



MINISTRY OF INVESTMENT/  
INDONESIA INVESTMENT COORDINATING BOARD

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22



# INDONESIA INVESTMENT GUIDEBOOK

# **INDONESIA INVESTMENT GUIDEBOOK**







# FOREWORD

Investment plays a significant important role for the economic growth of a country. In addition to creating jobs, investment also has a multiplier effect from one economic sector to another. Realization of investment in Indonesia indicates an improved performance from the previous year. Data from BKPM shows the investment value in January-September 2022, both for Domestic Investment and Foreign Investment reached IDR892.4 trillion, or an increase of 35.3 percent compared to the same period of the previous year.

The confidence of investors to invest in Indonesia is definitely very exhilarating, considering that this is proof that this country has potential natural resources, competent human resources, and conducive government policies for investment. Therefore we will try to maintain this trust so that investment in Indonesia can achieve impressive growth in the coming years especially in the next year where there are increasing challenges of inflation and recession.

President Jokowi has emphasized that the competition to find investors will be tougher and tighter. Other countries, including developed countries, will compete to attract investors into their country. So, investor's trust in Indonesia, which has grown well so far, must be properly maintained by implementing policies that support the growth of the investment climate, including fiscal and monetary policies.

Therefore, I hope that this guidebook can provide an overview to investors regarding incentives, opportunities, business licensing, and the tax system in Indonesia in relation to investment and ease of doing business, so that we can provide the best service and ensure that every investment that enters Indonesia can provide multiple benefits and effects that are not only beneficial for the investors but also beneficial for this nation.

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**H.E. Bahlil Lahadalia**

Minister of Investment/the Head of the BKPM



# TABLE OF CONTENTS

<b>FOREWORD</b>	<b>3</b>
<b>TABLE OF CONTENTS</b>	<b>4</b>
<b>I. INDONESIA AT A GLANCE</b>	<b>7</b>
1. <b>Regions in Indonesia</b>	<b>8</b>
2. <b>The State Capital City of Nusantara (<i>Ibukota Negara Nusantara/IKN</i>)</b>	<b>11</b>
3. <b>Demography</b>	<b>14</b>
4. <b>Economic Overview</b>	<b>19</b>
4.1 General Overview	19
4.2 Vision of Indonesia 2045	22
4.3 The Economic Zone as a Strategic Investment Location	23
5. <b>Political Overview</b>	<b>36</b>
6. <b>Business Culture</b>	<b>37</b>
7. <b>Investment Climate</b>	<b>38</b>
7.1 Sovereign Credit Rating Indonesia	38
7.2 National Industrial Development Master Plan for 2015-2035	40
8. <b>Payment System</b>	<b>50</b>
9. <b>Living in Indonesia</b>	<b>51</b>
9.1 Housing and Living Cost	51
9.2 Health and Education Facilities	52
9.3 Communicating with Local Community	53
<b>II. INVESTMENT PROCEDURES</b>	<b>54</b>
1. <b>OSS RBA</b>	<b>55</b>
1.1 The Risk Based Approach (RBA) Concept	55
1.2 About OSS RBA (Online Single Submission Risk Based Approach)	57
1.3 Information Subsystem, Business Licensing and Supervision	58
2. <b>Starting a Business</b>	<b>64</b>
2.1 Classification of Company Based on Capital	64
2.2 Categories of Business Scale and Business Actors	67
2.3 Explanation of Forms of Business for Non-UMK	69
2.4 Investment Limitations	69
2.5 Forms of Foreign Business in Indonesia	73
2.6 Establishment Process of a Foreign Investment Company	80

<b>3. Getting a License</b>	<b>84</b>
3.1 OSS RBA Access Rights	84
3.2 Processes Conducted at the OSS RBA System	85
3.3 Indonesian Standard Industrial Classification	87
3.4 Basic Requirements for Risk-Based Business Licensing	88

### **III. LEGAL OVERVIEW FOR FOREIGN INVESTOR** **92**

<b>1. Employment</b>	<b>93</b>
1.1 Utilization of Foreign Workers	93
1.2 Fixed-Term Workers	96
1.3 Outsourcing	97
1.4 Working Hours	97
1.5 Termination of Employment	98
1.6 Regional Minimum Wage	100
1.7 Social Security Program	100
<b>2. Immigration Process</b>	<b>101</b>
2.1 Types of Visa	101
2.2 Stay Permit	103
<b>3. Land and the Environment</b>	<b>103</b>
3.1 Land Rights	103
3.2 Conformity of Spatial Utilization Activities	107
3.3 Buildings	109
3.4 Environment	110
<b>4. Logistics</b>	<b>111</b>
4.1 National Logistic Ecosystem (NLE) Collaborative Platform	111
4.2 Seaports in Indonesia	112
<b>5. Infrastructure</b>	<b>113</b>
<b>6. Trade</b>	<b>115</b>
6.1 Trade Agreements	115
6.2 Exports and Imports	115
6.3 Distribution of Goods	116
<b>7. Utilization of Domestic Products</b>	<b>120</b>
7.1 Increasing the use of Domestic Products	120
7.2 Domestic Component Level (TKDN)	120
7.3 Company Benefit Weight (BMP)	121
<b>8. Investment Protection</b>	<b>122</b>



<b>IV. TAXATION</b>	<b>123</b>
<b>1. Corporate Income Tax (CIT)</b>	<b>125</b>
1.1 Financial Statatement	125
1.2 Tax Rate	126
1.3 Tax Incentive	126
a. Tax Holiday	127
b. Tax Allowance	129
c. R&D, Vocational Tax Facilities & Labor-Intensive Tax Facilities	130
d. Import duty exemption	133
1.4 Withholding Taxes	135
1.5 Transfer Pricing	136
1.6 Tax Administration	137
<b>2. Individual Income Tax</b>	<b>138</b>
<b>3. Dividend</b>	<b>139</b>
<b>4. VAT and Luxury-Goods Sales tax</b>	<b>140</b>
4.1 Value-Added Tax	140
4.2 Luxury-Goods Sales Tax	141
<b>5. Other Taxes</b>	<b>141</b>
5.1 PBB	141
5.2 Stamp Duty	143
<b>6. Statute of Limitation</b>	<b>144</b>
<b>CONTACT US</b>	<b>146</b>

An aerial night photograph of a city, likely Jakarta, Indonesia, featuring a complex highway interchange and numerous illuminated skyscrapers. The entire image is covered with a semi-transparent green filter. The text 'Chapter 1' is prominently displayed in a large, white, sans-serif font, with 'Indonesia at a Glance' in a slightly smaller font directly below it.

# Chapter 1

## Indonesia at a Glance



## 1. REGIONS IN INDONESIA

Indonesia is an archipelagic country which since July 2022 administratively consists of 38 provinces. The last three Provinces are the result of the expansion of the Papua Province, namely: Central Papua Province with Timika as the capital, Highlands Papua Province with Wamena as the capital, and South Papua Province with Merauke as the capital. The 38 provinces of Indonesia, according to their distribution areas, as of July 2022, are as follows:



Island	No	Province	Capital City
Sumatra	1.	Nanggroe Aceh Darussalam	Banda Aceh
	2.	North Sumatra	Medan
	3.	South Sumatra	Palembang
	4.	West Sumatra	Padang
	5.	Bengkulu	Bengkulu
	6.	Riau	Pekanbaru
	7.	Riau Islands	Tanjung Pinang
	8.	Jambi	Jambi
	9.	Lampung	Bandar Lampung
	10.	Bangka Belitung	Pangkal Pinang

Island	No	Province	Capital City
Java	1.	Banten	Serang
	2.	DKI Jakarta	DKI Jakarta
	3.	West Java	Bandung
	4.	Central Java	Semarang
	5.	Special Region of Yogyakarta	Yogyakarta
	6.	East Java	Surabaya
Kalimantan	1.	West Kalimantan	Pontianak
	2.	East Kalimantan	Samarinda
	3.	South Kalimantan	Banjarmasin
	4.	Central Kalimantan	Palangkaraya
	5.	North Kalimantan	Tanjung Selor
Nusa Tenggara and Bali	1.	Bali	Denpasar
	2.	East Nusa Tenggara	Kupang
	3.	West Nusa Tenggara	Mataram
Sulawesi	1.	Gorontalo	Gorontalo
	2.	West Sulawesi	Mamuju
	3.	Central Sulawesi	Palu
	4.	North Sulawesi	Manado
	5.	Southeast Sulawesi	Kendari
	6.	South Sulawesi	Makassar
Maluku and Papua	1.	North Maluku	Ternate
	2.	Maluku	Ambon
	3.	Southwest Papua	Sorong
	4.	West Papua	Manokwari
	5.	Papua	Jayapura
	6.	Central Papua	Timika
	7.	Highland Papua	Wamena
	8.	South Papua	Merauke



## ● Top 10 Provinces by Regional GDP (PDRB) 2016-2021

(In IDR trillion)

Province	2016	2017	2018	2019	2020	2021
DKI Jakarta	2,159.1	2,365.4	2,592.6	2,768.2	2,772.4	2,914.6
East Java	1,855.7	2,012.9	2,188.8	2,299.8	2,299.5	2,454.5
West Java	1,653.2	1,788.1	1,960.6	2,084.6	2,088	2,209.8
Central Java	1,087.3	1,172.8	1,268.3	1,347.9	1,348.6	1,420.8
North Sumatra	626.1	684.6	741.3	811.2	811.3	859.9
Riau	681.7	704.7	752.3	728.6	729.2	843.2
East Kalimantan	508.9	591.9	635.5	607.6	626.4	695.2
Banten	517.9	563.6	613.8	626.0	607.3	665.9
South Sulawesi	377.1	415.6	461.8	504.1	504.5	545.2
South Sumatra	353.9	382.9	419.4	456.6	458.4	491.6

Source: Statistics Indonesia (BPS)

## ● Top 5 FDI by Location 2016-2021

(In USD Billion excl. upstream oil, gas, and financial sectors)

Province	2016	2017	2018	2019	2020	2021
West Java	5.5	5.1	5.6	5.9	4.8	5.2
DKI Jakarta	3.4	4.6	4.9	4.1	3.6	3.3
Banten	2.9	3	2.8	1.9	2.1	2.2
Central Java	1.0	2.4	2.4	2.7	1.4	1.5
Central Sulawesi	1.6	1.5	1.3	1.8	1.8	2.7

Source: Ministry of Investment (BKPM)

Until now, the capital of the country is DKI Jakarta and the economic cycle is still centered on the island of Java. Nevertheless, the government continues to encourage the creation of equitable development for all regions of Indonesia. Infrastructure development in eastern Indonesia (Sulawesi, the Nusa Tenggara Islands, Bali, the Maluku Islands and Papua) is to be implemented more quickly. The transfer of the capital of the State named Nusantara to the Province of East Kalimantan.

