level and three in secondary level. Within the Indonesian education system, parents can send their children to public, or private international schools.

Most foreigners in Indonesia send their children to international schools, which offers a foreign curriculum and are officially accredited by relevant authorities in their home country. There is a wide range of international schools in Indonesia, with schools offering the national curriculum of a number of countries, including the United Kingdom, the USA, France, Germany, India, Japan, South Korea, New Zealand, Russia, and Singapore.

Many of these schools also offer IB programme. Admission and enrollment procedures vary from school to school. Space is often limited and preference may be given to students based on nationality. Tuition tends to be expensive based on local standards, but offers high standards of learning, boast smaller class sizes, first-rate facilities, and extracurricular. Boarding facilities are available at some schools, but most only provide day classes.

Indonesia launched a compulsory health insurance scheme called Jaminan Kesehatan Nasional (JKN), which makes basic medical treatment and facilities available to all citizens.

II

INVESTMENT PROCEDURES

Following the issuance of Law No. 11 Year 2020 on Job Creation that introduces risk-based business licensing, the government has issued Government Regulation No. 5 Year 2021 (GR 5/2021) concerning the Implementation of Risk-Based Business Licensing on February 2nd, 2021.

1. STARTING A BUSINESS

In general, steps to start a business in Indonesia are as follows:

1.1 Ensure Your Business Classification

The Indonesia Standard Industrial Classifications (*Klasifikasi Baku Lapangan Usaha Indonesia*/KBLI) 2020

- To establish a foreign direct investment company (*Perseroan Terbatas Penanaman Modal Asing*/ PT PMA) in Indonesia, it is important to first understand what KBLI your business falls under. Under the Risk-Based Approach, the government will determine whether a business activity (as described by its five-digits KBLI code) should be considered low, medium low, medium high, or high risk, as stated in Attachment I and II of GR 5/2021. This will help to determine whether a company must only obtain Business Identification Number (*Nomor Induk Berusaha*/NIB) and a standard certification, or whether it must also obtain business licenses.
- The KBLI code is also being used as a reference for other important matters such as the eligibility basis for fiscal incentives and/or non-fiscal incentives, as stated in Attachment I of Presidential Regulation No. 49 Year 2021 on Investment Business Fields.
- The Statistics Indonesia Regulation No. 2 Year 2020 on the Indonesia Standard Industrial Classifications 2020 contains 216 new business classifications and the removal of six business classifications of the previous KBLI.

The KBLI list can be accessed through OSS website at https://oss.go.id/informasi/kbli-berbasis-risiko.

1.2 Ensure the Foreign Share Ownership of Your Business Activities

Investment in Indonesia was subject to the Negative Investment List (*Daftar Negatif Investasi*/ DNI), a list of business fields that sets out the corresponding maximum amount allowed for foreign ownership. As the government aims to bring a more positive image, the DNI is now promoted as the “Priority Investment List” through Presidential Regulation No. 10 Year 2021 (PR 10/2021) on Investment Business Fields and its amendment, Presidential Regulation No. 49 Year 2021 (PR 49/2021). In essence, all business lines that are commercial by nature (except those that are closed or reserved for the Central Government) are open for investment.

Relaxation for Foreign Investment

DNI 2016 (President Regulation No 44/2016)	Investment Business Activities (President Regulation No 49/2021)
List of Closed Business Fields for Investment 20 business fields	**List of Priority Business Fields** 246 business fields
List of Reserved Business Fields or Partnerships with K-UMKM 145 business fields	**List of Reserved Business Fields or Partnerships with K-UMKM** 106 business fields
List of Business Fields Opened with Certain Requirements 350 business fields	**List of Business Fields Opened with Certain Requirements** 37 business fields

Business Fields Closed for Investment

There are seven business fields which are now closed for investment:

1. Class 1 narcotic cultivation and industry;
2. All forms of gambling and/or casino activities;
3. Fish catching for species listed in Attachment I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
4. Coral and sea rock utilization or harvesting as material for building/calcium, aquariums, and souvenirs/jewelry, as well living and recent death coral;
5. Chemical weapon industries;
6. Industrial chemical substances and ozone depleting substances industry; and
7. Alcoholic Beverage Industry (KBLI 11010), Wine Industry (KBLI 11020), and Beverages Containing Malt Industry (KBLI 11031).

Business Fields Open for Investment

The Priority Investment List reclassifies business fields that are open to investment into four broad categories and introduced a new concept of "prioritized sectors":

a. Priority Business Fields

For a business field to be defined as a 'priority', it must meet the following criteria:

1. National strategic project/program;
2. Capital intensive;
3. Labor intensive;

4. Utilizing advanced technologies;
5. Pioneer industries;
6. Export oriented; and/or
7. Orientation towards research and development, and other innovative activities.

A total of 246 business fields are listed as priority sectors in Attachment I of PR 49/2021.

Benefits of Investing in Priority Sectors

Businesses investing in priority business fields will be eligible to receive fiscal incentives such as tax holidays, tax allowances, investment allowances and import duty exemptions, and/or non-fiscal incentives in the form of business licensing, provision of supporting infrastructure, guaranteed availability of energy, raw materials, immigration, employment and other conveniences available under the applicable laws and regulations.

b. Business Fields Allocated for/or Require Partnership with Cooperatives and Micro, Small, and Medium Enterprises (MSMEs)

- Business fields that are allocated to cooperatives and MSMEs, and business fields that are open for large-scale business with requirement of partnership with cooperatives and MSMEs are decided based on the following criteria:

Classification	Criteria
Allocated for Cooperatives and MSME	1. Business activities which do not use technology or use simple technology;
	2. Business activities which have a process specificity, labour intensive and have special and hereditary cultural heritage; and/or
	3. Capital that shall not exceed IDR 10 billion excluding the land and building.
Require Partnership with Cooperatives and MSME	1. Business activities that are mostly undertaken by cooperatives and MSMEs; and/or
	2. Business activities with scale-up purpose to enter the supply chain.

- The implementation of this provision will have to also consider provisions under Government Regulation No. 7 Year 2021 on Easiness, Protection and Empowerment of Cooperatives and MSME (GR 7/2021). Under GR 7/2021, definition of MSMEs is determined based on capital or annual turnover as follows:

MSME Criteria based on Capital		
Business Criteria	Before Job Creation Law	After Job Creation Law
Micro	≤ Rp 50 Million	≤ Rp 1 Billion
Small	Rp 50 < x ≤ 500 Billion	Rp 1 < x ≤ 5 Billion
Medium	Rp 500 Million < x ≤ 10 Billion	Rp 5 < x ≤ 10 Billion
Large	> Rp 10 Billion	> Rp 10 Billion

GR 7/2021 also sets out forms of partnership with cooperatives and MSMEs that include core-plasma, subcontract, franchise, general trade, distribution and agency, supply chain, profit sharing, operational cooperation, joint ventures, and outsourcing.

c. Business Fields that Are Open with Certain Requirements

The government offers a more relaxation on this list, from previously 350 to 37 business fields. This provides a larger window of opportunities as more business fields are open for foreign investment. Only 12 business fields are reserved for domestic investors and 25 business fields having a maximum foreign ownership. Furthermore, to support development of the Special Economic Zone (SEZ), the restrictions on business fields that are open with certain requirements does not apply for investment in SEZ.

d. Business Fields Outside the Above Classifications

Business fields that do not fall into any of the above categories are open to all investors without restrictions. However, it is advisable to check implementing regulations that may be issued by relevant ministries for each business field to understand if there are any additional requirements imposed.

Special Business Fields (Single Purpose and Single Majority)

- Single purpose refers to business fields that can be carried out on the condition that business actors do not carry out other business fields. Business fields that cannot be combined are categorized as follows:
    1. Health Sector: Hospital;
    2. Transportation Sector: Sea Transportation, Port Facility Providers, Airport Services, Loading and Unloading Services, Multimodal Transportation, Transportation Management Services, Salvage Services and/or Underwater Works; and
    3. Communication and Information Technology sector: Private Broadcasting Institutions, Community Broadcasting Institutions, Subscription Broadcasting Institutions.
- Single majority refers to business fields in which owners of the national capital must remain larger than the total owners of foreign capital. The list includes transportation sector of air freight for passengers and for cargo.

1.3 Establish the Right Legal Entity

In principle, all business actors carrying out business activities in the territory of Indonesia can apply for business licenses. Types of business actors include:

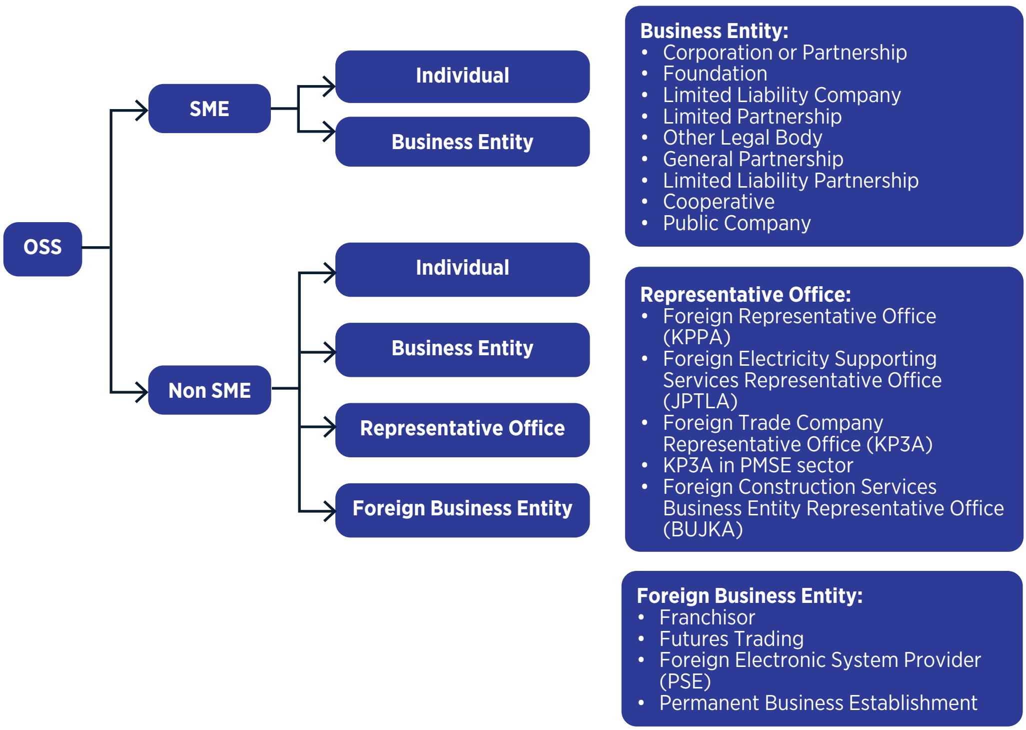
a. **Individual**, shall be an Indonesian citizen and is categorized into domestic investment (*Penanaman Modal Dalam Negeri*/PMDN).

b. **Business Entity**, shall be in the form of either legal entity or not legal entity which is established in Indonesia, and conducts business and/or activity in certain field. Investment conducted by this business entity shall be categorized into PMDN or foreign investment (*Penanaman Modal Asing*/PMA).

c. **Representative Office**, shall be an Indonesian or foreign citizen, or a representative business entity from overseas with approval on office establishment in Indonesia territory.

d. **Foreign Business Entity,** shall be a foreign business entity established outside Indonesia territory and conducts business and/or activity in certain field in Indonesia.

Business Actors in Indonesia



Foreign Investment Limited Liability Company (*Perseroan Terbatas Penanaman Modal Asing*/PT PMA)

The legal entity of the FDI Company should be a Limited Liability Company or Ltd. (*Perseroan Terbatas* or PT). The establishment of a PT PMA is regulated by Law No. 40 Year 2007 regarding Limited Liability Companies (Company Law). PT PMA shall be categorized as a large business and shall comply with the minimum investment value requirement, except otherwise stipulated by prevailing laws and regulations.

Requirements for Setting up a PT PMA

a. The ‘PT’ company should be owned by minimum 2 shareholders. Those can be individuals or legal entities, or a combination of both.

b. The amount of investment required for PT PMA is more than IDR 10 billion (excluding lands and buildings) for every five-digits of KBLI per project location, with the minimum paid-up capital of IDR 10 billion. Representative Offices and Foreign Business Entities are exempted from these requirements.

   Furthermore, the required investment amount of IDR 10 billion are exempted for a few business fields as follows:

Business Fields	Minimum Investment
Wholesale Trade	IDR 10 billion (excluding lands and buildings) for every 4 first-digit code of KBLI
Food & Beverage Services	IDR 10 billion (excluding lands and buildings) for every 2 first-digit code of KBLI on one same location
Construction Services (consultation services, construction works, or integrated construction works)	IDR 10 billion in one project (excluding lands and buildings) for every 4 first-digit code of KBLI
Industry services that produce several different products categorized in different five-digits KBLI code in one production line	IDR 10 billion (excluding lands and buildings)
Property Construction and Business with property unit types, including:	
a. A whole building or integrated residential complex	IDR 10 billion (including lands and buildings)
b. A unit not as a whole building or integrated residential complex	IDR 10 billion (excluding lands and buildings)

While foreign investment in technology-based start-ups in SEZ, allows an investment value of less than the minimum investment value requirement for foreign investment of IDR 10 billion (excluding lands and buildings).

Procedures for Setting up a PT PMA in Indonesia

1. Getting a Deed of Establishment

To set up a PT PMA, the shareholders must present a deed of establishment legalized by a local public notary. After the Articles of Association is signed by all of the shareholders in the presence of a notary, it then will be submitted by the notary to the Ministry of Justice and Human Rights for approval. The Ministry will ratify the Deed of Establishment by issuing a Decision Letter/Decree (*SK Menteri Hukum dan HAM*) that signifies that the company has been registered as a legal entity.

2. **Getting a Company Tax Identification Number (*Nomor Pokok Wajib Pajak*/NPWP)**
   After acquiring the Deed of Establishment, the company needs to apply for a tax ID. This can be done online or through a tax office. Some provinces in Indonesia however might still require to apply for the tax ID through the local tax office. After completed, the tax ID will be sent directly to the company.

Divestment Obligations

A PMA company which has a divestment requirement included in its approval and/or business license prior to the enactment of BKPM Regulation No.4 Year 2021, must still comply with the requirement within the time limit stated in its approval or business license. In order to comply with this requirement, a PMA company may only divest to an Indonesian national or to a 100% Indonesian-owned business entity through a direct sale of shares with the agreement of the parties and/or through the Indonesian capital market. The value of shares to be divested for Indonesian citizens or Indonesian business entities should at least equal IDR 10 million for each receiving shareholder. Furthermore, the shares divested can be sold back upon the approval of the Ministry of Law and Human Rights to any Indonesian or foreign nationals – both, individuals and business entities.

A PMA company may not implement this obligation, if the applicable provisions do not require divestment and the shareholders agreed and stipulated in the company's deed as follows:

a. For a PMA company which is not 100% owned by foreign shareholders, the Indonesian shareholders states that he/she/it does not want/demand share from the divestment obligation in the approval and/or business license; or
b. For PMA company whose shares are 100% owned by foreign shareholders, the shareholders states that they have no commitment/agreement with any Indonesian party to sell it shares.

Merger and Acquisition

PT PMA can also be established by acquiring an existing PT PMA or an existing *Perseroan Terbatas* (PT). Regarding the latter, if the PT is a local limited liability company, it needs to be converted into a PT PMA after acquisition.

PR 10/2021 includes a grandfather clause provision, where an existing PMA companies change the capital ownership arising out of a merger, acquisition, or consolidation that engages in the same business fields, the following provisions shall apply:

a. The capital ownership of foreign Investors in the surviving company shall be limited to that as set forth in the business license of that company.
b. The capital ownership of foreign Investors in the acquired company shall be limited to that set forth in the business license of that company; or

c. The capital ownership of foreign Investors in a newly consolidated company shall be limited in accordance with the provisions of legislations at the time the newly consolidated company is established.

Representative Offices (*Kantor Perwakilan Perusahaan Asing*/KPPA)
Foreign Representative Office is an office incorporated by an overseas company to represent themselves in Indonesia. Opening a KPPA is a suitable option for companies wishing to do market research or conduct feasibility studies in Indonesia. Representative offices regulated under Government Regulation No. 5 Year 2021 and BKPM Regulation No. 4 Year 2021 are as follows:

a. Foreign Trade Company Representative Office (*Kantor Perwakilan Perusahaan Perdagangan Asing* /KP3A)

Based on Ministry of Trade (MoT) Regulation No. 10 Year 2006, KP3A is prohibited from engaging in trading activities and sales transactions from the beginning until the end, such as filing tender, signing contract, and settling claims. It can only act as a selling and/or manufactures and/or buying agent.

To establish a KP3A, the business actors must have a NIB and apply for a KP3A Business License (*Surat Izin Usaha Perwakilan Perusahaan Perdagangan Asing*/SIUP3A) or a KP3A Business License in the Trade Sector through Electronic System (*Surat Izin Usaha Perwakilan Perusahaan Perdagangan Asing Bidang Perdagangan Melalui Sistem Elektronik*/SIUP3A *Bidang PMSE*). KP3A can be established in the capital city of a province and any district or regency within Indonesia.

As a holder of SIUP3A, there are several obligations that must be complied before KP3A's commencement of business activities:

1. KP3A's import business activities must be carried out by a national company holding business license and/or foreign investment companies holding a general import identification number (*Angka Pengenal Importir Umum* or API-U);
2. KP3A must appoint a national company as an agent for the promoted goods;
3. Each of KP3A and its branch offices must have a SIUP3A;
4. In the event that the appointed Head of KP3A is a foreigner and/or employs foreign workers, the foreign company representative must employ Indonesian workers in accordance with the provisions of the legislations.

Foreign PPMSE (*Penyelenggara Perdagangan melalui Sistem Elektronik/* E-Commerce Organizers)

Foreign PPMSE's are required to appoint a Foreign Trade Company Representative Office in the field of Trade through Electronic System (*Kantor Perwakilan Perusahaan Perdagangan Asing di bidang Perdagangan melalui Sistem Elektronik/ KP3A bidang PMSE*) upon the fulfillment of certain criteria. A foreign PPMSE with the following criteria is obliged to appoint a representative based in Indonesia to act on behalf of the PPMSE:

a. Having transactions for more than 1,000 (one thousand) customers within a period of 1 (one) year; and/or

b. Already delivered packages for more than 1,000 (one thousand) packages for customers within a period of 1 (one) year.

In regard to those criteria, MoT created a team to assess the compliance of the criteria and the appointed representative with the provision of Foreign Trade Company Representative Office in PMSE sector.

KP3A as mentioned above is located in Indonesia and only allowed to represent 1 (one) Foreign PPMSE, based on the consent from represented Foreign PPMSE. KP3A is obliged to obtain SIUP3A through Online Single Submission (OSS), with requirements set below:

a. Proof of the appointment of KP3A at PMSE sector as the representative of the Foreign PPMSE, legalized by notary and Letter of Recommendation from Trade Attaché of the Republic of Indonesia;

b. Copy of Articles of Association of the Foreign PPMSE (in Indonesian language);

c. Proof from the head of KP3A at PMSE sector;

d. Letter of a statement stating the number of employee and employment letter;

e. Reporting the website address and/or name of the app of the represented Foreign PPMSE; and

f. Reporting the phone number and/or email address of the customer call center from the represented Foreign PPMSE. SIUP3, as mentioned above, is applicable for the business license of the Foreign PPMSE branch office that is represented and will remain valid as long as the KP3A is still in operation.

b. Foreign Representative Office (Kantor Perwakilan Perusahaan Asing/KPPA);

The risk-based business licensing of KPPA shall be classified as a low risk-based business, which only requires an NIB submitted through the OSS system. A KPPA is chaired by a chief of representative office who must reside in Indonesia, does not carry out activities outside the KPPA activities, and does not hold concurrent positions as head of the company and/or for more than 1 (one) representative office.

If the head of KPPA is a foreigner and/or employs foreign workers, KPPA is required to employ Indonesian workers in accordance with the provisions of the legislations.

KPPA's activities are limited to:

a. Acting as a supervisor, liaison, coordinator and taking care of the company's or the affiliated companies interests;
b. Preparing the establishment and business expansion of a foreign investment company in Indonesia or in other countries and Indonesia;
c. Having its offices in an office building in the capital city of a province;
d. Not seeking for revenues from Indonesia including the prohibition from engaging in selling and purchasing agreements/transactions for commercial goods or services with local companies or individuals; and
e. Not participating in the management of any company, subsidiary company, or company's branch in Indonesia.

c. Representative Office of Foreign Construction Services Business Entity (Kantor Perwakilan Badan Usaha Jasa Konstruksi Asing /BUJKA);

Like a construction company, BUJKA will be required to obtain an NIB as its business license, and obtain certification in the form of a Business Entity Certificate (*Sertifikasi Usaha Konstruksi*/SBU) as its commercial license. The requirement for BUJKA to form a joint operation is still regulated under the previous laws and regulations. In carrying out its business in Indonesia, BUJKA must:

1. Fulfill Business Licensing;
2. Be in the form of a business entity with qualifications equivalent to a large scale qualification;
3. Hire Indonesian citizens as the head of BUJKA representative office;
4. Establish a joint operation (*Kerja Sama Operasi*/KSO) with a local construction services company that meet the KSO technical criteria;
5. Prioritizing the use of local construction materials and technology;

6. Have a high, sophisticated, efficient, environmentally friendly technology, and pay attention to local wisdom;
7. Carry out transfer of technology;
8. Employ more Indonesia workers than foreign workers on expert level; and
9. Carry out other obligations in accordance with the provisions of the legislations.

d. Representative Office of Foreign Electricity Supporting Services (Kantor Perwakilan Jasa Penunjang Tenaga Listrik Asing /JPTLA).

Pursuant to Government Regulation No. 25 Year 2021 (GR 25/2021), JPTLA is one of the private business entities that carry out business activities in the field of electricity supporting services, that must obtain a business license and Business Entity Certificate for the electric power support services business (*SBU untuk badan usaha* JPTLA/SBU BUJPTLA). JPTLA's business licensing shall be granted to the following types of business:

a. Consultation in the field of electricity installation;
b. Construction and setting of electricity installation; and
c. Maintenance of electricity installation.

JPTLA may only be permitted in carrying out high-cost electricity supporting services works with the following threshold:

a. Construction and electricity installation setting, at least of IDR 100 billion;
b. Consultation in the field of electricity installation or maintenance of electricity installation, at least IDR 10 billion.

JPTLA must fulfill the minimum requirements pursuant to GR 25/2021 as follows:

a. Having a large qualification;
b. Forming an operation cooperation with a domestic electricity supporting services company;
c. Hiring more Indonesian workers compared to foreign workers;
d. Appointing Indonesian citizen as the person in charge of JPTLA;
e. Prioritizing domestic products utilization;
f. Possessing high, sophisticated, efficient, environmentally friendly technology, as well as paying attention to the local wisdom;
g. Conducting transfer of technology; and
h. Complying with other obligations pursuant to the prevailing laws and regulations. Those who fail to comply with the above requirements shall be subject to certain administrative sanctions and a fine.

2. GETTING LICENSE

Risk-Based Business Licensing

2.1 Concept of Risk-Based Business Licensing

The Risk-Based Business Licensing is based on (i) the determination of the risk level; and (ii) the rating scale of business activities, including micro, small, and medium enterprises (*Usaha Mikro Kecil dan Menengah*/MSMEs) and/or large-scale business.

The risk level is determined by risk analysis results conducted by the government with considerations of:

a. Identification of business activities;
b. Hazard level assessment;
c. Assessment of potential hazards;
d. Determination of risk level and business scale rating; and
e. Determination of the business licensing type.

Risk level and types of business licensing required for conducting each business activity are determined based on the risk analysis.

2.2 Provisions of Risk-Based Business Licensing Services

When starting and conducting business activities, all businesses must comply with:

a. Basic requirements of business licensing which include: (i) spatial conformity (*kesesuaian kegiatan pemanfaatan ruang*); (ii) environmental approval; (iii) building approval (*persetujuan bangunan gedung*); and (iv) certificate of proper building functioning (*sertifikat laik fungsi*); and
b. Risk-based business licensing, which is divided into low-risk, medium-low risk, medium-high and high risk.

Basic Requirement of Business Licensing

Spatial Conformity (KKPR)

4 Law
15 Articles

- Utilization of space must obtain Confirmation/ Approval/ Recommendation of Spatial Conformity (KKPR), based on Detailed Zoning Plan/ RDTR (or RTR, RZ KSNT, and RZ KAW).
- If located in coastal waters, territorial waters and jurisdictions, it is mandatory to obtain Marine KKPR Approval (KKPRL).
- If located in a forest area, it is mandatory to obtain a Forest Area Use Approval (P2KH).
- Details refer to GR 21 of 2021 concerning the Implementation of Spatial Planning and GR No 23 of 2021 concerning the Implementation of Forestry.

Environmental Approval (PL)

2 Law
36 Articles

- Every business plan and/or activity that has an impact (important/ not important) on the environment must have: Amdal, UKL-UPL, or SPPL.
- Environmental approval/ PL is an approval for: KKLH (Decision of Environmental Feasibility) – Amdal, or PKPLH (Statement of Capability of Environmental Management) – UKL-PL.
- Details refer to GR 22 of 2021 concerning the Implementation of Environmental Protection and Management.

Building Approval (PBG) and Certificate of Proper Building Functioning (SLF)

2 Law
48 Articles

- PBG to build new, change, expand, reduce, and/or maintain a building according to building technical standards.
- Building without high risk may refer to prototypes.
- High risk buildings must be approved by the government.
- Certificate of Proper Building Functioning (SLF) issued construction supervisory management.
- Details refer to GR 16 of 2021 concerning Implementation Regulations of Law No 28 of 2002 concerning Buildings.

The Risk-Based Business Licensing is further determined by the following:

a. KBLI codes/references, KBLI titles, the scope of activities, risk parameters, risk levels, business licensing, time periods, validity periods, and business licensing authorities, which can be found in Attachment I of GR 5/2021;

b. Risk-Based Business Licensing requirements and/or obligations, which can be found in Attachment II of GR 5/2021;

c. Risk-Based Business Licensing guidelines, which can be found in Attachment III of GR 5/2021; and

d. Business activity standards and/or products standards, that will be further promulgated by the minister and/or head of agency for the respective sectors.

The implementation of Risk-Based Business Licensing covers the following business fields:

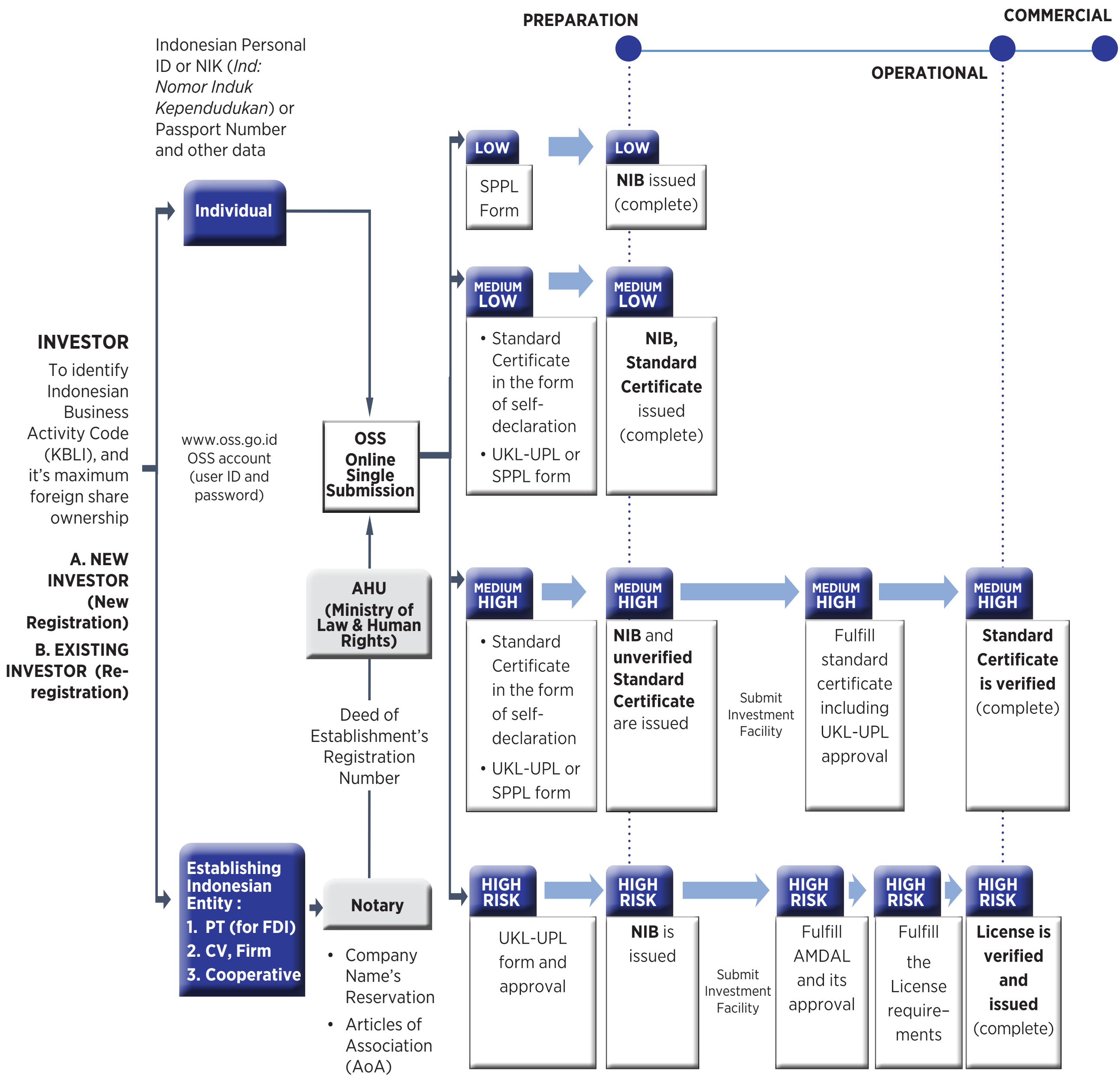
1. Maritime Affairs and Fisheries	9. Transportation
2. Agriculture	10. Health, Drugs, and Food
3. Environment and Forestry	11. Education and Culture
4. Energy and Mineral Resources	12. Tourism
5. Nuclear Power	13. Religion
6. Manufacturing	14. Post, Telecommunications, Broadcasting and Electronic System and Transaction
7. Trade	15. Defense and Security
8. Public Works and Public Housing	16. Manpower