## 2. THE STATE CAPITAL CITY OF NUSANTARA (IBUKOTA NEGARA NUSANTARA/IKN)

Indonesia will have a new capital city based on Law Number 3 Year 2022 on IKN. Nusantara is the official name of the new state capital which will replace Jakarta starting in 2024. The state capital city of Nusantara, abbreviated as IKN, is located on the east coast of the island of Kalimantan, namely North Penajam Paser Regency and Kutai Kartanegara Regency which is Sambo Tenggarong Metropolitan area. The transfer of the state capital is an urgent matter for the following reasons:



Around 57% of Indonesia's population is currently concentrated in Java.



The contribution of the Java Island economy is 59.0% of the National GDP.



There is Water Availability Crisis in Java, Especially in DKI Jakarta and East Java.



The largest land conversion occurs in Java.



Very high urbanization growth is accompanied by high congestion and unhealthy air quality.



Decrease in the carrying capacity of the environment of Jakarta, namely the decline in groundwater levels, heavily polluted reservoirs and rivers, and sea levels rise.



Threats of flood, earthquake and land sink in Jakarta.

IKN will be designed in such a way as to be the most sustainable city in the world, namely a safe and affordable city, designed in accordance with natural conditions, connected, active and accessible, circular and robust, as well as low in carbon emissions. IKN has become a symbol of the identity of the Indonesian people with a distinctively Indonesian diversity with the motto "*Bhinneka Tunggal Ika*" (Unity in Diversity). IKN is the driving force of Indonesia's future economy with convenience and efficiency through technology and innovation, as well as providing strong economic opportunities for all.



The province of East Kalimantan was chosen because there are already large areas of land which are owned by the government or by BUMN, thus reducing the cost of land procurement. Geographically, East Kalimantan is located in the middle of Indonesia. The population structure is heterogeneous and open, so that the potential for low-conflict and has a culture that is open to newcomers, representing justice. This province has the carrying capacity of raw land and water, close to the existing city which has been developed for the efficiency of initial infrastructure investment. East Kalimantan fulfills the perimeter of defense and security, at least against natural disasters. Defense can be supported by the Tri Dimensions of Land, Sea and Air. Location accessibility is high, close to two major cities: Balikpapan and Samarinda.



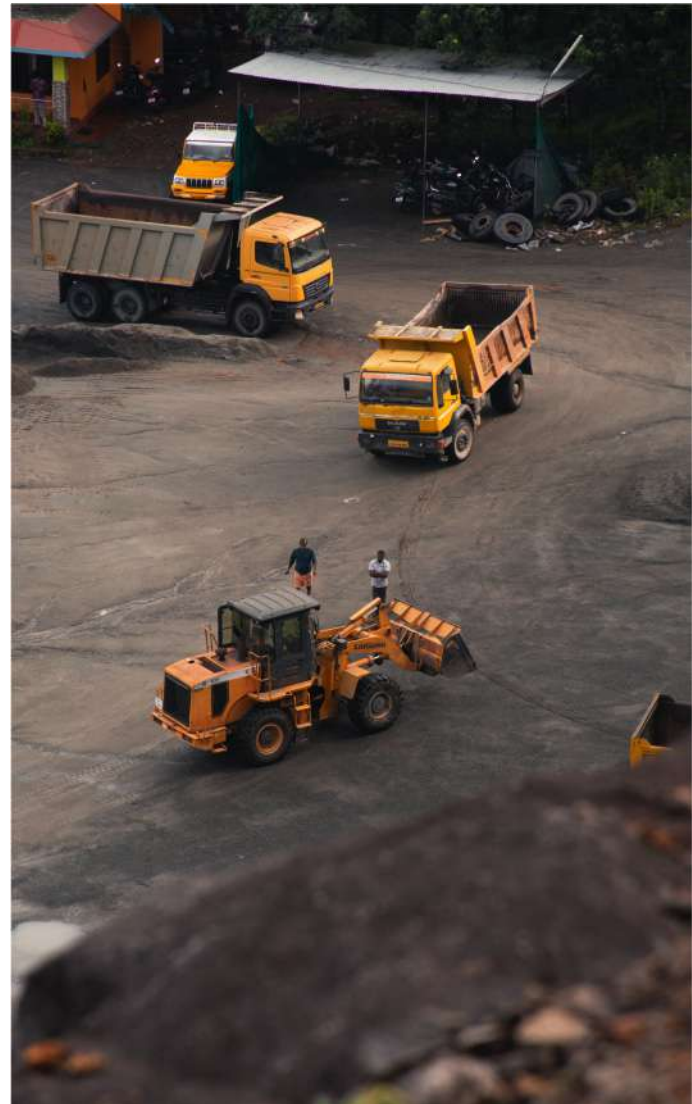
The main infrastructure of IKN is the Balikpapan-Samarinda and trans-Kalimantan toll roads; Airports in Balikpapan and Samarinda; Kariangau Container Terminal in Balikpapan and Semayang Port in Samarinda. IKN is located in the Indonesian Archipelagic Sea Lane II (Makassar Strait). IKN land is wide, with the status of Production Forest (*Hutan Produksi/HP*) and Plantation. Raw water comes from 3 existing reservoirs, 2 planned reservoirs, 4 rivers and 4 watersheds.

IKN consists of 3 areas, the first is IKN West Area which consists of offices, business areas, talent development centers, and universities. The second area is Central Government Core Area (*Kawasan Inti Pusat Pemerintahan/KIPP*) which consists of national government, smart government and offices. And the third area is IKN East Area which consists of offices, business areas, talent development center, business hotels, and MICE (Meeting, Incentive, Convention and Exhibition). IKN has an area of 256,142.72 ha. 75% of IKN Area will be planned to be a green open space of which 65% become a protected area and 10% for food production. IKN is developed with 100% clean energy. The 56,180.87 hectare of IKN area (*Kawasan IKN/K-IKN*) comprises various mixed-use zones and neighborhoods that support the “10-minute walk” concept and social connectivity. K-IKN are designed in harmony with nature, with a minimum of 50% green space. 80% of trips are undertaken via public transportation or the active mobility of residents. 100% green space turnover for each

K-IKN is a city within a City within a forested area, the shade of 'green and blue' which supports an active and healthy lifestyle. Housing for state civil servants (*Aparatur Sipil Negara/ASN*) is designed in a sustainable manner, supports the concept of walkability and facilitates social relations. The central government core area (KIPP) which consists of the center of government and residential areas for ASN housing are designed with sustainable design, supporting the concept of walkability and facilitating social relations, harmony with nature, supporting the concept of walkability, ease of accessibility, wind circulation, and vehicle-free area.

The initial transfer from DKI Jakarta to IKN is to be carried out in 2020-2024. During this period, the main infrastructure (the Presidential Palace, the MPR/DPR Building) and housing complexes will be constructed in the Primary KIKN area, the transfer of initial ASN (TNI, Polri, MPR), basic main infrastructure has finished construction and has operated (e.g. water, energy, rail) for 500 thousand residents in the initial stage. The President will transfer to the KIKN before 16 August 2024 and celebrate the Commemoration of Indonesian Independence Day at the KIKN on 17 August 2024. Then in 2025-2035 the IKN will be established as a formidable core area. During this period, the next phase of the city (innovation and economic center) is developed, the transfer of the IKN government center is completed, the priority economic sectors are developed, and the incentive system is implemented for the priority economic sectors, so as to achieve the Sustainable Development Goals (SDGs).

In addition to using the State Revenue and Expenditure Budget (*Anggaran Pendapatan Belanja Negara/APBN*), the development of IKN is also conducted through the Public-Private Partnership (PPP) scheme. The cooperation schemes are:



Tariff Scheme/Availability  
Payment



Design, Build, Finance and  
Maintenance (DBFM  
Holland) Scheme



Design, Build, Finance,  
Operate and Maintenance  
Scheme



Turnkey Project and  
Maintenance Direct  
Investment



Subscription Model  
(Subscription Model  
Masayoshi Softbank) Model  
1 with 50% government and  
Model 2 with 100% private



Direct Investment financed  
by the private sectors and  
National/Regional owned  
enterprises (*Badan Usaha  
Milik Negara/Daerah/  
BUMN/D*)

The development is estimated to cost IDR 466 trillion, the majority of which is sourced from PPPs. State budget funds are to be used for: Construction of the State Palace and strategic Indonesian National Armed Forces (TNI)/Indonesian National Police (POLRI) buildings (military bases), procurement of land and basic infrastructure (access roads), Diplomatic Compound (land), Green open spaces (including cultural parks), Houses of ASN/TNI/Officials POLRI. PPP funds are to be used for the construction of Executive, Legislative and Judicial Buildings, Connectivity improvement (airports, ports, and toll/non-toll roads), educational facilities, museums and health facilities, as well as basic infrastructure and utilities, as well as ASN/POLRI housings that are not included in the state budget (APBN). Meanwhile, funds sourced from the private sector or BUMN/D are used to build public housing, universities and private educational institutions, Science-techno parks, private health facilities, shopping centers, and MICE.

### 3. DEMOGRAPHY

The total population of Indonesia in 2022 is 275.8 million. Indonesia's population has never been reduced, every year it always increases at a rate of about 1%. A large population reflects the amount of manpower resources. Despite the unequal population density. DKI Jakarta is the most populous province, far from the state capital city of Nusantara, which will be located in East Kalimantan. Of the 35 provinces, DKI Jakarta has the highest population density, while East Kalimantan has the lowest rank of 35.