2.3 Procedures for Risk-Based Business Licensing

1. The first stage of the Risk-Based Licensing procedure is to obtain a Business Identification Number (NIB) through the OSS system (https://oss.go.id/). A NIB is a proof of registration of business actor to carry out business activities. NIB also serves as:
   b. Import identification number (*Angka Pengenal Impor*/API);
   c. Custom and duties access right;
   d. Registration for health and labor social security (BPJS); and
   e. Mandatory labor report for the first period.
2. After gaining access to the OSS system, business actors must complete business actor data (company profile and capital structure) and general plan of business activity (five-digits KBLI code, proposed business location, number of employees, product/services).
3. The OSS system shall issue the NIB as an identity and legality to carry out business preparations based on: (i) data entry of business actor and general plan of business activity; (ii) examination result of spatial conformity; and (iii) data entry of business activity.
4. Then the OSS system will automatically send a notification of NIB issuance to ministries/agencies, provincial Office of Investment and One-Stop Integrated Service (*Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu*/DPMPTSP), regency/city DPMPTSP, Special Economic Zone (SEZ) administrators, and Free Trade and Free Port Zone (FTFPZ) authority.
5. In issuing NIB, the risk level validating process for the business fields will be carried out. The risk level set must follow norms, standards, procedure and criteria of ministries/ agencies, and is automatically verified by the OSS system.

Risk Level	Business Licensing	
Low risk	**NIB**	• Business actors must submit a Commitment Letter for Implementation of Environmental Management and Monitoring *(Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup/SPPL).* • Low risk business activities will only require an NIB, which shall also serve as SPPL, to carry out the preparation, operational, and commercial stages.
Medium-low risk	**NIB and Standard Certificates**	• Business actors must submit Standard Certificate in the form of self-declaration to meet business activity standards. • If the business activity is required to fulfill Environment Management Efforts and Environment Monitoring Efforts *(Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup or UKL-UPL)*, the business actor shall fill out UKL-UPL form along with Statement of Capability of Environment Management *(Pernyataan Kesanggupan Pengelolaan Lingkungan Hidup/ PKPLH)* in the OSS system to obtain NIB and Standard Certificate.

Risk Level	Business Licensing	
Medium-low risk	**NIB and Standard Certificates**	• If the business activity is not required to fulfill UKL-UPL, the business actor shall fill out SPPL form in the OSS system to obtain NIB and Standard Certificate. • The NIB and Standard Certificate shall be the legal basis for the business actors to conduct business activities, in the preparation, operation and/or commercial stages. • Supervision is carried out by the government to ensure that business actors meet the business standards.
Medium-high risk	**NIB and Standard Certificates**	**Preparation Stage:** • Business actors must submit the Standard Certificate in the form of self-declaration to meet business activity standards. • If the business activity is required to fulfill UKL-UPL, the business actor shall fill out the UKL-UPL form along with the PKPLH in the OSS system to obtain NIB and an unverified Standard Certificate. • If the business activity is not required to fulfill UKL-UPL, the business actor shall fill out the SPPL form in the OSS system to obtain NIB and an unverified Standard Certificate. • NIB and an unverified Standard Certificate shall be the legal basis to conduct business activity in the preparation stage. **Operational and Commercial Stage:** • The Ministry of Environment and Forestry shall verify the UKL-UPL form and PKPLH above. If it is approved, the OSS system shall issue approval on PKPLH UKL-UPL. • The business actors shall then fulfill standard business activity through OSS system within period of time in accordance with norm, standard, procedure and criteria stipulated by relevant ministry/agency. • The Standard Certificate which has been verified shall be the legal basis to conduct operational and/or commercial business activity. If it is necessary and/or required, in addition to NIB and Standard Certificate, business actors have to obtain certificate of goods and/or services.
High risk	**NIB, Licenses**	• If the business activity is required to fulfill Environmental Impact Assesment (*Analisis Mengenai Dampak Lingkungan or AMDAL)*, business actors shall obtain Environmental Approval in the form of Environmental Feasibility Decree before submitting license application. The decree shall be the requirement for the issuance of license. • If the business activity is required to fulfill UKL-UPL, the business actor shall fill in UKL-UPL form along with the PKPLH in the OSS system. • The Ministry of Environment and Forestry shall verify the UKL-UPL form and the PKPLH above. If it is approved, the OSS system shall issue an approval of PKPLH. • To obtain license, business actors shall fulfill license requirement through the OSS system within certain period of time in accordance with norm, standard, procedure and criteria stipulated by relevant ministry/agency.


PREPARATION
COMMERCIAL
OPERATIONAL
Indonesian Personal ID or NIK (*Ind: Nomor Induk Kependudukan*) or Passport Number and other data
Individual
INVESTOR
To identify Indonesian Business Activity Code (KBLI), and it's maximum foreign share ownership
A. NEW INVESTOR (New Registration)
B. EXISTING INVESTOR (Re-registration)
www.oss.go.id OSS account (user ID and password)
OSS Online Single Submission
AHU (Ministry of Law & Human Rights)
Deed of Establishment's Registration Number
Establishing Indonesian Entity :
1. PT (for FDI)
2. CV, Firm
3. Cooperative
Notary
• Company Name's Reservation
• Articles of Association (AoA)
LOW
SPPL Form
LOW
NIB issued (complete)
MEDIUM LOW
• Standard Certificate in the form of self-declaration
• UKL-UPL or SPPL form
MEDIUM LOW
NIB, Standard Certificate issued (complete)
MEDIUM HIGH
• Standard Certificate in the form of self-declaration
• UKL-UPL or SPPL form
MEDIUM HIGH
NIB and unverified Standard Certificate are issued
Submit Investment Facility
MEDIUM HIGH
Fulfill standard certificate including UKL-UPL approval
MEDIUM HIGH
Standard Certificate is verified (complete)
HIGH RISK
UKL-UPL form and approval
HIGH RISK
NIB is issued
Submit Investment Facility
HIGH RISK
Fulfill AMDAL and its approval
HIGH RISK
Fulfill the License require-ments
HIGH RISK
License is verified and issued (complete)

All business activities are divided into two stages. The NIB allows the business to conduct activities from ‘preparation to the ‘commercial stage’.

Preparation stage	Operational & Commercial stage
• The procurement of tools or facilities;	• The production of goods/services;
• Land acquisition;	• Distribution of goods/services;
• Recruitment of manpower;	• Marketing of goods/services; and
• Feasibility studies;	• Other commercial activities.
• Financing operations for the construction phase.	
• Building construction*	

* May only commence after the Environmental license has been issued, for high-risk business activities for which an environmental impact analysis is required.

2.4 Validity Period of Risk-Based Business License

NIB will be valid as long as business actors carry out their business activities. Standard certificates, permits, and/or business license to support business activities will also be valid as long as business actors run their business, or in accordance with the period stipulated in the provisions of law and regulation.

In the event that the validity period of standard certificates, permits, and/or business license to support business activities is regulated, application for renewal is made through the OSS System no later than 30 (thirty) days before the validity period expires, or as stipulated in the provisions of the law and regulation.

Fictitious Positive Provision
The principle of fictitious positive in the OSS means that the OSS system will automatically issue the business licenses and permit if the Ministries/Agencies and DPMPTSP fails to process the fulfillment submitted by the business actor through the OSS system within the duration stipulated in Attachment 1 of GR 5/2021.

3. INVESTMENT SUPERVISION

The Government of Indonesia has responsibilities to oversee and assist all investment projects that have entered the preparation and construction stages to be realized according to plan. Under the Risk-Based Approach, the government will perform inspections to supervise businesses, and make sure that companies are complying with the necessary business standards in conducting their business.

Supervision Mechanism

GR 5/2021 and BKPM Regulation No. 5 Year 2021 set the method for supervising the business activities by the government, which consists of routine supervision and incidental supervision. Routine supervision consists of (i) reports from business actors; and (ii) field inspections, while incidental supervision is a type of supervision that is carried out without being scheduled in advance.

The Risk-Based Business Licensing Supervision above is carried out in an integrated and coordinated manner between ministries/agencies, provincial/local governments, district/city local governments, Special Economic Zone (SEZ) administrators, and/or Free Trade Zone Free Port (FTZFP) through the OSS' supervision subsystem.

1. Routine supervision

Routine supervision will be carried out periodically based on the risk level of the relevant business activities with due consideration of the level of compliance by the business.

1.1 Business Actors Report

The reports of business actors are to be submitted to ministries/agencies, provincial/local governments, district/city local government, SEZ administrators, and/or FTZFP which contain the compliance of Business Actors for:

1. The standards and/or obligations for the implementation of business activities; and
2. The progress of investment realization, as well as the provision of facilities, incentives and conveniences for investment and/or obligations for partnerships.

Supervision stated in point (1) above will be carried out by technical ministries/agencies with standard mechanisms and procedures (SOP) in accordance with the provisions of related technical ministries, while supervision related to point (2) is carried out by the Ministry of Investment/BKPM with the provisions as stipulated in BKPM Regulation No. 5 Year 2021.

BKPM Regulation No. 5 Year 2021 emphasizes the requirement for PT PMA to submit the Investment Realization Report (*Laporan Kegiatan Penanaman Modal*/LKPM) to the Ministry of Investment/BKPM. The report includes report on investment realization and, if any, issues that are faced by the company in implementing its investments. The government will then provide facilitation services for problem solving (debottlenecking) to find solutions to obstacles/problems encountered. The submission of LKPM is carried out with the following provisions:

- Businesses are obligated to submit:
  a. A quarterly report on the investment and manpower realization at the construction and commercial stages; and
  b. An annual report on the realization of production, corporate social responsibility, partnership, training, and technology transfer at the commercial stages.

- Reporting period:
  a. For medium and large business actors, LKPM is submitted every 3 months (quarterly).
  b. Reports on the activities of the representative office are submitted as follows:
     - KP3A and KPPA are required to submit reports every 6 months;
     - The BUJKA Representative Office is required to submit a report once a year; and
     - The Foreign Electricity Supporting Representative Office is required to submit a report once a year.
- LKPM for each line of business and/or location, will be made through the OSS system that is now also integrated with the system of the relevant governmental institutions (e.g. ministries/agencies, local governments, or SEZ administrators).

- The LKPM consist of (1) LKPM in the construction/preparation stage for business activities that are not yet in production and/or commercial stages, which includes: a) land procurement, both inside and outside the industrial area, b) construction of buildings, c) procurement of capital goods and supporting goods, and d) import of machinery; and (2) LKPM for operational and/or commercial stages for business activities that are already producing and/or operating commercially.

1.2 Field Inspection
This measure shall be conducted by government agencies through direct or virtual field inspection. The relevant government agency will carry out field inspection, which may include administrative and/or physical examination, testing, and/or mentoring and counselling. Each business will be subject to at least once-a-year field inspection for each of its business locations, but medium-high risk and high-risk businesses will be subject to field inspection twice a year. Suppose a low-risk or medium-low risk business is declared as “compliant” by the inspector, such business may be exempted from a field inspection in the subsequent year (or only one inspection for medium-high risk and high-risk businesses).

2. Incidental supervision, which will be carried out by ministries/agencies, provincial/local government, districts/city local governments, SEZ administrators, and/or FTZFP on an ad hoc basis. Incidental supervision will be conducted through field or virtual inspections.

4. ONE STOP SERVICE CENTER (PTSP)

One Stop Service Center (PTSP *Pusat*) is established at BKPM to provide a simple, fast, transparent and integrated service for starting business in Indonesia. At PTSP *Pusat*, there are representative officers from 22 ministries and government institutions that provide consultation and accept application for business licenses that are not included in the OSS.

Services offered by PTSP *Pusat* including:

1. Serving information and consultation on investment policies in specific sectors;
2. Serving business license applications that are not regulated in GR 5/2021;
3. Clarifying the procedure of business licensing application through the OSS system (*Layanan Berbantuan*);
4. Facilitating the problems faced by investors in realizing their investment in Indonesia; and
5. Synchronizing and coordinating with related ministries/agencies including with provincial/local governments, district/city local governments, SEZ administrators, and FTZFP.

III

LEGAL OVERVIEW FOR FOREIGN INVESTOR

1. EMPLOYMENT

1.1 Employment of Foreign Workers

Following the enactment of Government Regulation No. 34 Year 2021, the Minister of Manpower (MoM) has issued MoM Regulation No. 8 Year 2021 regarding Implementing Regulation for Government Regulation No. 34 Year 2021 regarding Foreign Worker Utilization (MOM Reg. 8/2021).

Work Permit for Foreign Workers
Employers in Indonesia are required to obtain a work permit for foreign workers (*Tenaga Kerja Asing*/TKA) called RPTKA Legalization (*Pengesahan* RPTKA), issued by the Ministry of Manpower. The RPTKA Legalization is exempted for:

a. Board of directors and commissioners with certain share of stock ownership, or shareholders in accordance with provisions of legislation;
b. Diplomatic and consular staff at representative offices of foreign countries; or
c. TKA required by employer related to production activity that has ceased due to emergencies; vocational activities; technology-based startups; business visits; and research for a certain period of time.

Specifically for tech-based startups and vocational activities, the exemption lasts for no more than three months. The employers then need to apply for RPTKA Legalization for their foreign workers. The application must be submitted at least two weeks before the expiration of the work period stated in the foreign worker employment statement letter issued in place of the RPTKA Legalization.

Those that can employ foreign workers include:

a. Government institutions, representatives for foreign countries, and international agencies;
b. Representative offices of foreign trade, representative offices of foreign companies, and foreign news offices conducting activities in Indonesia;
c. Foreign private companies conducting business in Indonesia;
d. Legal entities in the form of limited liability companies or foundations which established under Indonesian law or foreign business entities registered in the authorized institution;
e. Social, religious, educational and cultural institutions;
f. Impresario service business; and
g. Business entities as long as not prohibited by the law to utilize TKA.