**Figure 3.1. Population Density by Province (people/km<sup>2</sup>)**

Rank	Province	2019	2020	2021
1	DKI Jakarta	15900	15907	15978
2	West Java	1394	1365	1379
3	Banten	1338	1232	1248
4	Special Region of Yogyakarta	1227	1171	1185
5	Central Java	1058	1113	1120
6	East Java	831	851	855
7	Bali	750	747	755
8	West Nusa Tenggara	273	286	290
9	Lampung	244	260	262
10	Riau Islands	267	252	258
11	North Sumatra	200	203	205
12	South Sulawesi	189	194	196
13	North Sulawesi	181	189	190
14	Indonesia	140	141	142
15	West Sumatra	130	132	133
16	East Nusa Tenggara	112	109	111
17	South Kalimantan	110	105	106
18	Gorontalo	107	104	105
19	Bengkulu	100	101	102
20	South Sumatra	92	92	93
21	Aceh	93	91	92
22	Bangka Belitung Islands	91	89	90
23	West Sulawesi	82	85	86
24	Riau	80	73	75
25	Jambi	72	71	72
26	Southeast Sulawesi	71	69	70

Rank	Province	2019	2020	2021
27	Central Sulawesi	49	48	49
28	North Maluku	39	40	41
29	Maluku	38	39	40
30	West Kalimantan	34	37	37
31	East Kalimantan	29	29	30
32	Central Kalimantan	18	17	18
33	Papua	11	13	14
34	West papua	9	11	11
35	North Kalimantan	10	9	9

Source: Central Bureau of Statistics (2022)  
<https://www.bps.go.id/indicator/12/141/1/ketan-penduduk-mensurat-provinsi.html>

In 2021, 69.28% of the population will be in the productive age group (15-64 years). Meanwhile, the percentage of toddlers and children is much higher than the elderly.

**Figure 3.2. Population Composition by Age Group 2021 (in %)**

Age Group	Male	Female	Total
Toddlers 0-4 Years	8.18%	7.99%	8.08%
Children 5-9 years old	8.16%	7.99%	8.08%
Youth 10-14 years old	8.26%	7.95%	8.11%
Productive 15-64 Years	69.36%	69.20%	69.28%
Seniors 65-75+	6.03%	6.87%	6.45%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Statistics Indonesia (BPS)



A large population is a large market potential. The average expenditure per capita in 2021 is IDR971,445. Expenditures on food still dominate. Despite the decline in growth due to the COVID-19 pandemic, household expenses continue to increase each year.

**Figure 3.3. Average Expenditure per Capita (Rupiah Per Month) 2013-2021**

Output Type	Average expenditure per capita (Rupiah per month)								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Food	299,112	336,738	366,834	397,100	457,927	479,558	490,754	518,073	545,942
Non-Food	206,349	235,848	292,580	314,166	322,666	372,548	392,075	415,622	425,503
<b>Total</b>	<b>505,461</b>	<b>572,586</b>	<b>659,414</b>	<b>711,266</b>	<b>780,593</b>	<b>852,105</b>	<b>882,829</b>	<b>933,695</b>	<b>971,445</b>
<b>Total Growth</b>		<b>13.28%</b>	<b>15.16%</b>	<b>7.86%</b>	<b>9.75%</b>	<b>9.16%</b>	<b>3.61%</b>	<b>5.76%</b>	<b>4.04%</b>

Source: Statistics Indonesia (BPS)

In the future, Indonesia's population is estimated to be above 300 million in 2033. The dependency ratio will be above 50% after 2037. The demographic bonus will be experienced until 2037.

Parameter	2015	2016	2017	2018	2019	2020	2021	2022
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Population</b>								
Male	128 483,4	129 910,2	131 310,6	132 683,0	134 025,6	135 337,0	136 623,4	137 891,0
Female	127 104,5	128 586,3	130 044,9	131 478,7	132 886,3	134 266,4	135 625,0	136 968,1
<b>Total</b>	<b>255 587,9</b>	<b>258 496,5</b>	<b>261 355,5</b>	<b>264 161,6</b>	<b>266 911,9</b>	<b>269 603,4</b>	<b>272 248,5</b>	<b>274 859,1</b>
<b>Age Composition (%)</b>								
0-14	26,0	25,7	25,4	25,1	24,8	24,5	24,2	24,0
15-66	68,3	69,5	68,6	69,6	68,7	68,7	68,8	68,8
65+	5,7	5,9	6,1	6,3	6,5	6,7	7,0	7,3
<b>Dependency Ratio (%)</b>	<b>46,3</b>	<b>46,1</b>	<b>45,9</b>	<b>45,7</b>	<b>45,6</b>	<b>45,5</b>	<b>45,4</b>	<b>45,4</b>



Parameter	2023	2024	2025	2026	2027	2028	2029	2030
(1)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
<b>Population</b>								
Male	139 138,1	140 363,2	141 564,8	142 740,7	143 888,8	145 007,9	146 096,9	147 154,6
Female	138 294,3	138 602,0	140 889,7	142 155,2	143 396,5	144 612,2	145 801,0	146 961,5
<b>Total</b>	<b>279 432,4</b>	<b>279 965,2</b>	<b>282 454,4</b>	<b>284 895,9</b>	<b>287 285,3</b>	<b>289 620,2</b>	<b>191 897,9</b>	<b>294 116,1</b>
<b>Age Composition (%)</b>								
0-14	23,7	23,5	22,3	23,1	22,9	22,7	22,5	22,4
15-66	68,7	68,7	68,6	68,5	68,4	68,3	68,2	68,0
65+	7,5	7,8	8,1	8,4	8,7	9,0	9,3	9,6
<b>Dependency Ratio (%)</b>	<b>45,5</b>	<b>45,6</b>	<b>45,7</b>	<b>45,9</b>	<b>46,1</b>	<b>46,4</b>	<b>46,7</b>	<b>47,0</b>

Parameter	2031	2032	2033	2034	2035	2036	2037	2038
(1)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
<b>Population</b>								
Male	148 179,4	149 169,7	150 124,7	131 043,8	151 926,6	152 772,8	153 582,2	154 354,5
Female	148 091,9	149 190,7	150 256,6	151 288,4	152 285,3	153 246,4	154 170,7	155 057,4
<b>Total</b>	<b>296 271,3</b>	<b>298 360,4</b>	<b>300 381,3</b>	<b>302 332,2</b>	<b>204 211,9</b>	<b>306 019,3</b>	<b>307 752,9</b>	<b>309 411,9</b>
<b>Age Composition (%)</b>								
0-14	22,2	22,1	21,9	21,8	21,7	21,6	21,5	21,4
15-66	67,9	67,7	67,5	67,3	67,1	66,9	66,7	66,5
65+	9,9	10,2	10,6	10,9	11,2	11,5	11,9	12,2
<b>Dependency Ratio (%)</b>	<b>47,4</b>	<b>47,7</b>	<b>48,1</b>	<b>48,5</b>	<b>49,0</b>	<b>49,5</b>	<b>50,0</b>	<b>50,4</b>

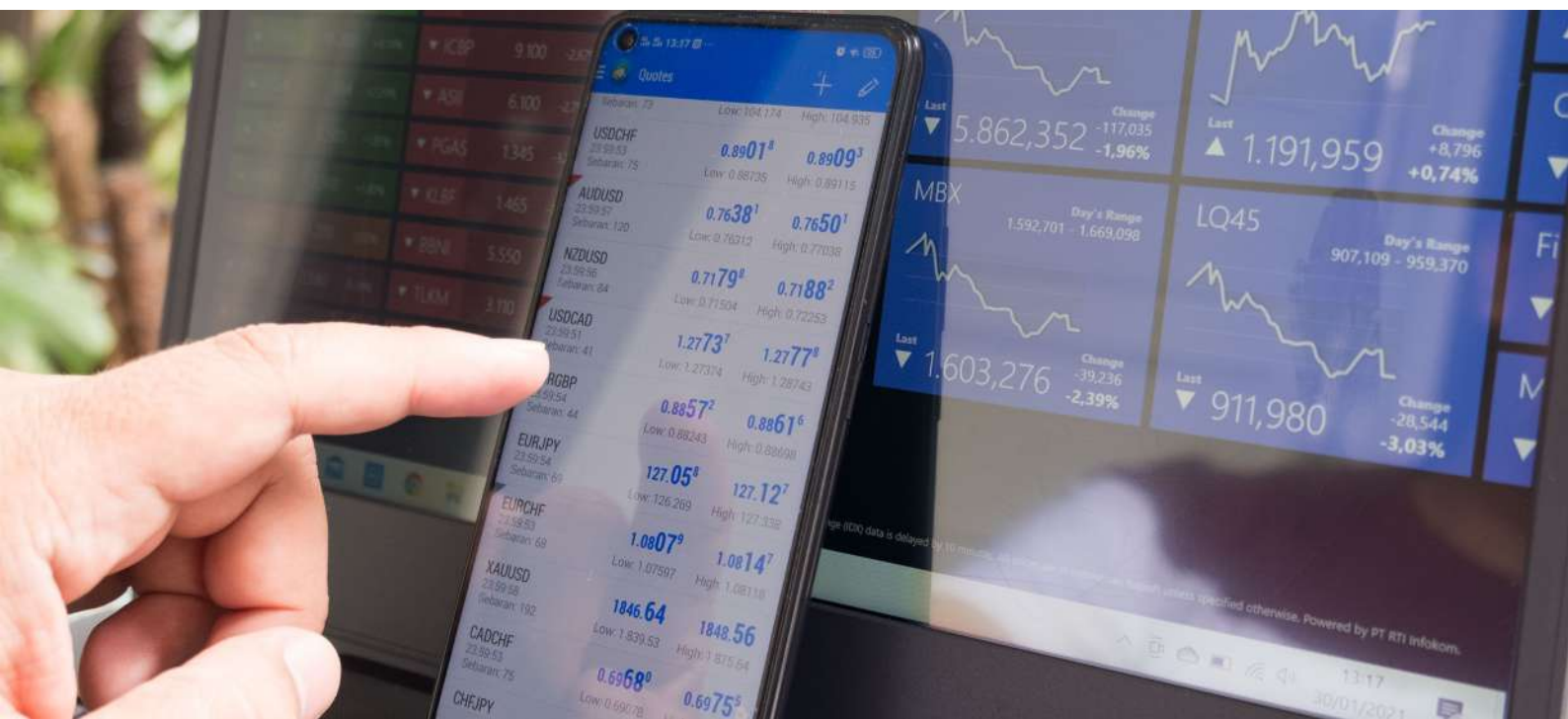
Parameter	2039	2040	2041	2042	2043	2044	2045
(1)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
<b>Population</b>							
Male	155 090,0	155 788,8	156 451,4	157 078,5	157 670,9	158 229,5	158 735,0
Female	155 906,2	156 716,8	157 489,3	158 224,0	158 921,3	159 581,8	160 206
<b>Total</b>	<b>310 996,2</b>	<b>312 505,6</b>	<b>313 940,7</b>	<b>315 302,5</b>	<b>316 592,2</b>	<b>317 811,3</b>	<b>318 961,0</b>
<b>Age Composition (%)</b>							
0-14	21,2	21,1	21,0	20,9	20,9	20,8	20,7
15-66	66,3	66,1	66,9	65,7	65,5	65,4	65,2
65+	12,5	12,8	13,1	13,3	13,6	13,9	14,1
<b>Dependency Ratio (%)</b>	<b>50,9</b>	<b>51,3</b>	<b>51,8</b>	<b>52,2</b>	<b>52,6</b>	<b>53,0</b>	<b>53,4</b>

## 4. ECONOMIC OVERVIEW

### 4.1 General Overview

Gross Domestic Product (GDP) is the monetary market value of all final goods and services produced within a country during a given period. GDP gives an idea of the size of a country's economy. If divided by the total population, the GDP per capita indicates the level of welfare of the population. In 2022, Indonesia is ranked 16th out of 212 countries around the world.