An exception applies to a limited liability company in the form of an individual legal entity, which under MoM Reg. 8/2021 is not allowed to employ foreign workers.

Employers must apply for work and immigration permit through the TKA Online system (https://tka-online.kemnaker.go.id/)

Application Stages

1. RPTKA Documents Submission

Submit an application and upload documents needed through the TKA Online system addressed to the Director of Foreign Manpower Utilization Management (*Direktur Pengendalian Penggunaan Tenaga Kerja Asing*) if fewer than 50 foreign workers are to be employed. Otherwise, it is addressed to the Director General of Manpower Placement Guidance and Expansion of Work Opportunity (*Direktur Jenderal Pembinaan Penempatan Tenaga Kerja dan Perluasan Kesempatan Kerja*).

2. RPTKA Appropriateness Assessment

If the application is declared complete and correct, the Ministry of Manpower will then conduct a feasibility assessment of the application for Legalization of the RPTKA submitted by the employer. The assessment will be conducted online. If the assessment concludes that all requirements have been met, the Ministry of Manpower will issue results of the feasibility assessment no later than 2 working days after the employer is deemed feasible based on the assessment.

3. Submission of Foreign Worker Personal Data

The employer is required to submit the data and documents of TKA candidates once the assessment result is issued or simultaneously with the submission of RPTKA documents through the TKA online system. These data and documents will be verified within no more than 2 working days.

4. DKPTKA Payment and RPTKA Legalization

If the information and documents are declared complete and correct, the Ministry of Manpower will issue a payment notification letter for the Compensation Fund for the TKA Utilization (*Dana Kompensasi Penggunaan Tenaga Kerja Asing*/DKPTKA). The amount of payment is USD 100 for each position per person monthly and shall be made to a bank appointed by the Ministry of Finance or the local government. Payment of DKPTKA is waived for (i) government institutions, (ii) representatives of foreign countries, (iii) international agencies, (iv) social institutions, (v) religious institutions, and (vi) certain positions in educational institutions.

Once the employer has made the DKPTKA payment, the Ministry of Manpower will issue the RPTKA Legalization and send the data online to the Ministry of Law and Human Rights for further processing the visa and stay permit. The Legalization of RPTKA is used as a recommendation to obtain visa and stay permit for the foreign workers.

Types of RPTKA Legalization and Validity Period

RPTKA Types	Validity
Temporary work (production quality control, filming work, installation of machines, and so forth)	Maximum period of 6 months and cannot be extended
Work for more than 6 months	Maximum period of 2 years and can be extended
Employment that does not require payment to the Foreign Worker Utilization Compensation Fund	Maximum period of 2 years and can be extended
Employment in Special Economic Zones (SEZ)	Maximum period of 5 years and can be extended. For SEZ RPTKA for board of directors or commissioners is given once and is valid as the TKA still working as board of directors or commissioners.

Note: the RPTKA Legalization to be extended at least 30 days prior to its expiration.

Amendment of RPTKA Legalization

Employers may apply for amendment to RPTKA Legalization before the expiration of the validity period. MoM Reg. 8/2021 provides that the amendment to the RPTKA Legalization will be issued in no more than 2 working days if the submitted information and documents are declared complete and correct. In this case, no appropriateness assessment is needed.

1.2 Fixed Term Employment

Fixed Term Employment Contracts (*Perjanjian Kerja Waktu Tertentu*/PKWT)

PKWT is an employment agreement between the employee and the employer to establish a working relationship for a specific time or works. PKWT cannot require a probationary period. Further, the PKWT must be registered at the Ministry of Manpower by the employer through online registration.

PKWT based on time period and completion of works are used for the following:

a. PKWT based on time period which is categorized into: i) works with a short completion period (a maximum of years); (ii) seasonal works; or (iii) works related to new products, new activities, or an additional product that is still in the experimental or try-out phase. Time-based PKWT may be determined and extended based on the agreement between the employer and employee. However, the PKWT is restricted to no more than 5 years since the starting or effective date of the PKWT.

b. PKWT based on completion of works which is categorized into: (i) one time completion works, or (ii) temporary works. The employment contract for PKWT based on completion of works must include, among others, (i) scope of works and (ii) terms for the completion of works. The time period for the completion of works shall be the time period that such works is completed.

Compensation
At the end of the PKWT period, employers have to provide compensation to the workers. Compensation is given to workers who have worked continuously at least 1 month, with the following conditions:

a. PKWT with a time period of 12 consecutive months shall receive 1 month wage;
b. PKWT with a time period between 1 month and less than 12 months is calculated proportionally (working period/12 x 1 month of wage);
c. PKWT with a time period of more than 12 months is calculated proportionally (working period/12 x 1 month wage).

Wages generally consist of basic salary and fixed allowances. If a wage does not include fix allowances, then the compensation shall not include additional allowances. If a wage consists of basic salary and non-fixed allowance, then the compensation shall only include basic salary. The compensation mentioned above shall not apply to PKWT for foreign workers.

1.3 Outsourcing

Outsourcing is a working relationship between an outsourcing company with employees who are employed based on PKWT or permanent employment contract (*Perjanjian Kerja Waktu Tidak Tertentu*/PKWTT). Matters regarding protection of workers, wages, welfare, working conditions, and disputes are conducted pursuant to laws and regulation and shall be the responsibility of the outsourcing company. These shall be regulated under an employment contract, company regulation or a collective employment contract. An outsourcing company must be in the form of legal entity and is required to fulfill business license issued by the central government.

1.4 Working Hours

Employers are obligated to implement working hours pursuant to the employment contract, company regulation, or collective working contract.

Standard Working Hours	Less than Standard Working Hours
a. 7 hours each working day and 40 hours per week (6 working days per week) with 1 weekly rest day; or b. 8 hours each working day or 40 hours per week (5 working days per week) with 2 weekly rest days.	Companies in certain business sectors or works that apply less than "standard" working time, meet the following criteria: a. Completion of work less than 7 hours each day and less than 35 hours each week; b. Flexible working hours; c. Work that can be carried out outside of the working location.

Overtime may only be implemented for a maximum of 4 hours each day or 18 hours each week, excluding works conducted on weekly rest days and/or national holidays. Employers have to pay for overtime pursuant to the following calculations:

(i) For the first overtime hour: 1.5 x 1 hour salary;

(ii) For each subsequent hours: 2 x 1 hour salary.

1.5 Termination

Termination of Employment (*Pemutusan Hubungan Kerja*/PHK) is the termination of a working relationship due to certain matters which resulted in the termination of rights and obligations between workers/labors and the employer. In the event of employment termination, the employer shall be obligated to pay severance and/or service pay, and compensation pay to the employee in accordance with Government Regulation No. 35 Year 2021.

Termination Reason	Rights due to termination
a. Acquisition of the company resulting in changes of working conditions and workers are not willing to continue the employment relationship; b. Termination due to efficiency because the company experiences losses; c. The company is liquidated due to losses for 2 years continuously or not continuously; d. The company is liquidated due to force majeure; e. The company is in a state of postponement of its debt payment obligations due to losses; f. The company went bankrupt; g. The worker violates the work agreement, company regulations, or collective labor agreement after previously provided a warning letter.	Severance pay amounting to 0.5 times the stipulation, reward for service pay of 1 time the stipulation, and compensation pay for rights in accordance with the stipulation.
Retirement	Severance pay amounting to 1.75 times the stipulation, reward for service pay of 1 time the stipulation, and compensation pay for rights in accordance with the stipulation
Prolonged illness or disability due to work accidents and can not carry out his/her job after exceeding the 12 month limit; and death	Severance pay of 2 times the stipulation, reward for service pay of 1 time the provision, and the compensation for rights.

1.6 Wages

Under Government Regulation No. 36 Year 2021 (GR 36/2021), the provincial minimum wage will be the main benchmark for businesses. Governor may also impose a regency/city minimum wage if that regency/city's economic growth is higher than the province's for the last three years. Although the sectoral minimum wage has been abolished, all sectoral minimum wage decrees issued before GR 36/2021 will continue until their expiration date.

Minimum Wage Calculation
Calculations for monthly minimum wage are carried out by the provincial or district wage council. The local government will determine the minimum wage based on economic and employment conditions. These comprise of the following variables:

a. Purchasing power parity;
b. Manpower absorption levels; and
c. Median wage variables (the margin between the 50% of the highest wages and 50% from the lowest 50% of the lowest wages from employees in the same position).

These variables were assessed based on existing data from the last 3 years. In addition, the wage council also takes into account economic growth or rate inflation provision, as well as per capita consumption of working household members.

The minimum wage applies to all workers with less than 1 year of working in the company. After 1 year, the employee is eligible to be paid in accordance with the wage scale in the particular company, if they wish to do so. Moreover, businesses are no longer permitted to postpone the payment of the minimum wage for their workers like before, unless they are classified as micro or small businesses.

1.7 Social Security Programs

Based on Law No. 24 Year 2011 (Law 24/2011), employer will have to contribute a certain share based on employee monthly wage into the social security programme. The programme will provide economic assurance for every employee's wellbeing. The Social Security Agency for Workers and/or Health (*Badan Penyelenggara Jaminan Sosial untuk Ketenagakerjaan dan/atau Kesehatan* or BPJS-TK and BPJS-KS) will continue to ensure that employer takes part in the mandatory social security programmes such as Pension Guarantee, Senior Insurance Program, Life Insurance, and Work Accident Insurance.

With the Job Creation Law, it amends a few provisions in Law 24/2011 and adds the unemployment insurance program (*Jaminan Kehilangan Pekerjaan*/JKP Program). Under Government Regulation No. 37 Year 2021, the JKP Program will give employees access to job openings, training, and cash payments that is capped at six months' salary, with IDR 5 million (approximately USD 350) as the maximum monthly salary should they lose their jobs. The requirements for the employee to be registered under JKP is that the employee shall be an Indonesian nationality, has not reached the age of 54 during registration, and has an employment relationship with the company. All employees already enrolled with the Manpower BPJS system are automatically registered for JKP program.

2. VISA AND IMMIGRATION

Different types of visas and stay permits allow different types of activities. As part of the government's goal to make Indonesia more investment friendly through the enactment of the Job Creation Law, Government Regulation No. 48 Year 2021 (GR 48/2021) on Immigration was issued.

2.1 Type of Visas

a. **Visitor Visa** (B211A, B211B, B211C)
This type of visa cannot be used to work in Indonesia. Foreigners with this visa can carry out activities including: Tourism; Family; Social; Arts and culture; Duties of government; Non-commercial sports; Comparative studies, short courses and short training; Pre-investment activities; Conduct business talks; Make purchases of goods; Giving lectures or attending seminars; Participate in international exhibitions; Participate in meetings held with the head office or representatives in Indonesia; Continuing to travel to other countries; and Join the transportation means in the Indonesian Territory.

GR 48/2021 adds a new eligibility category for both single and multiple-entry visit visas which is the pre-investment activities. These are activities in conjunction with starting a business such as activities related to field surveys and feasibility studies.

Immigration Guarantee	Certain foreigners in Indonesia are required to have a guarantor responsible for the presence and activities of during their stay in Indonesia, and for reporting any change in the civil status, immigration status or address of such foreigners. If foreign investors, 'second home' foreigners and foreigners engaged in pre-investment activities do not have a guarantor, they may make an immigration guarantee payment to the Directorate General of Immigration to replace the guarantor requirement. If the immigration guarantee is not used to pay immigration obligations, the full amount of the payment shall be returned to the foreigners once their stay permit expires.

b. **Temporary Stay Visa/VITAS**
This type of visa can carry out activities including: a professional or expert; who joins to work on ships, on vessels, or installations operating in the Indonesian maritime zone, territorial sea, continental shelf, and Indonesian Exclusive Economic Zone; whose job is quality control of goods or products; who conducts workplace inspections and audit; whose work with an aftersales service; who installs and repairs machine; with a non-permanent work in constructions; with a probationary period for skilled works; a foreign Investment; a family reunion; retirement travel.

GR 48/2021 adds 2 requirements for a VITAS application, namely:

a. A statement letter of good standing from the relevant authorities or the embassy or consulate of the foreigner's country of origin; and
b. A health examination letter stating that the foreigner is free from any contagious disease that could endanger public health.

2.2. Stay Permits

The principal provisions relating to the presence of foreigners in Indonesia under the previous laws and regulations are remain in force, while GR 48/2021 introduces some significant changes.

Visit Stay Permits

- A visit stay permit issued based on entry to Indonesia under a single-entry visit visa, such visit stay permit is valid for a maximum period of 180 days and is non-extendable.
- A visit stay permit issued based on entry under a multiple-entry visit visa is granted for a maximum period of 180 days and is extendable up to an aggregate stay of no more than 12 months in Indonesia.
- The validity period of stay permits issued based on entry under a visit visa on arrival is no more than 30 days and is non-extendable.

Limited Stay Permit (*Izin Tinggal Terbatas*/ITAS)

- An ITAS is valid for a maximum of five years and can be extended under the condition that the aggregate stay of the foreigner in Indonesia does not exceed 10 years.
- An ITAS for work purposes that is valid for no more than 90 days can be extended under the condition that the aggregate stay of the foreigner in Indonesia does not exceed 180 days.
- Now, a foreigners can apply by themselves to the relevant head of immigration office or appointed immigration official for the conversion of a visit stay permit to an ITAS, or an ITAS to a permanent stay permit (ITAP), that previously only guarantors could submit these applications.

Updated information on entering Indonesia can be found at www.imigrasi.go.id

Conversion of Stay Permit

The Ministry of Law and Human Rights provide ease of services and/or licensing on immigration facilities for foreign investment (PMA). Under BKPM Regulation No. 4 Year 2021, the ease of services and/or licensing are given for a conversion of stay permit after getting a letter recommendation from the Ministry of Investment/BKPM. Stay permit subjected to status conversion includes:

1. Visit Stay Permit converted to Limited Stay Permit; and
2. Limited Stay Permit converted to Permanent Stay Permit.

The recommendation for status conversion of a stay permit is given to 1) foreigners as shareholders and as directors or commissioners; and 2) foreigners as shareholders but are not in position as directors or commissioners. The shareholders must meet the following criteria:

a. If they are directors or commissioners, both status conversions require having a share ownership of at least IDR 1 billion or its equivalent in USD as stated in the deed;
b. If they are not directors or commissioners, status conversion from Visit Stay Permit to Limited Stay Permit requires having a share ownership of at least IDR 1,125,000,000 or its equivalent in USD, while Limited Stay Permit to Permanent Stay Permit status conversion requires at least IDR 10 billion or its equivalent in USD, as stated in the deed.