In ASEAN, Indonesia always ranks first. Indonesia has the largest area and population with the largest number, which makes Indonesia the largest economy in all of ASEAN.



## GDP (current billion US\$)

ASEAN Country	2017	2018	2019	2020	2021
Indonesia	1,016	1,042	1,119	1,059	1,186
Malaysia	319	359	365	337	373
Singapore	343	377	375	345	397
Philippines	328	347	377	362	394
Myanmar	61	67	69	79	65
Vietnam	281	309	330	343	363
Thailand	456	507	544	500	506
Brunei Darussalam	12	14	13	12	14
Cambodia	22	25	27	26	27
Lao PDR	17	18	19	19	19

Source: World Development Indicator

Indonesia's economic growth from year to year is relatively stable compared to other ASEAN countries. When the Covid-19 pandemic hit, Indonesia had experienced negative economic growth, but then it turned positive again in 2021.

## GDP growth (annual %)

ASEAN Country	2017	2018	2019	2020	2021
Indonesia	5.07	5.17	5.02	-2.07	3.69
Malaysia	5.81	4.84	4.44	-5.65	3.13
Singapore	4.66	3.66	1.10	-4.14	7.61
Philippines	6.93	6.34	6.12	-9.52	5.70
Myanmar	5.75	6.40	6.75	3.17	-17.98
Vietnam	6.94	7.20	7.15	2.94	2.59
Thailand	4.18	4.22	2.15	-6.20	1.57
Brunei Darussalam	1.33	0.05	3.87	1.13	-1.61
Cambodia	7.00	7.47	7.05	-3.10	3.03
Lao PDR	6.89	6.25	5.46	0.50	2.53

Source: World Development Indicator

The primary driving force of the economy is household consumption. The composition of GDP from the expenditure side is Household Consumption, Investment, Government Expenditure, and net export. Indonesia's 2021 GDP shows that 55.6% comes from household consumption, 9.1% government expenditure, 32.5% investment and 2.7% net export.

### Indonesia's Key Economic Outlook Indicators

No	Economic Indicators	2018	2019	2020	2021	2022	2023	2024	2025
1.	Gross domestic product, current prices (Billions U.S. dollars)	1,042.71	1,120.05	1,059.90	1,186.07	1,289.30	1,410.75	1,518.45	1,628.94
2.	Gross domestic product per capita, current prices (U.S. dollars)	3,947.25	4,196.33	3,922.60	4,356.56	4,690.75	5,085.02	5,423.70	5,767.08
3.	Inflation, average consumer prices (%)	3.292	2.82	2.033	1.56	3.29	3.336	2.985	6.89
4.	Unemployment rate (Percent of total labor force)	5.24	5.18	7.07	6.49	6	5.6	5.4	5.3
5.	General government revenue (Percent of GDP)	14.881	14.154	12.465	13.594	13.527	13.414	13.538	13.916
6.	General government total expenditure (Percent of GDP)	16.631	16.383	18.604	18.212	17.498	16.36	16.399	16.485
7.	Current account balance (U.S. dollars)	-30.633	-30.279	-4.433	3.326	57.661	6.57	-16.551	-19.483

Source: International Monetary Fund, World Economic Outlook Database, April 2022

Note: Estimates Start After 2021.

The Indonesian economy has undergone changes since the enactment of Law No. 11 Year 2020 on Job Creation (Law No. 11 Year 2020) in October 2020. The Law reforms taxation and manpower regulations. The objective of the law is to reduce bureaucracy and to stimulate post-pandemic investment. In the recent development, Law No. 11 Year 2020 has been revoked by Regulation of the Government in Lieu of Law No. 22 Year 2022 ("Regulation of the Government in Lieu of Law No. 2 Year 2022). The Regulation of the Government in Lieu of Law signed by the President Jokowi on 30 December 2022. Therefore, all mentions in this investment book that quote or use reference from the Job Creation Law namely Law No. 11 of 2020 and its implementing regulations, currently the reference is Regulation of the Government in Lieu of Law No. 2 Year 2022.



Furthermore, in order to respond to the COVID-19 crisis, the government is implementing an emergency fiscal package equivalent to 3.8% of GDP (actual expenses) in 2020 and 4.2% of GDP in 2021, in order to deal with the health impacts, providing assistance to households and businesses, and supporting vaccine rollouts and economic recovery. In 2022, the allocation of national economic recovery funds amounted to IDR 455.62 trillion. As of 24 June 2022, the total realization of the COVID-19 Mitigation and National Economic Recovery (*Penanganan COVID-19 dan Pemulihan Ekonomi Nasional/PC-PEN*) budget reached IDR 118.2 trillion or 25.9% of the budget allocation. In 2023 this allocation will be discontinued.

## 4.2 Vision of Indonesia 2045

Vision of Indonesia 2045 was launched in 2015, as Indonesia celebrated its 70th year of independence. The target of economic development in 2045 is the realization of an innovative, modern and prosperous Indonesian economy as a basis for Indonesia to become a barometer and driving force of the world economy as well as to become an influential country in the Asia-Pacific region and the world. On average, the Indonesian economy is able to grow by 5.7 percent per year. Consumption will increase with an average growth rate of 5.3 percent per year. The level of trade openness is increased to 56.5 percent and the GDP share of investment to GDP increased to 38.1 percent.

Indonesia will enter the high-income country group around 2036. In 2036, Indonesia will emerge from the middle-income trap and become a high-income country. Windows of opportunity in which the number of productive age is relatively higher compared to the young and elderly population is utilized as well as possible. Indonesia's GDP per capita in 2036 is estimated to be around USD 13,045, then it will continue to increase until it becomes USD 23,199 in 2045.

By 2045, Indonesia is projected to be the fifth-largest country in the world with a nominal Indonesian GDP of USD 7.4 trillion, after China (USD 40.1 trillion), the United States (USD 31.1 trillion), India (USD 19, 3 trillion) and Japan (USD 7.5 trillion).

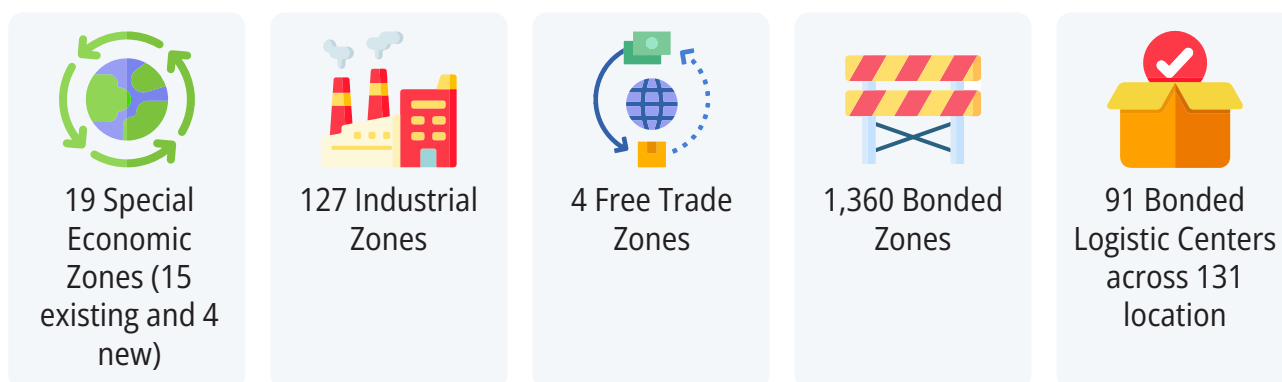
High and inclusive economic growth will increase Indonesia's middle-income class. Using the definition of the consuming class by McKinsey, Indonesian people who are categorized into middle-income class in 2020 is estimated to reach 85 million of (31 percent of the population), while in 2030, 145 million people (49 percent of the population) in 2040, 187 million people (60 percent of the population), and in 2045, 223 million people (70 percent of the population). The middle-income class is defined as residents with an income of USD 3600 per year; while others < USD 3600 per year.



### 4.3 The Economic Zone as a Strategic Investment Location

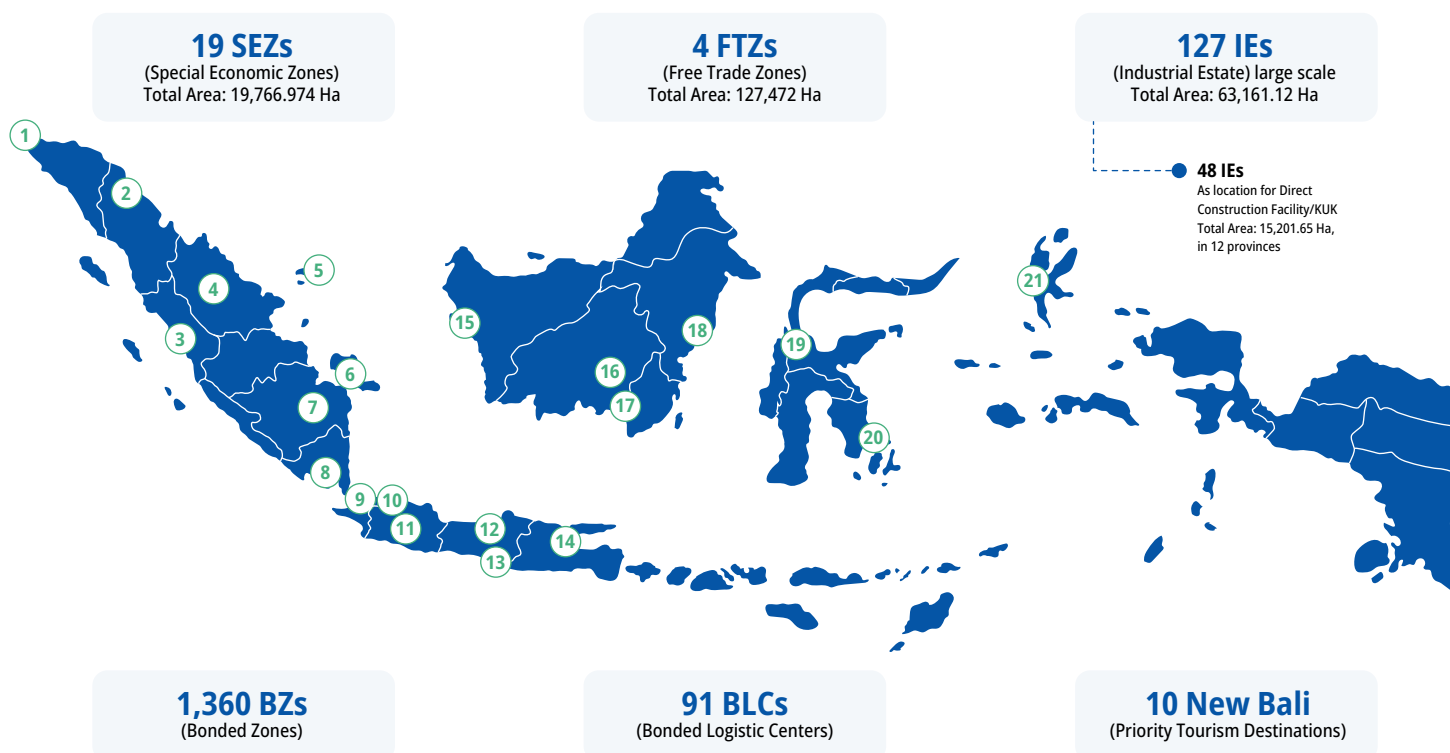
Under Law No. 3 Year 2014 on Industry as amended by Law No. 11 Year 2020, and Government Regulation No. 28 Year 2021 on the Organization of the Industrial Sector, it is stated that any industrial company which engages in industrial activities must be located within an Industrial Estate. This regulation specifically addresses the companies within an industrial zone.