The recommendation letter application is to be submitted to the Ministry of Investment/ BKPM through rekomaltus@bkpm.go.id. If a foreign shareholder, either as a director or a commissioner does not meet the criteria above, the application to use foreign workers shall be submitted to the MoM for:

a. Granting approval to change the status of a visit stay permit into a limited stay permit or extension of a limited stay permit; and
b. Granting approval to change the status of a limited stay permit into a permanent residence permit or extension of a permanent residence permit

3. LAND AND ENVIRONMENT

3.1 Land Title

Land ownership in Indonesia is regulated under Law No. 5 Year 1960 on Basic Agrarian Law. The Job Creation Law and Government Regulation No. 18 Year 2021 (GR 18/2021) on Right to Manage, Right over Land, Stacked Units and Land Registration (*Hak Pengelolaan, Hak atas Tanah, Satuan Rumah Susun dan Pendaftaran Tanah*) has expanded some of its aspects e.g., the concept of right of management, space above and beneath the land, and electronic land-related documents.

In general, the types of land title allowed are as follows:

1. **Right of Ownership (*Hak Milik*/HM)**

   Hak Milik is the right that gives the holder the fullest right a person can possess over a land in Indonesia. It allows an unlimited period of ownership, and it is transferrable, though it may be encumbered for security reasons. The title is available only to (i) Indonesian citizens, (ii) certain religious and social organizations, (iii) government bodies in Indonesia, and (iv) a very limited number of Indonesian legal entities allowed by the government.
2. **Right to Build (*Hak Guna Bangunan*/HGB)**

   HGB title is the right to build and to own buildings on land which is not ones property. It can be given to (i) Indonesian citizens and (ii) legal entities (whether Indonesian or foreign owned) that are incorporated under Indonesian law and domiciled in Indonesia. The title can be granted over state land, Right of Management (*Hak Pengelolaan*) land, and Right to Own (*Hak Milik*) land. The maximum term of grant of HGB is 30 years, and may be extended for 20 years and renewal of a maximum for 30 years. Applications for extension of Right to Build can be submitted after the land has been utilized in accordance with the purpose or before the expiration date of the land title. While for the renewal of Right to Build can be submitted at the latest 2 years after the expiration date of the land title.
3. **Right to Cultivate (*Hak Guna Usaha*/HGU)**

   HGU is a title granting the right to cultivate state land and the Right of Management land, or to use it for other agricultural purposes in a certain period of time. It can be given to (i) Indonesian citizens and (ii) legal entities (whether Indonesian or foreign owned) that are incorporated under Indonesian law and domiciled in Indonesia. The maximum term of grant of HGU is 35 years, with the option of extension for a maximum of 25 years and a renewal of a maximum of 35 years. The application for extension of a Right to Cultivate can be submitted after the business carried out on the land is effective. As for the renewal, the applications can be submitted at the latest 2 years after the expiration date of the land title.

4. **Right to Use (*Hak Pakai*)**

   Hak Pakai is the right to utilize land or to collect products from such land. The title can be granted for a definite or indefinite term, as long as the land is used for a specific purpose. GR 18/2021 divides Right to Use into two types:

   a. **Right to Use for a certain period of time** can be given to Indonesian citizens, legal entities established under Indonesian laws and domiciled in Indonesia, foreigners domiciled in Indonesia, and foreign legal entities having representatives in Indonesia. This Right to Use can be granted over state land, Right to Own land, and Right of Management land.
      The Right to Use over state land and Right of Management land can be granted for a maximum of 30 years, which can be extended by 20 years. After the term of the extension expires, the land title can be renewed for a maximum of 30 years. While the Right to Use over Right to Own land, can be granted for a maximum of 30 years and can be renewed with the granting Right to Use over Right to Own land deed.
   b. **Right to Use for an unspecified period of time** can be given to central government agencies, regional governments, local governments, religious and social institutions, representatives of foreign countries and representatives of international agencies. This land title can be granted over state land and Right of Management land.

5. **Right of Management (*Hak Pengelolaan*)**

   Hak Pengelolaan is a right to manage state land, including to use such state land, that may be granted by the central government to a government authority or agency, including a local government or state enterprise, which may in turn sub-grant the right to use the land to a third party. The application for extension and renewal of Right of Management land title granted over Right to Cultivate and Right to Build can be submitted after the land has been utilized in accordance with the purpose.

Priority for Ex-Land Title Holder

After the period of grant, extension or renewal ends, the Ministry of Agrarian Affairs and Spatial Planning (ATR)/National Land Agency (BPN) has the authority to reorganize the utilization and ownership of the land. Ex-holders of Right to Build, Right to Use and Right to Cultivate have a priority to utilize the land if the ex-land titleholder is still eligible to own and utilize the land.

Land Registration
In line with the Government's efforts to digitalize land administration throughout Indonesia, the land registration activities in Indonesia will be conducted electronically on a gradual basis. To provide certainty, the electronic data and information, or printouts thereof, are admissible as evidence in court, provided that they are validated by an authorized official. Deeds produced by a land conveyancer (*Pejabat Pembuat Akta Tanah*) may be created electronically. The requisite period for the announcement of land registration (to allow for objections) are 14 to 30 days. It also provides for the publication of land registration data on the Ministry of ATR/BPN website.

3.2 Spatial Conformity

Under Government Regulation No. 21 Year 2021 (GR 21/2021), business actors are required to obtain a Confirmation/ Approval/ Recommendation Spatial Conformity (*Kesesuaian Kegiatan Pemanfaatan Ruang*/ KKPR) for utilization a space through the OSS system before they can apply for a business license and operate commercially. A KKPR requirement also applies to business activities located in coastal water or water areas. The KKPR will be issued if the business activities and location conform to the Detailed Zoning Plan (*Rencana Detil Tata Ruang*/RDTR).

The procedure for the Confirmation of KKPR to be issued through the OSS system consists of the following steps:

a. Registration, which includes some information on the location geographical coordinates, total land area, control/ownership over the land, the intended business, the planned number of floors, and planned area of the building;
b. An assessment of the intended activities document to RDTR; and
c. Issuance of the Confirmation of KKPR. The KKPR will be issued through the OSS system within 1 business day of registration or after payment of the non-tax state revenue and will be valid for 3 years.

If the RDTR for the intended location of the planned activity are not yet available, an Approval of KKPR will be given. These Approval of KKPR also applies in the coastal waters, territorial waters, and jurisdiction. The procedure for the Approval of KKPR consists of the following steps:

a. Registration;
b. An assessment of the intended activities document to the Spatial Plan (*Rencana Tata Ruang*/RTR), National Strategic Areas Zoning Plan (*Rencana Zonasi Kawasan Strategis Nasional Tertentu*/RZ KSNT), and Interregional Zoning Plans (*Rencana Zonasi Kawasan Antarwilayah*/RZ KAW); and
c. Issuance of the Approval of KKPR.

An Approval of KKPR in the industrial estates and tourism area which already has a business license in accordance with the provisions of the legislation; and Special Economic Zones which has been designated in accordance with the provisions of the legislation, do not require an assessment as point b above.

3.3 Building

Building Approval

The Job Creation Law replaces the building construction permit (*Izin Mendirikan Bangunan/IMB*) with building approval (*Persetujuan Bangunan Gedung/*PBG). Under Government Regulation No. 16 Year 2021 (GR 16/2021), PBG is a license granted to building owner to build new, change, expand, reduce, and/or maintain building in accordance with the technical standards of building. However, an IMB issued prior to the enactment of GR 16/2021 remain valid until it expires.

PBG must be obtained before construction or alteration of a building begins. The procedure of PBG issuance includes:

Consultation on the construction plan, which consist the following steps:

a. Registration.
   The Owner of the Building or Applicant must submit registration through the Building Management Information System (*Sistem Informasi Manajemen Bangunan Gedung/* SIMBG). Documents that need to be included for the registration are 1) Applicant data; 2) Building data; and 3) Technical plan document.
b. Inspection of compliance with Technical Standards; and
c. Statement of compliance with Technical Standards.
   The relevant Technical Agency in the area will issue a recommendation for the issuance of a written statement of compliance, if the document fulfills all technical requirements. The recommendation will also determine the mandatory costs to be paid by PBG applicant, in issuing the PBG.

The issuance of the PBG, consist the following process:

a. Determination of the value of regional levy;
b. Payment of regional levy; and
c. PBG Issuance. DPMPTSP will issue a PBG if it has received proof of retribution payment by the applicant. Issued PBG consists of PBG documents and PBG attachments.

Certificate of Proper Building Functioning (*Sertifikat Laik Fungsi*)

A building can only be utilized after the issuance of certificate of proper building functioning (SLF) by the Technical Agency. After the Technical Agency receives a written statement of proper building functioning (*surat pernyataan kelaikan fungsi*) from the supervisory service provider/construction management service provider/overseer (*penilik*) upon completion of the final inspection and commissioning test of the building, the SLF will be issued through the SIMBG. An SLF consists of (i) SLF documents, (ii) attachments to the SLF documents, and (ii) the SLF label. Furthermore, if several buildings are constructed in one area under the same technical plan, then the SLF will be issued for each of the building. The SLF should be extended for a certain period of time as follows: (i) 20 years for single and row residential houses; and (ii) 5 years for other kinds of buildings.

3.4 Environmental

Environmental Approvals

Pursuant to Government Regulation No. 22 Year 2021, an environmental approval must be obtained prior to obtaining a business licence. Any plan of business and/or activity that has negative impact on the environment must obtain:

a. Environmental Impact Assesment (*Analisis Mengenai Dampak Lingkungan*/ AMDAL);
   - AMDAL is mandatory for any type of business plans and/or activities that may have a significant impact on the environment, in which: (1) its scale is mandatory for AMDAL; and/or (2) it is located within and/or directly adjacent to a protected area.
   - Business actors must prepare AMDAL documents which consists: (1) Terms of Reference Form (*Formulir Kerangka Acuan*); (2) AMDAL; (3) Environmental Management Plan and Environmental Monitoring Plan (RKL-RPL). These AMDAL documents will be reviewed by the Environmental Feasibility Assessment Team. The relevant Assessment Team will then issue a recommendation, which will be considered by the Minister of Environment and Forestry before issuing the Environmental Eligibility or Non-eligibility Decree.

b. Environment Management Efforts and Environment Monitoring Efforts (*Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup*/UKL-UPL); or
   - UKL-UPL is mandatory for any type of business activities that: (1) has no significant impact on the environment; (2) is located outside and/or not directly adjacent to a protected area; and (3) is exempted from AMDAL obligation.
   - Business actors must prepare a UKL-UPL Form, which then will be reviewed and issued by the authorized Minister, governor, or regent/mayor.

c. Commitment Letter for Implementation of Environmental Management and Monitoring (*Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup*/SPPL), as a substitution of UKL-UPL document if the business has no significant impact or effect on the environment.
   - SPPL is mandatory for any type of business plans and/or activities that: (1) has no significant impact on the environment; (2) is a micro or small enterprise having no significant Impact on the environment; and/or is exempted from UKL-UPL obligation.

- Business actors must prepare a UKL-UPL Form, which then will be reviewed and issued by the authorized Minister, governor, or regent/mayor.
- The SPPL for businesses engaging in certain fields is now integrated into the company's NIB. Consequently, businesses that are required to submit the SPPL can now start their business activities immediately once they obtain their NIB.

All Environmental Approvals shall remain valid as long as the business and/or activity takes place and no changes are made.

4. LOGISTICS

4.1 National Logistic Ecosystem (NLE)

The NLE was introduced through Presidential Instruction No. 5 of 2020 (Inpres 5/2020) regarding Arrangement of National Logistic Ecosystem. Under Inpres 5/2020, Minister of Finance was instructed to launch the NLE which is conducted through the Indonesia National Single Window/INSW. The NLE aims to simplify the previous import/export activities where notifications/documents should be submitted through multiple platforms e.g., to INSW and *Sistem Informasi Manajemen Lalu Lintas Angkutan Laut* "SIMLALA" online system of the Directorate General of Sea Transportation.

In reference to various recent regulations on import/export activities, relevant parties involved in the activities are encouraged to connect or utilize the NLE, for instance (i) warehouse enterprises must connect Container Delivery System electronically to NLE in case the warehouse is located at the Port, and (ii) the application to obtain an approval license for discharging imported goods outside Customs Area may be submitted through the NLE.

4.2 Indonesia Seaport

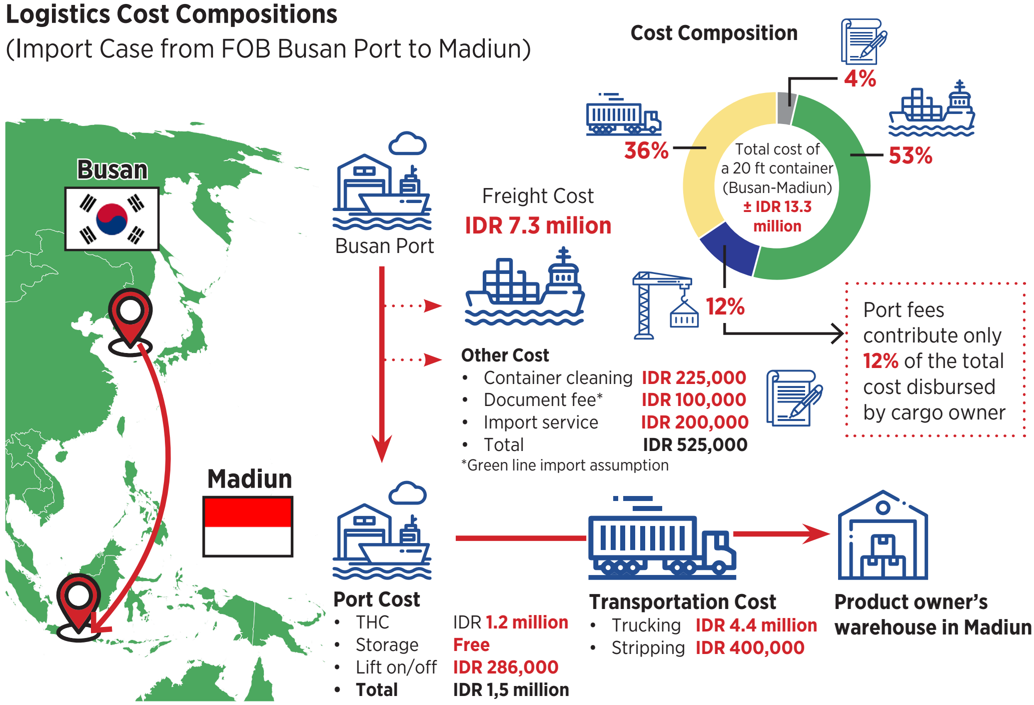
There are several main hubs in Indonesia as the main facilities for international trade. This hub connects logistics activities from Sabang to Merauke. The major international ports in Indonesia are located at Tanjung Priok, Jakarta and Tanjung Perak, Surabaya.