Within industrial zones, various facilities are available for companies, such as tax incentives, infrastructure and logistics, proximity to resources, lower labor costs and higher skill levels. Currently, there are:



#### Industrial Area

Indonesia is focusing on its program to localize investments into economic zones which are dotted across Indonesia's islands. Currently, there are 118 industrial zones spread across Indonesia, consisting of 70 industrial zones in Java, 33 industrial areas in Sumatra, 10 industrial zones in Kalimantan and 5 industrial zones in Sulawesi.



## List of Indonesia Industrial Estates

For detail location see the maps of Indonesia Economic Zone (page 23)

### Aceh

1

Aceh Ladang Industrial Estate

### North Sumatra

2

- Sei Mangkei Industrial Estate (KEK)
- Medan Star Industrial Estate
- Medan Industrial Estate
- Sei Mangkei Industrial Estate

### West Sumatra

3

Padang Industrial Park

### Riau

4

- Tanjung Buton Industrial Estate
- Dumai Industrial Estate
- Tenayan Industrial Estate

### Riau Islands

5

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

### Bangka Belitung Islands

6

Sadai Industrial Estate

### South Sumatra

7

Tanjung Enim Industrial Estate

### Lampung

8

- Lampung Industrial Estate
- KI Waylaga Bizpark

### Banten

9

- Nikomas Gemilang Industrial Estate
- Modern Cikande Industrial Estate
- MGM Cikande Integrated Industrial Estate
- SBS Industrial Estate
- Wilmar Integrated Industrial Estate
- Sumber Bina Sukses Industrial Estate
- Millenium Industrial Estate
- Pasar Kemis Industrial Estate
- Cikupamas Industrial Estate and Warehouse
- Purati Kencana Alam Industrial Estate
- Griya Idola Industrial Park
- Sumber Rezeki Industrial Estate
- Krakatau Industrial Estate Cilegon
- Pancapuri Industrial Estate
- Tekno BSD Park Industrial Estate and Warehouse

### DKI Jakarta

10

- Jakarta Industrial Estate Pulogadung
- Berikat Nusantara Industrial Estate



**West Java****11**

- Indonesia China Integrated Industrial Estate
- Bekasi International Industrial Estate
- MM2100 Industrial Town BFIE
- MM2100 Industrial Town MMID
- Jababeka Industrial Estate
- East Jakarta Industrial Park
- Gobel Industrial Estate
- Kawasan Industri Marunda Center
- Greenland International Industrial Center (GIIC)
- Lippo Cikarang Industrial Estate
- Pura Delta IE Industrial Estate
- Cibinong Center Industrial Estate
- Sentul Industrial Estate
- Indotaisei (Kota Bukit Indah) Industrial Estate
- Kujang Cikampek Industrial Estate
- Mitrakarawang Industrial Estate
- Karawang International Industrial City
- Suryacipta IE Industrial Estate
- Mandalapratama Permai Industrial Estate
- Podomoro Industrial Park
- Kawasan Industri Artha Industrial Hill
- GT Tech Park Industrial Estate
- Karawang New Industrial City
- Pertiwi Lestari Industrial Estate
- Karawang Jabar Industrial Estate
- Kertajati Industrial Estate Majalengka
- Kota Bukit Indah Industrial City
- Lion Industrial Estate
- SKI Industrial Estate
- MOS Industrial Estate/Jatiluhur Industrial Smart City
- Suryacipta Subang Smartpolitan
- Taifa Industrial Estate
- Sukabumi Industrial Estate
- Bogorindo Sukabumi Industrial Estate
- Rancaekek Industrial Estate

**Central Java****12**

- KITB Industrial Estate
- Batang Industrial Park
- Cilacap Industrial Estate
- Jawa Tengah Land Industrial Park Sayung
- Kendal Industrial Estate
- Wijayakusuma Industrial Estate
- Tanjung Emas Export Processing Zone
- BSB Industrial Park
- Terboyo Semarang Industrial Estate

**Special Region of Yogyakarta****13**

Piyungan Creative Economy Park

**East Java****14**

- Gresik Industrial Estate
- Maspion Industrial Estate
- Java Integrated Industrial and Port Estate
- Ngoro Industrial Park
- Pasuruan Industrial Estate Rembang
- Sidoarjo Industrial Estate Berbek
- Safe N Lock Industrial Estate
- SiRIE Industrial Estate
- Tuban Industrial Estate
- Surabaya Industrial Estate Rungkut

**West Kalimantan****15**

- Ketapang Ecology and Agriculture Forestry Industrial Park
- KBS Industrial Estate

**Central Kalimantan****16**

Surya Borneo Industrial Estate

**South Kalimantan****17**

Batu Licin Industrial Estate

**East Kalimantan****18**

- Batuta/BCIP Industrial Estate
- Kariangau Industrial Estate
- Kaltim Industrial Estate

**Central Sulawesi****19**

- Qingdao Indonesia Industrial Park
- ATI Industrial Estate
- ESKI (Enam Sembilan Industrial Estate)
- VDNI Industrial Estate
- Morowali Industrial Estate
- Stardust Industrial Estate
- Palu Industrial Estate

**South tSulawesi****20**

Makasar Industrial Estate

**North Maluku****21**

- Teluk Weda Industrial Estate
- EFI Industrial Estate

## Special Economic Zones (*Kawasan Ekonomi Khusus/KEK*)



### 1. Arun Lhokseumawe SEZ (Industry)



*North Aceh & Kota Lhokseumawe, Aceh (2,622.5 Ha)*

Government Regulation No. 05/2017 – February 2017  
PT Patriot Nusantara Aceh

**Primary Activities:** Oil and Gas Industry; Petrochemical Industry; Agro Industry; Paper Industry  
Operating in **December 2018**

### 2. Sei Mangkei SEZ (Industry)



*Simalungun, North Sumatra (2,022.8 Ha)*

Government Regulation No.29/2012 – February 2012  
PT Kawasan Industri Nusantara (KINRA)

**Primary Activities:** Rubber Industry; Palm Oil Industry  
Operating in **January 2015**

### 3. Batam Aero Technic (Industry)



*Batam, Riau Islands (30 Ha)*

Government Regulation No.67/2021 – June 2021  
PT Batam Teknik (BAT)

**Primary Activities:** MRO Industry (Maintenance, Repair, Overhaul)

### 4. Nongsa SEZ (Tourism)



*Batam, Riau Islands (166,5 Ha)*

Government Regulation No.68/2021 – June 2021  
PT Taman Resor Internet (Tamarin)

**Primary Activities:** Tourism; Digital Technology

### 5. Galang Batang SEZ (Industry)



*Bintan, Riau Islands (2,333.6 ha)*

Government Regulation No.42/2017-October 2017  
PT GBKEK Industrial Park

**Primary activities:** Bauxite industry; Logistic  
Operating in **December 2018**

### 6. Tanjung Kelayang SEZ (Tourism)



*Belitung, Bangka Belitung (2,333.6 ha)*

Government Regulation No.6/2016-March 2016  
PT Belitung Pantai Intan

**Primary activities:** Tourism  
Operating in **March 2019**

### 7. Tanjung Lesung SEZ (Tourism)



*Pandeglang, Banten (1,500 Ha)*

Government Regulation No.26/2012-February 2012  
PT. Banten West Java TDC

**Primary activities:** Tourism  
Operating in **February 2015**

### 8. Lido SEZ (Tourism)



*Bogor, West Java (1,040 Ha)*

Government Regulation No.69/2021-June 2021  
PT MNC Land Lido

**Primary activities:**  
Tourism and creative Industry

### 9. Kendal SEZ (Industry)



*Kendal, Central Java (1,000 Ha)*

Government Regulation No. 85/2019 – December 2019

PT. Kendal Industrial Park (KIP)

**Primary activities:** Textile and Clothing; Furniture; Food and Beverage; Automotive; Electronic

### 10. Gresik SEZ (Industry)



*Gresik, East Java (2,167 Ha)*

Government Regulation No. 7/2021 – June 2021

PT Berkah Kawasan Manyar Sejahtera

**Primary activities:** Metal Industry; Electronic Industry; Chemical Industry; Energy Industry; Logistic

### 11. Singahasari SEZ (Tourism)



*Malang, East Java (120.3 Ha)*

Government Regulation No. 68/2019 – September 2019

PT Intelegensia Grahatama

**Primary activities:** Tourism and Digital Technology

### 12. Sanur SEZ (Tourism)



*Denpasar, Bali (41,3 Ha)*

Government Regulation No. 41/2022 – November 2022

PT Hotel Indonesia Natour

**Primary activities:** Tourism and Healthy  
Not Operated

### 13. Mandalika SEZ (Tourism)



*Central Lombok, West Nusa Tenggara (1,035.7 Ha)*

Government Regulation No. 52/2014 – June 2014

PT. Indonesia Tourism Development Center (ITDC)