No	Major International Hub in Indonesia	Location	Container Ship Capacity (TEUs)
1.	TPK Belawan	North Sumatra	434,576
2.	Tanjung Priok	DKI Jakarta	1,832,887
3.	Tanjung Perak	East Java	2,272,691
4.	TPK Makassar	South Sulawesi	649,889
5.	Terminal Balikpapan	West Kalimantan	202,231
6.	TPK Bitung	North Sulawesi	297,168
7.	Pelabuhan Jayapura	Papua	97,000
8.	Terminal Sorong	West Papua	60,708

SOURCE: PT. PELINDO III (PERSERO)

An illustration of international logistics activities in Indonesia can be seen from the import illustration in the following scheme:

Logistics Cost Compositions
(Import Case from FOB Busan Port to Madiun)



SOURCE: PT. PELINDO III (PERSERO)

5. INFRASTRUCTURE

Under the current Medium-Term National Development Plan 2020-2024, the government key targets are to reach the average GDP growth of 6% and allocate IDR 6,445 trillion or about 6,2% of GDP for infrastructure spending. In contrary, government funding capacity is only able to fund IDR 2,385 trillion or about 37% of the total required investment. This funding gap forces the government to maximize creative financing and encourge the participation of society and business entities through Public Private Partnership (PPP) scheme.

Public Private Partnership (PPP)

To bridge the interest of private sectors in finding profitable investment and providing better infrastructure for the people, the government is offering the Public-Private Partnership (PPP) scheme in developing infrastructure projects. This scheme is provided through the Presidential Regulation Number 38 Year 2015 (PR 38/2015) alongside other regulations.

19 types of infrastructure project, including social infrastructure, are covered by PPP scheme:

CONNECTIVITY

Road
- Toll roads
- Toll brdiges
- Roads

Transportation
- Seaports
- Airports
- Railways
- Road transportation

Electricity
- Power plants
- Transmission

Energy conservation
- Street lighting

Oil, gas, and renewable energy

Telecomunication & informatics
- Fiber optics
- E-government
- Satellite

URBAN INFRASTRUCTURE

Water supply

Waste management system

Water resource & irrigation

Localized waste water management

Centralized waste water management

Public housing

Urban facility
- Traditional market

SOCIAL INFRASTRUCTURE

Tourism

Education facilities

Sports, art & culture facilities

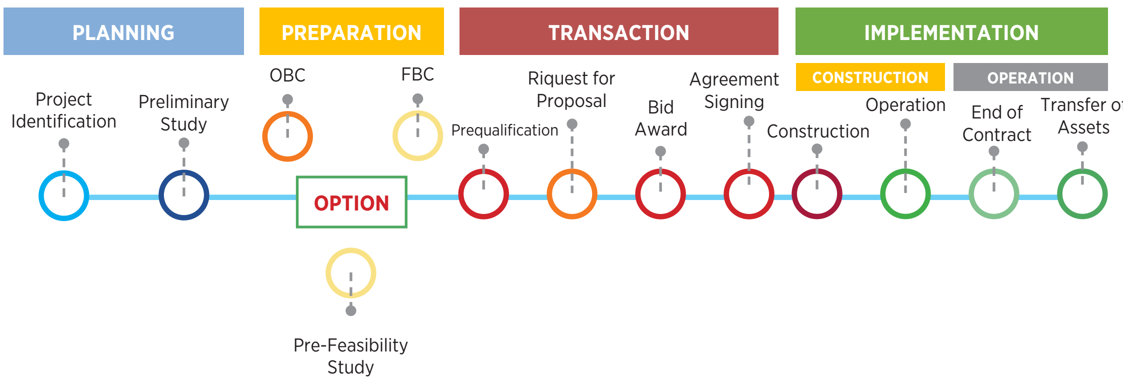
Health

Zone/ estates

Penintentiary

Based on PR 38/2015, there are two PPP project proposal schemes namely Solicited and Unsolicited. Solicited Proposal is initiated by the Government, while the Unsolicited Project is initiated by the private sectors.

Project Pipeline for Solicited Proposals



For Solicited Proposals, the PPP scheme consists of four stages: planning, preparation, transaction, and implementation. PPP projects that are under preparation are those in the pre-feasibility study stage, while projects under the transaction are those in the procurement process. Every year Ministry of National Development Planning/National Development Planning Agency (Bappenas) stipulates a list of PPP plans compiled in a PPP Book. In PPP Book, the projects are organized into two categories based on their readiness level, namely ready to offer projects and under preparation projects. The book also provides information related to projects in tender process (under transaction) and projects that have become success story for PPP development in Indonesia.

6. TRADE

6.1 Trade Agreement

Indonesia has signed and implemented a number of free trade agreements with countries and regions around the world with its status as an independent market as well as a member state of the Association of South East Asian Nations (ASEAN). As an ASEAN member, Indonesia implements the ASEAN Free Trade Area (AFTA) policy. AFTA regulates intra-regional trade through the Common Effective Preferential Tariff (CEPT) scheme with applied tariff range between 0-5% for ASEAN member countries, except for products specified on exclusion lists. Indonesia does not only implement a free market policy between ASEAN, but also with other countries including ASEAN-Australia-New Zealand, ASEAN-China, ASEAN-South Korea, ASEAN-India, and Indonesia-Japan (IJ-EPA).

6.2 Import and Export

Under Government Regulation No. 29 Year 2021 (GR 29/2021) an exporter or importer must hold an NIB, and is prohibited from importing or exporting prohibited goods that relate to (i) public health, flora and fauna, and the environment; (ii) national security and the public interest, including social and cultural heritage and public morality; or (iii) protected wild plant or animal species.

For importers, NIB also acts as a General Importer Identification Number (API-U) or Producer Importer Identification Number (API-P). The imported products must be brand new, unless the MoF explicitly approves the importation of second-hand items. To import certain types of goods, importers must hold a business license issued by the Ministry of Trade (MoT), which consist:

a. An importer registration license;
b. An import approval license for producer importers (companies that import raw materials and capital goods for its own use); and/or
c. A general import approval license.

While businesses exporting certain types of goods will require an additional export license from the MoT, which consist:

a. An export registration license; and/or
b. An export approval license.

The government of Indonesia has established the SINSW, integrating related ministries and institution in import and export licensing process. This system supports a single submission of data and information, offers single and synchronous processing of data and information, and decision making on a single basis for the granting of customs clearance and release of goods.

To obtain business license in the export and import activities, the exporter and importer must apply to the Minister of Trade through the Indonesia National Single Window System (SINSW) (https://www.insw.go.id).

Importing to Indonesia

Businesses should check the Indonesian Harmonization System (HS) Code, which is used to classify every category of products, before importing or exporting it. This is due to the fact that some items may require additional licenses or registration. In addition, the HS code is one of the criteria that determines the tax and customs duties, as well as any unique import/export restrictions for that goods.

Exporting goods from Indonesia

The export process normally begins with a sales contract between exporters and importers, with payment done by letter of credit (L/C) or other non-L/C means. Only Indonesian legal entities (Limited liability companies, public companies, and cooperatives) can export commodities from the country.

6.3 Distribution of Goods

In general, the distribution of goods to consumers can be divided into 2 (two) sections i.e., indirect and direct distribution.

a. Indirect Distribution of Goods

Indirect distribution of goods carry out by a distributor company must be accompanied by a written agreement, appointment and/or other transaction documentation. It may be undertaken through the following types of arrangement:

1. A distributor and its network (distributor, wholesaler, and retail);
2. An agent and its network (agent, wholesaler, and retail); or
3. A franchise;

Distributor: A distributor must have an NIB and Distributor Business License issued by the OSS system. The distributor must own or control a registered warehouse. In the event that a manufacturer appoints a sole distributor, then it is not permitted to appoint another distributor of the same products. The appointment of a sole distributor by a manufacturer must be valid for at least for 5 years and must be extended at least once. A distributor cannot distribute directly to consumers.

Furthermore, some of the provisions under the Ministry of Trade Regulation No. 24 Year 2021 (MoT Reg. 24/2021) on Agreements for Distribution of Goods by Distributors or Agents are:

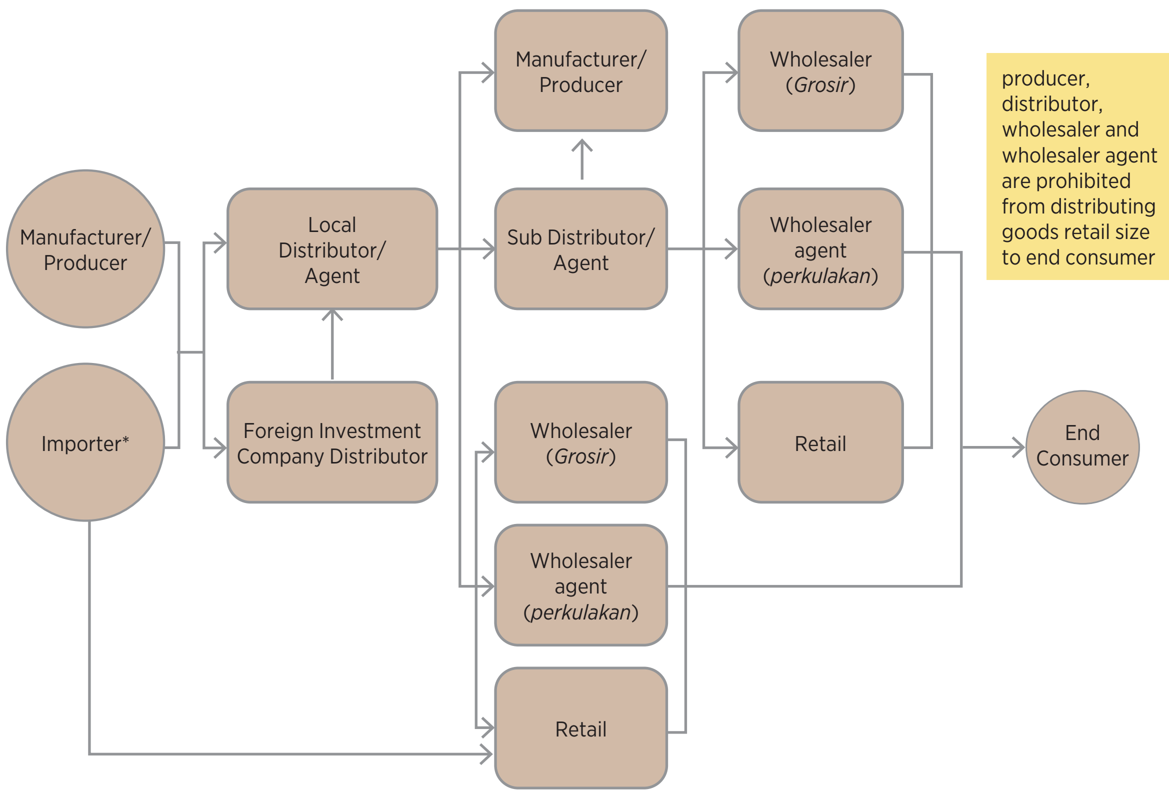
- Types of business actors classified to carry out distribution activities, consist of (i) distributors; (ii) sole distributors; (iii) agents; and (iv) sole agents. Distributors and sole distributors may appoint sub-distributors while agents and sole agents may appoint sub-agents.
- A foreign investment PMA trading companies must appoint domestic investment (PMDN) trading companies as distributors, sole distributors, agents, or sole agents.
- Companies distributing health products and medicines are exempted from the provisions of MoT Reg. 24/2021. The distribution of health products or medicines shall be carried out based on the relevant laws and regulations in the health sector.

Agent: An agent must have an NIB and Agent Business License, and is paid on a commission basis by the appointing party. Should the manufacturer appoint a sole agent, it is not permitted to appoint another agent to distribute the same products. The agent cannot transfer rights over products owned or controlled by the manufacturer, supplier, or importer that appointed him, as they only act for and on behalf of the producer, supplier or importer in marketing the goods.

Wholesaler: A wholesaler must have an NIB and Wholesaler Business License, and is prohibited from distributing goods directly to consumers.

Retailer: A retailer must have an NIB and Retailer Business License, and is prohibited from importing goods. Retailers distribute their wares through shops and other types of outlets. They may also sell online and engage in itinerant trading (where retailer goes from place to place selling its wares).

Indirect Distribution Flowchart



*If the importer has also a distributor license, it may sells goods directly to retail

b. Direct Distribution of Goods

Direct distribution of goods may be conducted on a single-level or multi-level basis. A company engaged in direct goods distribution must have a business license and meet the following criteria:

1. Holds an exclusive distribution right to the products;
2. Has adopted a marketing plan;
3. Has adopted a code of conduct;
4. Recruits direct sellers via networking; and
5. Sells products directly to consumers via a marketing network developed directly by sellers.

Direct sellers are paid on a commission basis, and their aggregate commissions must not account for more than 60% of turnover.

7. INVESTMENT PROTECTION

Law No. 25/2007 gives legal certainty to foreign investors that their investment shall be protected and shall receive equal treatment from regardless their country of origin. Protection measures include:

1. Foreign Exchange Regime

   The swap system to avoid exchange risks caused by the depreciation of the Rupiah is available.
2. Expropriation and Compensation
   - Based on the law, there are several principles concerning expropriation, as follows:
   - The government will not undertake any nationalization action or take over the ownership rights of the investor, unless by law.
   - In the event the government takes action to nationalize or takes over ownership rights as mentioned in paragraph (1), then the government shall grant compensation, the amount which will be specified based on the market value.
   - If there is no consensus on the amount of compensation among the parties as stipulated in paragraph (2), the dispute shall be settled through arbitration.
3. Beside nationalization, the law also provides guarantees on non-discriminatory treatment of foreign investors compared to treatment against domestic investors (National Treatment); unfair treatment discriminatory against foreign investors from one country compared to treatment against foreign investors from other countries (Most-Favored Nation Treatment); guarantees for investors to be able to make transfers and repatriations; and the mechanism for resolving disputes between the state and investors (Investor-State Dispute Settlement).

As of 2021, Indonesia overall has had 56 Bilateral Investment Treaties (BITs) whose statuses are as follows:

a. 21 BITs are still in force;
b. 26 BITs have been terminated; and
c. 9 FTA/CEPA still in force.

IV

TAXATION

A company in Indonesia is considered as a tax resident if the company is incorporated or domiciled in Indonesia. A foreign company conducting business activities through a permanent establishment (PE) is subject to the same tax rates as resident taxpayers with additional Branch Profit Tax obligation.

The tax system that applies in Indonesia is self-assessment. It means that taxpayers are required to calculate, pay, and report their personal taxes. With an exemption on certain types of taxes, official assessment and withholding tax mechanisms apply. In running the tax administration system, each individual and company must have a Taxpayer Identification Number (NPWP), an official identity issued by the Directorate General of Taxes (DGT).

1. CORPORATE INCOME TAX

1.1 Tax Rate and Period

The corporate income tax (CIT) rate in Indonesia is 22% and onwards. Public companies that have a minimum listing requirement of 40% and other specific conditions are eligible to a 3% cut off from the standard CIT rate. The most common tax year in Indonesia is the same as the calendar year, which is January 1 to December 31. However, the tax year will follow the company's financial year as stated on the article of association.