**Primary activities:** Tourism  
Operating in **October 2017**

### 14. Maloy Batuta Trans Kalimantan SEZ (Industry)



*East Kutai, East Kalimantan (557.3 Ha)*

Government Regulation No. 85/2014 – October 2014

PT Maloy Batuta Trans Kalimantan

**Primary activities:** Palm Oil Industry; Logging Industry

Operating in **April 2019**

### 15. Palu SEZ (Industry)



*Palu, Central Sulawesi (1,500 Ha)*

Government Regulation No. 31/2014 – May 2014

PT. Bangun Palu Sulawesi Tengah

**Primary activities:** Nickel and Iron Ore Industry; Caco Industry; Seaweed Industry; Rattan Processing Industry

Operating in **September 2017**

### 16. Likupang SEZ (Tourism)



*North Minahasa, North Sulawesi (197.4 Ha)*

Government Regulation No. 84/2019 – December 2019

PT. Minahasa Permai Resort Development (MPRD)

**Primary activities:** Tourism

### 17. Bitung SEZ (Industry)



*Bitung, North Sulawesi (534 Ha)*

Government Regulation No. 32/2014 – May 2014

PT. Membangun Sulut Hebat

**Primary activities:** Coconut Processing Industry; Fishery Industry; Herbal Pharmacy Industry



**18. Morotai SEZ (Tourism)****Morotai Islands, North Maluku (1,101.8 Ha)**Government Regulation No. 50/2014 – May 2014  
PT. Jabebeke Morotai**Primary activities:** Tourism; Logistic; Fishery  
Operating in **April 2019****19. Sorong SEZ (Industry)****Sorong, West Papua Barat (523.7 Ha)**Government Regulation No. 31/2016 – August 2016  
PT. Malamoi Olom Wobok**Primary activities:** Nickel Industry; Forestry (Sago); Palm Oil Industry; Logistic  
Operating in **October 2019**

Special Economic Zones are prepared to accelerate the achievement of national economic development. These areas maximize industrial activities, exports, imports and other economic activities that have high economic value.

The government shall develop KEK through gradual transformation. The orientation of generation 1 KEK is the realization of KEK for regional economic growth acceleration and equitable development nationally. Meanwhile, Generation 2 KEK is oriented towards encouraging the realization of KEK that are capable of developing added value for the mastery of technology and human resources, as manifested by the development of KEK for Health, KEK for Education, KEK for Digital Economy and KEK for Maintenance Repair and Overhaul.

Special Economic Zones consist of one or several business activities, namely:

**Production and processing****Logistics and distribution****Research, digital economy and technological development****Tourism****Energy development****Education****Health****Sports****Financial services****Creative industries****Development and management of KEKs****Provision of KEK infrastructure****Other economic activities**

Facilities granted to SEZ are fiscal and non-fiscal facilities. **FISCAL** facilities include:



#### a. Corporate Income Tax (PPH)

- ✓ Tax Holiday 100% for Primary Activities, subject to the amount of the investment
- ✓ Tax Allowance for other than primary activities and for Primary Activities that is not eligible to get Tax Holiday facility

Investment provisions for tenants:

**10** years

IDR 100 billion < investment  
< IDR 500 billion

**15** years

IDR 500 billion < investment  
< IDR 1 trillion

**20** years

IDR 1 trillion <



#### b. Value Added Tax

VAT is not collected on:

- ✓ Delivery of Tangible Taxable Goods From Other places within the Customs Area (TLDDP), FTZ, and bonded zone (TPB)
- ✓ Import of Tangible Taxable Goods
- ✓ Import of Consumer Goods to Tourism SEZ
- ✓ Delivery of Taxable Services (JKP) and/or Taxable Goods (BKP) in the same SEZ or other SEZs



#### c. Customs and Excise

- ✓ Exempt from import Duty and not collected Tax in the Context of import (PDRI) for the import of capital goods and consumption goods in the Tourism SEZ
- ✓ Exempt from excise for raw materials or auxiliary materials that are used to produced finished goods which are not excisable goods



#### d. Sales Tax on Luxury Goods

Delivery of Taxable Goods and/or Taxable service originating from maintenance, repair, and overhaul (MRO) Tenants not collected.



#### e. Deferred Import Duties

- ✓ Deferred import duties and import tax not collected for tenants who have completed construction/development
- ✓ A tariff of 0% import duty is applied for finished goods which have 40% of local content (TKDN)



#### f. Local Tax

Reduction of Local, Tax and/or Local Retribution by 50%-100%.



### g. Goods Traffic

- ✓ Prohibited goods are applied for export/import
- ✓ Import limitation is not applied



### h. Special Facilities for Tourism SEZS

- ✓ Stores that are located inside Tourism SEZ can participate in the VAT refund scheme for foreign passport holders
- ✓ Exemption of Sales Tax on Luxury Goods for the purchase of a residential home or residence in the Tourism SEZ

And **NON FISCAL** facilities include:



Ease Of Doing  
Business For Permit  
& Licensing



Foreign Property  
Ownership In  
Tourism SEZ



Special Regulation  
For Labour and  
Employment



Simple Immigration  
Formalities



Easiness For Land  
Titling Procedures



Integrated  
Infrastructure  
Support From  
Government



Environment  
Convenience



Other Incentives and  
Facilities

*Currently, there are 19 SEZs (4 new SEZs numbered 16 to 20 below) with a total area of 19,766,974 Ha.*

## ● Free Trade Areas and Free Ports (*Kawasan Perdagangan dan Pelabuhan Bebas/KPPB*)

Free Trade Areas and Ports (KPPB) are regulated under Government Regulation (*Peraturan Pemerintah/PP*) No. 41 Year 2021. The definition of a KPPB is an area within the jurisdiction of the Unitary State of the Republic of Indonesia which is separated from the customs area and therefore free from the imposition of import duty, value-added tax, sales tax on luxury goods, and excise duty.

Government Regulation No. 41 Year 2021 addresses the entry and exit of goods to and from the KPPB, which are required to be undertaken at designated ports. The port referred to in this case is a port that has obtained a permit from the minister who organizes government affairs in the transportation sector and has obtained a stipulation as a Customs Area.



In Indonesia, there are 4 (four) KPPB with a total area of 127,472 ha which are oriented for export activities.

## • National Tourism Strategic Areas and Super Priority Destinations

The development of priority destinations is a form of realization of the national tourism development master plan for 2010-2025 which is regulated in Government Regulation no. 50 Year 2011 serves as the basis for tourism development in order to improve the quality and quantity of destinations and to realize a tourism industry capable of driving the national economy.

In 2015, the government for the first time initiated a more focused tourism development, specifically on 10 priority Indonesian tourism destinations outside of Bali. The ten priority tourism destinations outside of Bali are:



Image source: detik.com, cnnindonesia.com, id.wikipedia.org, goodnewsfromindonesia.id, jababekamorotai.com, tanjunglesung.com, pulauseribu.co.id, detiksport, bajocrewtour.com, indonesia.travel

Of the 10 Priority Destinations, the Government has selected five Super Priority Destinations (*Destinasi Super Prioritas/DSP*), namely Lake Toba, Borobudur, Manado-Likupang-Bitung, Mandalika and Labuan Bajo. All five of them have their own natural beauty, rich culture and local wisdom.



### 1. Borobudur

The development of the DSP of Borobudur located in Central Java Province focuses on the development of tourism infrastructure and ecosystem in Central Java and Special Region of Yogyakarta (*Daerah Istimewa Yogyakarta/DIY*) with Borobudur as its main icon. The integrated development of the DSP of Borobudur will coordinately encompass Borobudur-Yogyakarta, Solo-Sangiran, Semarang-Karimunjawa.

In order to improve connectivity at the Borobudur DSP and the Joglosemar area (Jogja–Solo– Semarang), the Ministry of Public Works and Public Housing (*Pekerjaan Umum Perumahan Rakyat/PUPR*) has undertaken the construction of roads and bridges with a total length of 72.93 km with a total budget of IDR 357.06 billion for 2020. The development projects are the widening of Sentolo-Nanggulan-Dekso Road (15.6 km), the preservation of Yogyakarta-Tempel-Pakem-Prambanan Road (2.4 km), the preservation of Keprekan-Muntilan-Salam (8.59 km), the rehabilitation of the DSP Borobudur Roads, until the construction of the Kali Progo bridge (160 m), and the handling of the Kali Elo Mendut Bridge in Magelang (40 m). The projects under the Tourism Housing Facilities (*Sarana Hunian Pariwisata/SHP*) program are the arrangement of the Kujon Art Village in Borobudur, the construction of 4 entrance gates for the DSP Borobudur, and the improvement of the quality of homestays in villages around the Borobudur Temple.



The master plan for the development of the DSP Borobudur also develop an authoritative zone of 309 hectares in the Menoreh hills, in Purworejo, Central Java, by the Borobudur Authority Agency. This area will be turned into a resort-based tourism destination with the concept of culture and adventure. the Borobudur Highland will be developed into five zones, namely the Extreme Tourism Zone, the Cultural Tourism Zone, the Entrance Gate Zone, the Exclusive Resort Zone and the Adventure Tourism Zone. Borobudur Highland is planned to have various facilities ranging from outbound centers, eco-resorts, fine dining restaurants, orchid gardens, meeting incentive convention exhibition (MICE) venues, to hotels with a total capacity of 1,050 rooms. The construction of Borobudur Highland began in 2022 with a gradual construction and is estimated to be completed in 2024.



## 2. Labuan Bajo

The development of infrastructure and tourism in the DSP Labuan Bajo, East Nusa Tenggara, was initiated in 2019 in order to support Labuan Bajo into a world-class premium natural and marine tourism destination. The construction of various facilities in Labuan Bajo, as well as the improvement of connectivity within and to this area have become the focus of the integrated infrastructure development of this DSP. The Ministry of PUPR has completed the construction of a number of facilities at Puncak Waringin, which is known as the best viewpoint for viewing the Labuan Bajo area from a height. The government also organizes and develops the waterfront area (Kawasan Beach Marina-Bukit Pramuka), the Rinca Island area and the Baturamir area. In order to ensure connectivity in Labuan Bajo, the construction of inner-city roads, which encompass roadworks and sidewalks, is being carried out. Then to open up the accessibility of Labuan Bajo from outside, the development of Komodo Airport with terminal expansion and runway extension is also carried out. Developments within the DSP Labuan Bajo area also

Developments within the DSP Labuan Bajo area also encompass the construction of a 400-hectare authority zone in the Nggorang Bowosie Forest by the Executive Agency of the Labuan Bajo Flores Authority (*Badan Pelaksana Otorita Labuan Bajo Flores/ BPOLBF*). The government plans to build tourism facilities to fulfill the total requirement of 2,000 hotel rooms in Labuan Bajo area. Authority zones will be divided into four categories: cultural district, leisure and entertainment districts, adventure district and wildlife district. In cultural district, for example, the Labuan Bajo Cultural Center and the Bajo Gallery Village will be built. Meanwhile, in the adventure area, there will be a lot of adventure tourism and unique natural activities that tourists can try. In the leisure and entertainment districts, sunset view points, event venues, and spa and fitness facilities will be constructed.