1.2 Tax Incentive

The Government of Indonesia provide a variety of fiscal incentives in terms of taxes (i.e tax allowances, tax holiday, investment allowance, super tax deduction) and import duty exemption. Business actors may choose to apply for either a tax holiday or a tax allowance provided that they fulfill the criteria for the selected income tax facility. The details of facility coverage, facility-receiving objects, provisions on the granting of facilities, as well as procedures are outlined in Chapter V of BKPM Regulation No. 4/2021.

a. Tax Holiday
Through Minister of Finance Regulation No. 130/PMK.010/2020 ("PMK-130") on tax holiday, a company that makes a new capital investment in a Pioneer Industry is eligible to obtain a reduction on its CIT for income earned from its Main Business Activities. The application for tax holiday incentive must be submitted before entering commercial production.

Under PMK-130, a company that can obtain Tax Holiday incentive must meet the following criteria:

1. It is a Pioneer Industry;
2. Having status as Indonesian legal entity;
3. Is making a new capital investment which has not been issued with any prior approval or rejection on an application to obtain: a) Tax Holiday; b) Tax Allowance; c) Income tax incentive for labor intensive industry (Investment Allowance); and d) Income tax incentive on the Special Economic Zone;
4. It has new capital investment plan with a minimum value of IDR 100 billion;
5. It meets the Debt to Equity Ratio requirement for tax purposes (which is currently 4:1 stated in MoF Regulation No 169/2015); and
6. It commits to start realizing its capital investment plan within a year after the issuance of Tax Holiday approval.
7. It meets tax clearance certificate (SKF) requirement for its local taxpayer shareholders.

Companies may still apply for the tax holiday even if it is engaged in an industry that is not listed as pioneer industry if the companies:

1. Meets the five criteria to obtain Tax Holiday incentive as stated in item 2 to 6 above;
2. Reaches a score of at least 80 on the Pioneer Industry quantitative criteria (as shown in Attachment A of PMK-130); and
3. Meets tax clearance certificate (SKF) requirement for its local taxpayer shareholders.

List of Pioneer Industry

The list of pioneer industry under PMK-130 covers the following:

1. Upstream basic metal;
2. Oil and gas refinery;
3. Petrochemicals from oil, gas, or coal;
4. Organic basic chemicals from agriculture, plantation, or forestry products;
5. Inorganic basic chemicals;
6. Pharmaceutical raw materials;
7. Irradiation, electro medical, or electrotherapy equipment;
8. Main components of electronics or telematics equipment;
9. Machinery and main components of machinery;
10. Robotics components that support the creation of manufacturing machinery;
11. Main components of power plant machinery;
12. Motor vehicles and main components of motor vehicles;
13. Main components of vessels;

14. Main components of trains;
15. Main components of aircraft and activities supporting the aerospace industry;
16. Agricultural, plantation, or forestry-based processing that produce pulp;
17. Economic infrastructure; and
18. Digital economy which includes data processing, hosting, and related activities.

The details of the above pioneer industry scope are listed in Attachment 1 of BKPM Regulation No. 7 Year 2020 concerning Details of Business Sectors and Type of Production of Pioneer Industries and Procedures for the Granting of Corporate Income Tax Reduction Facilities. Referring to the attachment, there are 185 business sectors (of the Indonesia Standard Business Classification/KBLI) entitled to tax holiday.

Category	New Capital investment	Tax holiday period
	IDR	**Year/%**
Mini Tax Holiday (50%)	100 billion – 500 billlion	5 years – 50%
Tax Holiday I	500 billion up to less than 1 trillion	5 years– 100%
Tax Holiday II	1 trillion up to less than 5 trillion	7 years– 100%
Tax Holiday III	5 trillion to less than 15 trillion	10 years– 100%
Tax Holiday IV	15 trillion to less than 30 trillion	15 years– 100%
Tax Holiday V	30 trillion and greater	20 years–100%

The income tax reduction period of the Tax Holiday is as follows:

a. 50% reduction in CIT payable for 5 fiscal years for new capital investment with a minimum amount of IDR 100 billion up to less than IDR 500 billion; and
b. 100% reduction in CIT payable for the following periods for new capital investment with a minimum amount of IDR 500 billion:

Additional period of CIT reduction for two more fiscal years is also offered following the expiration of the above tax holiday for:

a. 25% of CIT payable for the new capital investment with a minimum amount of IDR 100 billion up to less than IDR 500 billion; and
b. 50% of CIT payable for the new capital investment with a minimum amount of IDR 500 billion.

b. Tax Allowance

The Government issued Regulation No. 78 Year 2019 (GR 78/2019) on 12 November 2019. GR 78/2019 represents an amendment to the regulations on the tax allowances available for companies that invest in certain business sectors and/or regions. These companies are eligible for tax allowance in the form of the following benefits:

- A reduction in net income of 30% of the actual amount invested in tangible fixed assets including land, allocated over the six years of commercial production after receiving the tax allowance approval (at a rate of 5% per year);
- Accelerated depreciation and/or amortization of eligible fixed assets and intangible assets;
- A 10% reduced withholding tax rate on dividends distributed to nonresidents (or a lower rate under a relevant tax treaty); and
- An enhanced tax loss carries forward period of greater than 5 years but no longer than 10 years under certain conditions.

Criteria for obtaining tax allowance include:

- Has a high investment or is export-oriented
- Has a large workforce
- Has high local content

Companies are eligible to apply for this relief through OSS. Currently, there are 183 businesses that have been provisioned by the government as companies that are entitled to this relief.

c. Research and Development (R&D) and Vocational Tax Facility (Super Tax Deduction) and Labor Intensive Tax Facility (Investment Allowance)

Government Regulation No. 45 Year 2019 provides new tax incentives to Indonesian corporations to: (i) encourage investment in labor intensive industries; (ii) support job creation and employment in Indonesia; (iii) encourage involvement of business and industry sectors to develop high quality human resources; (iv) increase competitiveness; and (v) encourage businesses to conduct research and development (R&D) activities.

1. Research and Development (R&D) and Vocational Tax Facility (Super Tax Deduction)

	Description	Qualification standards
Research & Development (R&D)	A reduction in gross income of up to 300% is available on expenditure incurred for certain R&D activities in Indonesia	The R&D Tax Facility refers to Regulation of Minister of Finance No. 153/PMK.010/2020, which is eligible for domestic tax payers, who are involve in R&D activities, and hold R&D proposal. Focus theme of R&D activities are as follows: 1) food, 2) pharmacy, cosmetics, and medical devices, 3) textile, leather, footwear and anything, 4) transportation, 5) information and communication technology, 6) energy, 7) capital goods, components, and auxiliary materials, 8) agroindustry, 9) base metals and non-metallic minerals, 10) oil & gas and coal base chemistry, 11) defense.
Working Program and Internship (Vocational)	A reduction in gross income of up to 200% is available on expenditure incurred for human development (apprenticeship, internship, and/or learning activities).	Vocational (Working Program and Internship) Tax Facility refers to Regulation of Minister of Finance No. 128/PMK.010/2019, is eligible for domestic tax payers, who involve in practical work activities, apprenticeship, and/or specific competency-based learning, hold cooperation agreement, and not in a condition of fiscal loss. All companies are eligible to obtain a reduction in gross income of 100% of the total costs incurred for human development. An additional reduction for 100% of these costs will be granted to companies that conduct human development activities in relation to certain competencies listed in Appendix A of MoF Regulation No. 128/ PMK.010/2019.

2. Labor intensive Tax Facilities (Investment Allowance)

	Description	Qualification standards
Labor Intensive Industries	A reduction in net income of 60% of investments in tangible fixed assets and land used for main business activities is available for labor-intensive industries, prorated over six years from the start of commercial production (at 10% per year)	Domestic taxpayers with main business activities listed in Appendix A of MoF Regulation No. 16/PMK.010/2020 and employing a minimum of 300 local employees are eligible for the super tax deduction for labor intensive industries/ sectors (investment allowance). Listed labor intensive industries in the Attachment A of MOF Regulation No. 16/PMK.010/2020 are as follows: 1) fisheries, 2) food, 3) textile and apparel, 4) leather goods, 5) footwear, 6) paper and tissue, 7) goods industry from rubber and plastic, 8) rubber asphalt, 9) tableware or kitchenware from metals, 10) nails, nuts, and bolts, 11) computer and electronics, 12) controlling equipment, electricity distribution, and household electricity appliances, 13) stove, refrigerator, compressor, air conditioner, and cold storage, 14) agricultural tractors assembly and rice milling unit, 15) wooden, rattan, and bamboo furniture, 16) jewelries from precious metal, 17) kid toys.

d. Import Duty Exemptions on Imports

This facility is applicable on:

1. Import duty exemptions for the import of capital goods.

◊ Companies at the stage of development, expansion or renovation/regeneration are eligible for this facility.

◊ Eligible sectors for this facility are industries that manufacture goods and/or certain service industries, e.g. tourism and culture, public transportation, healthcare services, mining, construction, telecommunications and ports.

◊ Eligible goods:

a. Goods that are not produced in Indonesia.

b. Goods that are produced in Indonesia but do not meet the required specifications.

c. Goods that are produced in Indonesia but not in sufficient quantity.

- ◊ Period of facility:
  - 2 (two) years and may be extended for 2 (two) years, except for the import of machinery for development with the purpose of modernization, rehabilitation and/or restructuring.
  - The extension of the period may be added with the following provisions:
    a. For an investment plan of at least IDR 500 billion and less than IDR 1 trillion, an additional of 1 (one) year extension may be given based on the results of the field inspection.
    b. For an investment plan of at least IDR 1 trillion and less than IDR 5 trillion, may be given a 2 (two) times extension for a period of 1 (one) year based on the results of the field inspection.
    c. For an investment plan of more than IDR 5 trillion, an additional maximum of 5 (five) years may be granted based on the results of the field inspection.

2. Import duty exemptions for the import of raw materials for production

- ◊ Companies at production stage (have obtained business license to operate).
- ◊ Eligible sectors: Industries that produce goods.
- ◊ Period of facility:
  - For companies with at least 30% of the capacity of business licenses/expansion permits and/or Risk-Based Business Licensing and completed industrial development: 2 (two) years and can obtain a one-time extension for a period of 1 year.
  - For companies with at least 30% local content and carry out construction and development: 4 (four) years and can obtain a one-time extension for a period of 1 year.

3. Import duty exemptions for the import of capital goods used by companies engaged in the construction and development of power plants for public use

- ◊ This facility is eligible for PT PLN (the national power company) or/and holders of electricity power supplier business licenses.
- ◊ The business actors mention above are required to have:
  a. Business area;
  b. Power purchase agreement (PPA) with PT PLN (Persero);
  c. Finance lease agreement (FLA) with PT PLN (Persero); or
  d. Power purchase agreement with the holder of a power plant business license (IUPTL) owning a business area.
- ◊ Period of facility: 2 years and can be extended a one-time period of 1 year.

4. Import duty exemptions or reductions and value added tax (VAT) exemptions or deferral for the import of capital goods used by companies with mining contract of works (KK/PKB2B).

- ◊ This facility is eligible for companies holding mining contract of works with the government (KK/PKB2B).
- ◊ Conditions of facility: Subject to the terms of the contract of works. The application can be requested by attaching recommendation letters from Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources of the Republic of Indonesia.
- ◊ Period of facility: Subject to the terms of the contract of works. Generally it is given annually and will expire every 31st December of each year. Extensions of period will be subject to recommendation from the Director General of Mineral and Coal.

1.3 Tax Administration

Companies in Indonesia have to pay CIT by the end of the fourth month after the year-end and must file the CIT returns by the end of the fourth month after the end of the reported tax year.

The tax payment can be made through a tax-payment bank to the State Treasury bank. A copy of the tax payment receipt should be attached with the annual tax returns. Extensions may apply for a maximum of two months if you submit a written notice to the DGT before the tax return deadline.

One of the noteworthy elements in tax administration is note taking and bookkeeping or creating financial statements. Thus, the company ought to calculate tax obligations and fill out annual notices adequately in order to minimize disputes in the future.

The company is obliged to keep its financial statements for at least the next 10 years. It is to anticipate a future discrepancy in calculations between companies and tax authorities.

Financial statements must be made using the Latin font, *Bahasa Indonesia*, and use Rupiah units of currency. For certain companies such as Foreign Investment Companies (PMA), PE, Taxpayers listed on the Foreign Stock Exchange, Overseas Subsidiaries and certain Collective Investment Contracts (KIK), are welcome to use foreign languages and currencies other than rupiah, if approved by the DGT.


2016 objectives:
-up to 40 ROI
-54 growing
TAX

1.4 Withholding Taxes

In addition to implementing a self-assessment tax collection mechanism, Indonesia also implements a withholding tax collection scheme, which is applied to several types of Income Tax (*Pajak Penghasilan*/PPh) namely:

Tax Types	Elaboration
PPh 21	Deducted from income received by a person or individual in the form of salary, wages, honorarium, benefits, and other payments of any name or form
PPh 22	Taxes levied by: • The government Treasurer related to the payment for the delivery of goods derived from the National Budget (APBN) fund; • Certain corporate related to income from activities in the field of imports or business activities in other fields; and • WP (Taxpayers) of specific corporate related to payments from buyers for the sale of goods that are classified as very luxurious.
PPh 23	Deducted from domestic WP and PE income elicited from: • Capital utilization (dividends, interest, and royalties) • Service delivery (rent, service payment) • Implementation of activities such as prizes, awards, and bonuses (other than those deducted from Article 21 PPh)
PPh 26	Deducted finally from overseas WP income on income that is not elicited from PE in Indonesia
PPh Article 4 (2)-final income tax (PPh Final)	Deducted from closing of earnings namely: • Interest on deposits and savings/current account services, discounts on Bank Indonesia Certificates • Transaction of sale of shares on the stock exchange • Interest and discount bonds sold on the capital market • Land or buildings rents • Transfer of land or building rights • Business income of construction services and so on
PPh Article 15	Collected toward the companies engaged in specific industries, such as: • International cruise or flight • Overseas insurance companies • Oil, gas and geothermal drilling companies • Foreign trading companies • Companies creating investments in the form of build-to-hand (build, operate, and transfer)

1.5 Transfer Pricing

Each company is eligible to organize transfer pricing practices as long as it corresponds to the business principles of fairness and prevalence or arm's length principle. Thus, any transaction between affiliated parties is comparable to a transaction made with an unaffiliated party.

To ensure transfer pricing activities are exerted as a way to avoid corporate conducting tax avoidance, the Indonesian government has adopted the OECD's Base Erosion and Profit Shifting (BEPS) Action Plans.

It is conducted by requiring companies that arrange transactions with affiliated parties, both at home and abroad, to develop transfer pricing documentation or Transfer Pricing Document (TP Doc), which comprises three subjects namely, master file, local file and country by country report (CBCR).

2. INDIVIDUAL INCOME TAX

Any income or additional economic capabilities received by individual taxpayers (WPOP), whether from Indonesia or other countries, are entitled as tax objects. Individual taxpayers who are employees are subject to Income Tax (PPh) Article 21 which tax deduction is conducted by the company they work for. As for individual taxpayers who establish independent business activities or are not bound by employment relationships as employees, it is mandatory to calculate, pay and report their own PPh, in accordance with the principle of self-assessment.