Image source: bajocrewtour.com



### 3. Lake Toba

The development of the DSP Lake Toba area in North Sumatra is aimed at maximizing the huge potential of Lake Toba with its surrounding natural and cultural richness. It is planned that this DSP area will utilize new, environmentally friendly renewable energy in the future, such as the use of electric buses in tourism areas. The DSP Lake Toba encompasses 8 regencies around the lake, namely Simalungun, Samosir, Toba, Humbang Hasundutan, North Tapanuli, Dairi, Karo and West Pakpak regencies. In addition, the DSP Lake Toba also includes the development of an authoritative zone of 386.76 hectares, which is dubbed as the Toba 3. The development of this authoritative area is carried out by the Lake Toba Authority Agency (*Badan Otorita Danau Toba/BODT*).



Image source: Wikimedia Commons

Under the general development master plan, the DSP Lake Toba area will continue to be developed gradually over a period of 25 years (2020-2045). For the development of destination areas in Lake Toba and its surrounding areas, there are six sub-districts that will become main tourism areas (*Kawasan Wisata Utama/KWIKWI*). Parapat will be developed as a MICE and recreation center, KWI Simanindo for culture, KWI Pangurpan for geotourism, KWI Balige with an urban heritage theme, KWI Muara with a cultural and geological theme, and KWI Brand with an eco-natural theme.



The Lake Toba authority zone, the Caldera Resort in Sibisa, will also be developed as a new destination with various facilities for tourists ranging from glamping sites, hotels and other facilities. A number of infrastructure developments have already been undertaken, such as the widening and preservation of the Samosir Ring Road, the construction of the Balige Bypass Road in the Toba Regency, and the structuring of Ulos Huta Raja and Huta Siallagan Villages in Samosir Regency, which are villages that are frequently visited by tourists. The government has also organized the arrangement of the Free Parapat beach in Simalungun Regency, the construction of the Sidikalang Waste TPA in Dairi Regency to the construction of a drinking water treatment plant in Karo Regency.

Supporting all of this, the Ministry of PUPR has also improved the quality of community housing for a total of 1,799 units, including so that they can be utilized as homestays. These residences are intended to support tourism in a number of regencies in Toba, including in Samosir, Toba, North Tapanuli to Simalungun Regencies. Meanwhile, for water connectivity to Lake Toba, the Ministry of Transportation has built 13 ferry ports in seven regencies around Lake Toba and provides ferry transportation facilities. A total of seven ports have been completed, namely Ajibata and Balige Ports, Tiga Ras Port, Simanindo Port, Marbun Toruan Port and the Port. The government has also launched ferry transportation, namely KMP Pora-Pora, KMP Caldera Toba, KMP Asa-asa Water Bus, and KMP Jurung Water Bus.



#### 4. Mandalika

DSP Mandalika in West Nusa Tenggara (Nusa Tenggara Barat/NTB) is a Special Economic Zone (KEK) which has been established by the government as a Tourism KEK since 2014 through Government Regulation No. 52/2014. The master plan for the development of the Mandalika KEK encompasses the development of an area of 1,175 hectares on undulating hilly land along the coast in Mandalika. The location of the Mandalika KEK also extends for 16 kilometers along the coasts of the region, which makes this DSP special in terms of location.

Indonesia Tourism Development Corporation (ITDC) holds the role of developer and manager of Mandalika KEK. KEK Mandalika will also be equipped with world-class sports facilities, namely an international circuit and a golf course. In general, the mapping of the Mandalika KEK development is divided into 3 zones with different icons in each zone. West Zone with Kuta Beach Park as the icon, Central Zone with Pertamina International Circuit as the icon and East Zone with MICE destination and theme park as the icon. The development of infrastructure in the Mandalika KEK began in stages and in parallel since 2016. The development has continued until now and is expected to last until 2039.





During the last few years a number of infrastructures have been built. The largest infrastructure, of course, the establishment of the Pertamina International Street Circuit with a track length of 4.3 km with 17 curves which will become the venue for the 2022 MotoGP. Other than that, a long list of infrastructure has finished its construction namely Kuta Beach Park, Bazaar Mandalika, Masjid Nurul Bilad, the construction of the Lombok International Airport (BIL) Bypass Road-Mandalika stages 1-3, construction of KEK Manggarai Barat flood control canal, construction of the Mandalika regional public hospital, improvement of TPA Pengengat, construction of docks and terminals of the Gili Mas Port. Funding for development in the Mandalika KEK reaches a total of IDR 9.25 trillion (until 2026) for the development of basic infrastructure and productive assets. Of the total funding, a total of IDR 750 billion is an injection of the state through State Capital Participation (*Penyertaan Modal Negara/PMN*). In the future, various facilities and infrastructures will continue to be built in the Mandalika KEK to make this area an international tourist destination. In the future, this destination will be built with MICE venue, 27-hole golf course, International Branded Theme Park, and Marina Sea Front. In addition, the construction of complete facilities at Mandalika will continue to be carried out, including the construction of five-star hotel rooms with a total of 20,000 rooms in the East zone and 325,000 m<sup>2</sup> of commercial land and public space in the West zone.



## 5. Likupang

The DSP Likupang in North Sulawesi has been designated as a Tourism Special Economic Zone (KEK) through PP No. 84/2019. Under the master plan, the Likupang KEK will be developed in an area of 197.4 hectares in Pulisan Village, East Likupang. The Likupang KEK will be developed as a premium and medium class resort area, with maritime and cultural tourism being the largest. ITDC and PT Minahasa Permai Resort Development (PT MPRD) act as developers and managers of the Likupang SEZ. In the Likupang SEZ, various tourism facilities are planned, starting from beachfront resorts, hotels and villas, commercial areas, Wallace conservation resorts and marine parks. The initial stage of the Likupang KEK development requires funds amounting to IDR2.22 trillion, of which one of the sources of funding amounting to IDR1.023 trillion comes from the application of the National Economic Recovery (PEN) funds. The development of tourism and infrastructure in this DSP does not only focus on the Likupang KEK. Tourist destinations around Likupang are also starting to grow, such as Manado, Tomohon, Bitung, Tondano and North Minahasa. In terms of improving connectivity, the Ministry has completed the construction of a number of roads connecting Manado-Bitung-Likupang, preservation of Girian Road (Bitung-Likupang), the improvement of Pulisan Beach Road and the replacement of the Marinsow Bridge.



A roundabout in the Likupang KEK has also been constructed and is equipped with various public facilities such as bicycle lanes, jogging tracks and parks. This roundabout will later serve as the main gate to the Pulisan Beach. As a form of regional development and arrangement, the Ministry of PUPR has also implemented a self-supporting housing improvement program (Program Sarhunta) which can be utilized as homestays for tourists. The improvement in the quality of Sarhunta's houses has been carried out in 263 housing units with business functions in the villages of Marinsow, Pulisan, Kinung and in a sub-district on Bunaken Island. In addition to Sarhunta, the Ministry of PUPR has also constructed the Kuwil Kawangkon Dam for flood control in Manado City.

## 5. POLITICAL OVERVIEW

Indonesia is a republic with a multi-party presidential democracy. The president is the head of state and the government. The number of parties in Indonesia is very large. In the 2019 election, there are 14 parties participating in the general election. There will be even more political parties participating in the 2024 election. Up to December 2022, 17 parties have passed the verification.

Executive power is exercised by the president, vice president and ministers. Legislative power is vested in the House of Representatives and the People's Consultative Assembly. The judiciary is independent from the executive and the legislature. The judiciary is held by the Supreme Court and the Constitutional Court.

The Economist Intelligent Unit (EIU) annually measures the democracy index of all countries in the world. The score used is 1-10, the higher the score, the more democratic a country is. In 2021, the EIU placed Indonesia at number 54 out of 173 countries with a score of 6.71. Indonesia is in second place after Malaysia, among ASEAN countries.



## Democracy Index ASEAN Countries 2021

Ranking	Country	Score
41	Malaysia	7.24
54	Indonesia	6.71
56	Philippines	6.62
68	Singapore	6.23
74	Thailand	6.04
137	Vietnam	2.94
140	Cambodia	2.9
165	Laos	1.77
172	Myanmar	1.02

Source: EIU

## 6. BUSINESS CULTURE

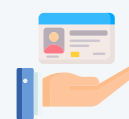
While Indonesia is culturally diverse, the standard way of addressing any present person upon arrival and departure from any gathering is a handshake. However, this practice should be avoided due to COVID-19.



'Bapak' (Sir) for men and 'Ibu' (Madam) for women are the standard polite greetings, which should be said before their first names.



Exchanging business cards is the standard culture for introducing themselves to one another.



The right hand is used to give or receive your business card or other goods.

The most widely used online communication application is the Whatsapp application either for business communication or with government officials. We recommend that you ask your Indonesian counterparts which communication method they prefer. Companies may not respond to emails very quickly, especially if the sender is not well known.

Invitations to official events usually include the dress code to be used. Batik is a formal attire used in meetings for both men and women. Long-sleeved batik shirts are considered formal attire and are commonly worn by both Indonesian and foreign entrepreneurs. Trousers, shirts and ties are general business attire for men and women's business attire is usually a two-piece suit with a blazer, or a simple dress with sleeves.

Always allow plenty of travel time for meetings. This is due to the congestion that usually occurs in the capital city of Jakarta. Often meetings take place in conjunction with lunches between 11:30 and 14:00 or dinners between 18:30 and 20:30. Gatherings on Friday afternoons are best avoided as this is a day of prayer and businesses usually have longer lunch breaks. The break on Friday is 11:00 – 14:00. Indonesia has 3 time zones, namely:



Since 88% of Indonesia's population is Muslim, alcohol and pork are generally not consumed. While Indonesians generally tolerate the consumption of alcohol, it is always a good idea to ask if an appointment is serving alcohol or pork before ordering any beverages or food in order to show respect for their beliefs.