2.1 Tax Rate

The following details the PPh rate level of individuals is based on Law No. 7 Year 2021, namely:

Taxable Income	Tariff
IDR 0 > IDR 60 million	5%
IDR 60 million > IDR 250 million	15%
IDR 250 million > IDR 500 million	25%
IDR 500 million > IDR 5 billion	30%
More than IDR 5 billion	35%

Non-Taxable Income (PTKP)

The amount of non-taxable income for each individual is diverse depending on the number of dependents the individual taxpayer has, and on whether the husband and wife's NPWP (Taxpayer Identification Number) are combined or not.

The following table lists the amount of non-taxable income:

Males/Females Not Married		Married Male		Spousal Combined NPWP	
TK/0	IDR 54,000,000	K/0	IDR 58,500,000	K/I/0	IDR 112,500,000
TK/1	IDR 58,500,000	K/1	IDR 63,000,000	K/I/1	IDR 117,000,000
TK/2	IDR 63,000,000	K/2	IDR 67,500,000	K/I/2	IDR 121,500,000
TK/3	IDR 67,500,000	K/3	IDR 72,000,000	K/I/3	IDR 126,000,000

Through Law No. 7 Year 2021 (Law 7/2021), the Government of Indonesia stipulates a threshold on the non-taxable gross turnover in the amount of IDR 500 million. Thus, individual entrepreneurs who calculates their income tax with a final rate of 0.5% and has a gross turnover of up to IDR 500 million/year will not be subject to income tax.

2.2 Tax Administration

Individual taxpayers are required to submit an annual income tax notice, no later than 3 months after the tax year ends, or on March 31 in the following tax year.

Individual taxpayer tax returns (SPT) could be submitted manually or electronically through an e-filing application. If the submission of the Annual Tax Return of personal persons is overdue, there will be a fine of IDR 100,000.

3. VALUE-ADDED TAX AND LUXURY-GOODS SALES TAX

3.1 Value-Added Tax

In terms of VAT (PPN) charges, the principle of withholding tax applied. It is where the producer or seller will collect taxes paid by consumers during the transaction, to then be deposited. Currently, the imposition of VAT in Indonesia adheres to a single tariff system of 10% of the selling value of goods. With the enactment of Law 7/2021, the VAT rate will increase to 11% (eleven percent) on 1 April 2022; and will be increased to 12% (twelve percent) as per 1 January 2025.

Basically, VAT is entitled on all taxable goods (*Barang Kena Pajak*/BKP) and taxable services (*Jasa Kena Pajak*/JKP). However, the government provides exceptions for the VAT charges against the submission of certain BKP and JKP such as:

- Food and beverage of which are served in the hotel, restaurant, food shop, shop, or the similar is desired, including dine in and take out food, including food and beverage of which are presented by catering company; and
- Money, gold bullion, and securities.

In addition, the government also excludes the VAT charges on the submission of certain JKP, including:

- Religious services
- Arts and entertainment services
- Hospitality services
- Services provided by the government
- Parking services
- Culinary or catering services

Digital VAT

Since July 1 2020, the Government of Indonesia has regulated the VAT charges on the use of intangible goods or services originating from other countries through electronic systems or trading activities (PMSE).

The PMSE VAT collection is carried out by an application provider company appointed by the government. This policy was issued in response to the increasing use of intangible goods or services in digital form, such as streaming services and other digital product transactions.

VAT Income Tax Credit
When levying VAT, sellers of BKP and JKP are obliged to issue proof of collection or tax invoice that can be used as income tax by the buyer. The input tax can be credited as an output tax at each of the same tax periods.

3.2 Luxury-goods Sales Tax

Sales Tax on Luxury Goods (PPnBM) is a tax imposed on goods classified as luxury to producers to produce or import goods in their business activities or work. PPnBM is only charged once, at the time of delivery of goods by the manufacturer or at the import of such Luxury Taxable Goods.

PPnBM rates vary between 10% to 200%, depending on the type of luxury goods. If a businessman exports Taxable Goods classified as luxury goods, it is subject to 0% VAT. Luxury goods criteria comprise:

- Goods that are not essential commodities
- Goods consumed by a particular group
- Goods consumed by high-income people
- Goods consumed only to indicate status or social class

The PPnBM charge should be reported at each tax period combined with VAT reporting using the VAT Period Tax Return form 1111. The reporting deadline is at the end of each subsequent month after the date the invoice was created.

4. OTHER TAXES

4.1 Land and Building Tax

Land and Building Tax (PBB) is a levy on land and building that provide economic and social benefits to an individual or corporation. PBB is generally classified into urban and rural sectors (PBB P2) and PBB for mining, forestry and plantation (P3B) sectors.

The PBB P2 collection activity has become the responsibility of the local government of either the Regency or Municipality. The PBB P3 collection is organized by the authority of the central government, through the DGT.

The owed-PBB calculation refers to the taxable selling value (NJKP), which is between 20% to 100% of the selling value of the tax object (NJOP), multiplied by the applied rate of 0.5%. The amount of NJOP is determined by the Minister of Finance every three years.

Taxpayers are required to register the land and/or buildings ownership to Tax Office (KPP), Tax Services, Dissemination and Consultation Office (KP2KP) based on the location of the taxable PBB object.

4.2 Stamp Duty

Starting in 2021, based on Law No. 10 Year 2020, stamp duty will be subject to a single tariff of IDR 10,000. The new law introduces a new form of electronic stamp duty for electronic documents. The new electronic stamp will contain unique codes and specific descriptions. The use of electronic stamp duty will be regulated in a new MoF Regulation. Several new documents now require stamp duty under the New Stamp Duty Law, among others:

- Securities transaction documents, including securities trading confirmations. However, the DGT has clarified that an implementing regulation will be issued on securities trading confirmations;
- Auction documents;

- Any document mentioning a value exceeding IDR 5 million, which may take the form of a receipt of payment or acknowledgement of a debt payment or settlement, whether entirely or partially; and
- Other documents to be stipulated in a government regulation.

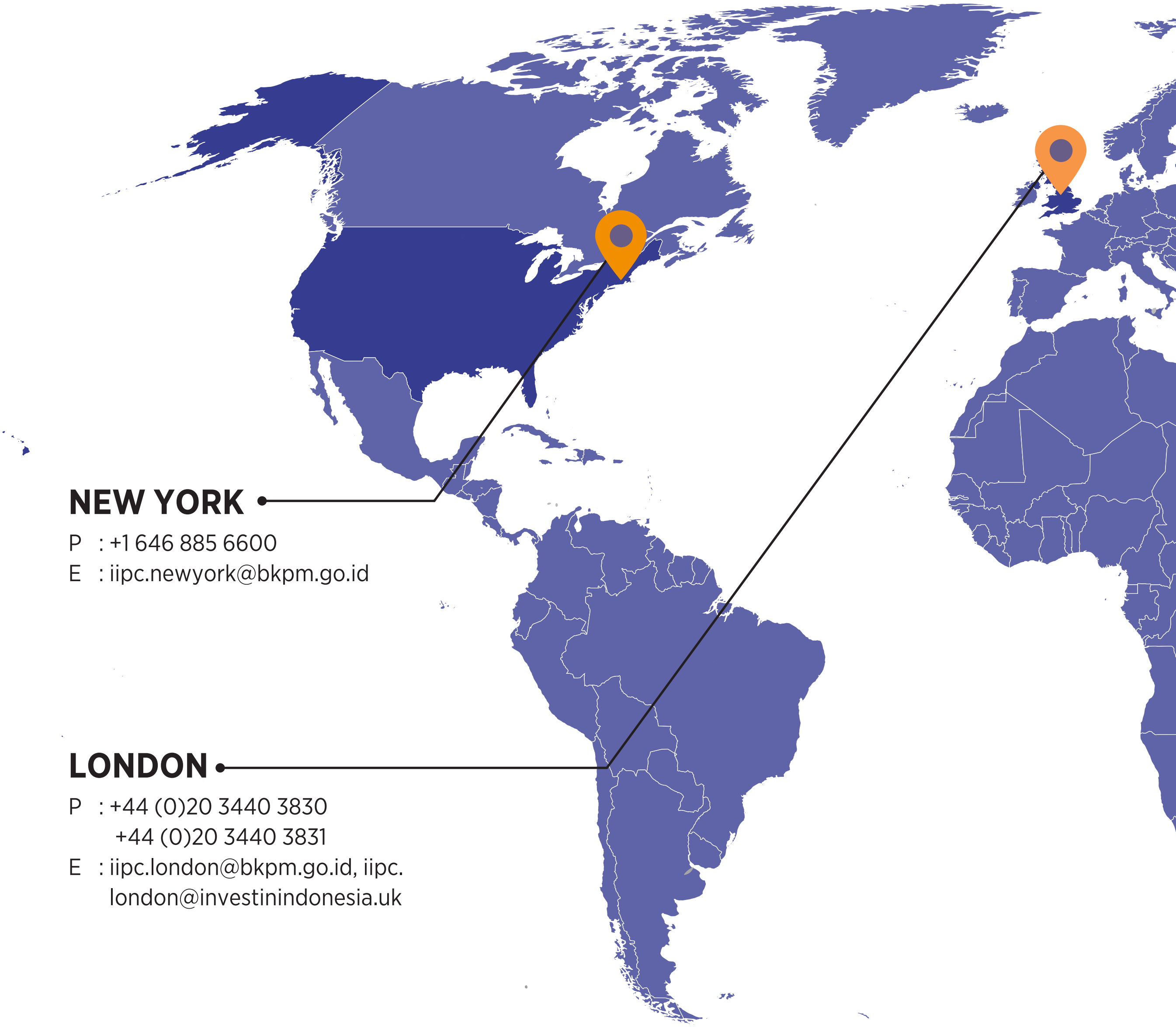
5. STATUTE OF LIMITATION

The DGT can issue an underpaid tax assessment letter within five years upon the tax due date or the end of a tax period, part of a tax year, or a tax year. In order to provide legal certainty, the Job Creation Law stipulates the Statute of Limitation (SoL) for the issuance of a Tax Collection Letter (*Surat Tagihan Pajak*/STP), except for:

a. An STP on late payment of tax decisions may be issued at the latest by the SoL to collect the relevant decisions (i.e. SKPKB, or Additional Tax Underpaid Assessment Letter (*Surat Ketetapan Pajak Kurang Bayar Tambahan*/SKPKBT), or Decision on Amendment, Tax Objection, Tax Appeal, or Judicial Review) which trigger the tax underpayment;
b. An STP on the 50% penalty for a taxpayer losing their case at the tax objection level may be issued at the latest five years from the issuance of the Objection Decision if the taxpayer did not file for Tax Appeal; and
c. An STP on the 100% penalty for a taxpayer losing their case at the tax appeal level may be issued at the latest five years from pronouncement of the Tax Appeal Decision by the judges.

The issuance of STP is one of the efforts to ensure taxpayer compliance, which begins with an examination process and results in the form of Notice of Tax Assessment (SKP). Issuing SKP will usually result in taxes owed to be underpaid, overpaid or naught.

CONTACT US



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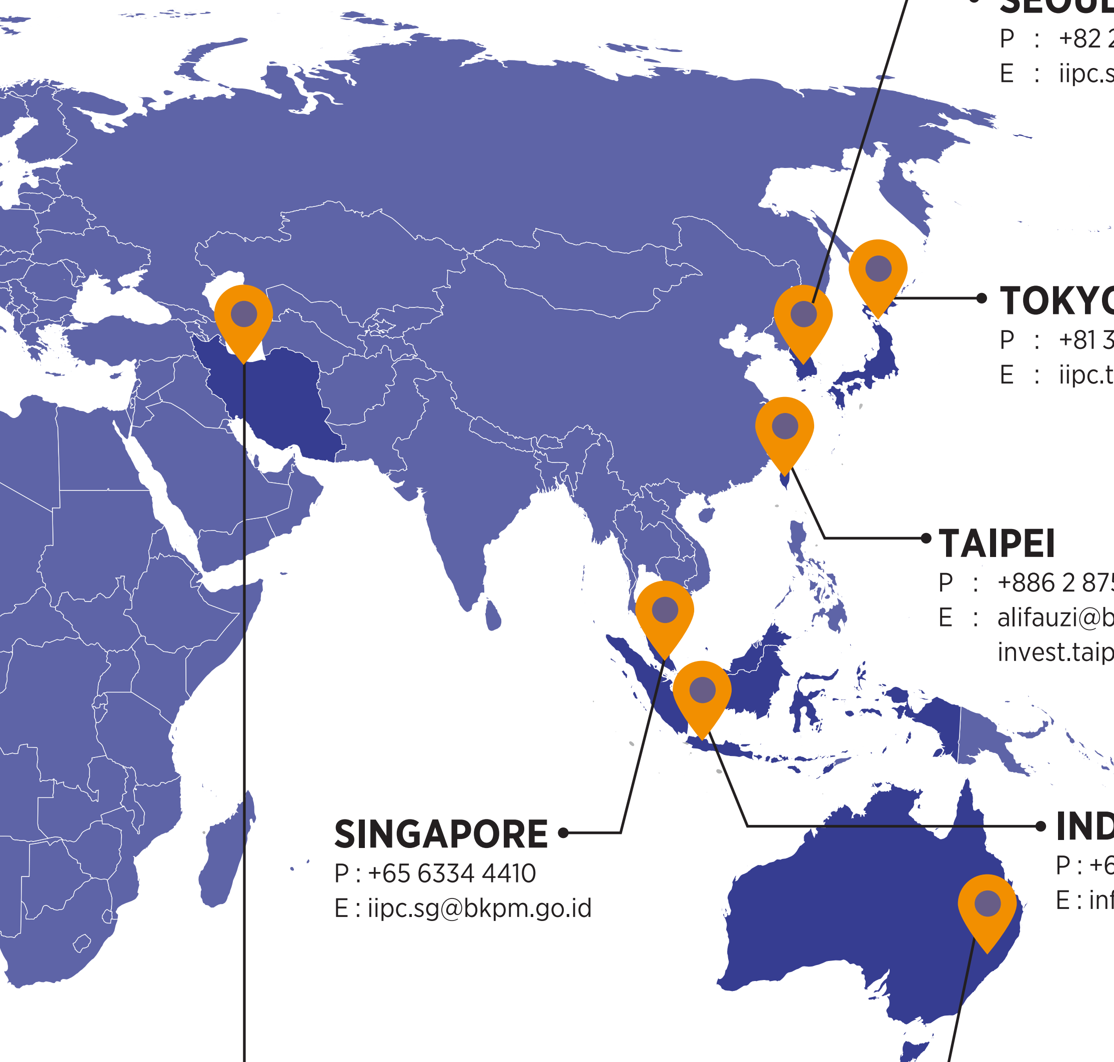

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