Personal contacts and networks are very important in establishing business deals because business relationships are built on trust and familiarity. Decisions are usually made by consensus and attempts to impose a decision will often result in the negotiation of a negative outcome. The corporate culture of larger or more traditional organizations is top-down, with final decision-making often reserved for a small group of executives. When meeting new clients, it is important to analyze these factors in order to ensure that your engagement is as productive as possible.

## 7. INVESTMENT CLIMATE

### 7.1 Sovereign Credit Rating Indonesia

Fitch Ratings (Fitch) on 28 June 2022 has announced Indonesia's Sovereign Credit Rating at BBB (investment grade) with a stable outlook. The main factors supporting the affirmation are the favorable medium-term growth prospects and the low government debt/GDP ratio.



Indonesia's rating of BBB/stable outlook reflects the strong belief of international businesses that Indonesia's macroeconomic stability and medium-term economic prospects will remain intact, despite the increasing global economic uncertainty. It also demonstrates the credibility of policies and the effective policy mix formulated by Bank Indonesia and the Government.

In its report, Fitch predicts that the GDP growth will reach 5.8% in 2023. Indonesia's economic recovery will be supported by improvements in the service sector and exports, as commodity prices will increase. Fitch projects a current-account deficit of 1.0% of GDP by 2023. Fitch assesses the existence of domestic inflationary pressures, however, inflation is projected to remain low in the medium term of between 2-4%. Over the medium-term, the domestic economy will grow by 5.8% by 2024, driven by the implementation of the Job Creation Omnibus Law, which aims to reduce long-standing investment barriers, and to resume infrastructure spending. Fitch regards that the government will meet its budget deficit target of under 3% by 2023. Fitch estimates that the government debt will gradually decline over the course of the year after it peaked this year at 44.2% of GDP. This level is well below its 'BBB' counterparts at 55.9%. Meanwhile, reliance on foreign financing has eased, as indicated by a decrease in the ownership of non-residents in government bonds. In line with Fitch, other rating agencies also provide a stable outlook for Indonesia.

### Indonesia's Sovereign Credit Rating 2022 from various institutions

Rating Agency	Outlook	Credit Rating	Last Update
Standard & Poor's	Stable	BBB	27 April 2022
Fitch Ratings	Stable	BBB	28 June 2022
Moody's Investor Service	Stable	Baa2	10 February 2022
Japan Credit Rating Agency	Stable	BBB+	27 July 2022
Rating and Investment Information Inc.	Stable	BBB+	04 July 2022

Source: OJK



## 7.2 National Industrial Development Master Plan for 2015-2035

The development of priority industries is to be undertaken in the medium and long term, in line with the National Long-Term Development Plan (*Rencana Pembangunan Jangka Panjang Nasional/RPJPN*). The National industrial development plan in 3 phases are:

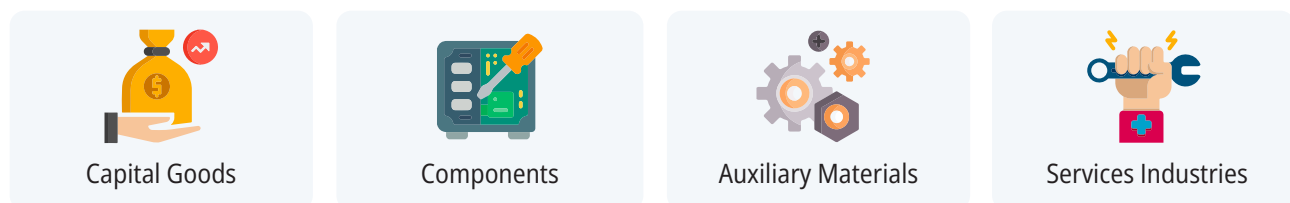


10 (ten) priority industries are grouped into mainstay industry, supporting industry, and upstream industry as follows:

### a) Mainstay Industries



### b) Supporting Industries



### c) Upstream Industry



The development stages of priority industries are as follows:

No	Priority Industry	Types of Industry		
		2015-2019	2020-2024	2025-2035
1.	Food Industry	Fish Processing Industry		
		1. Preserved fish (frozen, dried and smoked) and fillets 2. Various processed fish, seaweed and other marine products (including carrageenan, fish oil, supplements and other functional foods)		
		Milk Processing Industry		
			1. Milk for health (liquid, powdered and condensed milk) 2. Probiotics and other milk-based functional foods	1. Milk for health (liquid, powdered and condensed milk) 2. Probiotics and other milk-based functional foods
		Refrigerant Material Industry		
		1. Cocoa powder 2. Cocoa butter 3. Food and beverages from chocolate 4. Supplements and functional food based on cocoa	1. Decaffeinated coffee Various organic coffee-based 2. processed foods Coffee-based supplements and functional foods High value tea Tea-based supplements	1. High value tea 2. Tea-based supplements
		Vegetable-Oil Processing Industry		
		1. Fortified cooking oil (natural and non-natural) 2. Functional food based on vegetable oil		
		Fruit and Vegetable Processing Industry		
		1. Canned fruits/vegetables 2. Fruit/vegetable layers 3. Supplements and functional food based on waste of fruit processing industry		

No	Priority Industry	Types of Industry		
		2015-2019	2020-2024	2025-2035
		Flour Industry		
		1. Starch from agricultural waste biomass 2. Emergency food	1. Tropical wheat flour 2. Starch from agricultural waste biomass 3. Emergency food 4. Granulated composite flour	
		Sugar Cane-Based Industry		
		1. Sugar 2. Liquid sugar and organic acids from sugar industry waste	Sugar (Specifically outside of Java)	
2.	Food Industry	Pharmaceutical and Cosmetic Industries		
		1. Herbal preparations 2. Pharmaceutical salt 3. Cephalosporin group 4. Amlodipine 5. Glucose 6. Pharmaceutical Grade (for infusion) 7. Amoxicillin 8. Glimepiride/Metformine 9. Paracetamol 10. Biological Products 11. Vaccines 12. Herbal/Natural Products 13. Cosmetic Products 14. Additional raw materials for making drugs (excipient)	1. Lansoprazole 2. Vitamin C 3. Atorvastatin 4. Beta-carotene 5. Stevioside 6. Simvastatin 7. Biological Products 8. Vaccines 9. Herbal/Natural Products 10. Cosmetic Products 11. Additional raw materials for making drugs (excipient)	Export-oriented capacity building: 1. Herbal preparations 2. Industrial and pharmaceutical salts, 3. Cephalosporin group (mixed) 4. Amlodipine 5. Glucose 6. Pharmaceutical Grade (for infusion) 7. Glimepiride/Metformine 8. Paracetamol 9. Lansoprazole 10. Vitamin C 11. Atorvastatin 12. Beta-carotene 13. Stevioside 14. Biological Products 15. Vaccines 16. Herbal/Natural Products 17. Talk Osmanthus 18. Cosmetic Products 19. Additional raw materials for making drugs (excipient)



No	Priority Industry	Types of Industry		
		2015-2019	2020-2024	2025-2035
		Medical Device Industry		
		1. Disposable and consumable products 2. Hospital Furniture 3. Orthopedic Implants 4. Electromedical devices 5. Diagnostic instruments 6. PACS (Picture Archiving and Communication System) 7. Software and IT 8. Diagnostic reagents	1. Disposable and consumable products 2. Hospital Furniture 3. Orthopedic Implants 4. Electromedical devices 5. Diagnostic instruments 6. PACS (Picture Archiving and Communication System) 7. Software and IT 8. Diagnostic reagents 9. POCT (Point of Care Testing) 10. Radiology	1. Disposable and consumable products 2. Hospital Furniture 3. Orthopedic Implants 4. Electromedical devices 5. Diagnostic instruments 6. PACS (Picture Archiving and Communication System) 7. Software and IT 8. Diagnostic reagents 9. POCT (Point of Care Testing) 10. Radiology
3.	Textile, Leather, Footwear and Various Industries	Textile Industry		
		1. Textile fiber 2. Knitting 3. Fashion garment 4. Specialty Textiles	1. Micro textile fiber 2. Dissolving rayon pulp 3. PET recycling 4. Garment functional and smart apparel 5. Knitting 6. Specialty Textiles	1. Nano textile fiber 2. Smart clothing 3. Knitting 4. Special Textiles
		Leather and Footwear Industry		
		1. Footwear 2. Special leather products (advanced materials) 3. Synthetic leather 4. Non-conventional leather material	1. Footwear 2. Special leather products 3. (advanced materials) Synthetic leather 5. Non-conventional leather material 6. leather material	1. Special leather products (advanced materials) 2. Synthetic leather 3. Non-conventional leather material
		Wooden Furniture and Other Wooden Goods Industry		
		1. Crafts, carvings from wood 2. Wood and rattan furniture	1. High tech wood and rattan furniture that have been certified green industry 2. Crafts with raw materials from waste of wood processing industry	High value crafts and furniture

No	Priority Industry	Types of Industry		
		2015-2019	2020-2024	2025-2035
		<b>Plastic, Rubber Processing, and rubber goods Industry</b>		
		1. Plastics for general purposes 2. Plastics for special purposes (among others for health, automotive, and electronics) 3. Rubber for general purposes 4. Rubber for special purposes (among other things for health, automotive, and electronic)		
4.	<b>Transportation Means Industry</b>	<b>Motor Vehicle Industry</b>		
		1. Automotive components 2. Fuel, gas and electricity engines 3. Transmission device (power train) 4. Heavy equipment	1. Electric starter (engine) and fuel cell 2. Transmission device (power train)	Electric prime mover (engine) and fuel cell
		<b>Railway Industry</b>		
		Diesel and electric trains	1. Electric train 2. Magnetic levitation (maglev)	1. Electric train 2. 2. Magnetic levitation (maglev)
		<b>Shipping Industry</b>		
		1. Ships 2. Ship components (mechanical and electronic) 3. Ship maintenance	1. Ships 2. Submarine (underwater exploitation)	1. Ships 2. Submarine (underwater exploitation)
		<b>Aviation Industry</b>		
		1. Propeller airplanes 2. Aircraft components 3. Aircraft maintenance		
5.	<b>Electronics and Telematics/ict Industry</b>	<b>Electronics Industry</b>		
		1. Smart home appliances 2. Electronic components (without fabrication/fabless components)	1. Smart home appliances 2. Electronic components (without fabrication/fabless components)	1. Electronic components 2. Small volume semiconductor fabrication (foundry)
		<b>Computer Industry</b>		
		Computer	High Speed Computer	High Speed Computer

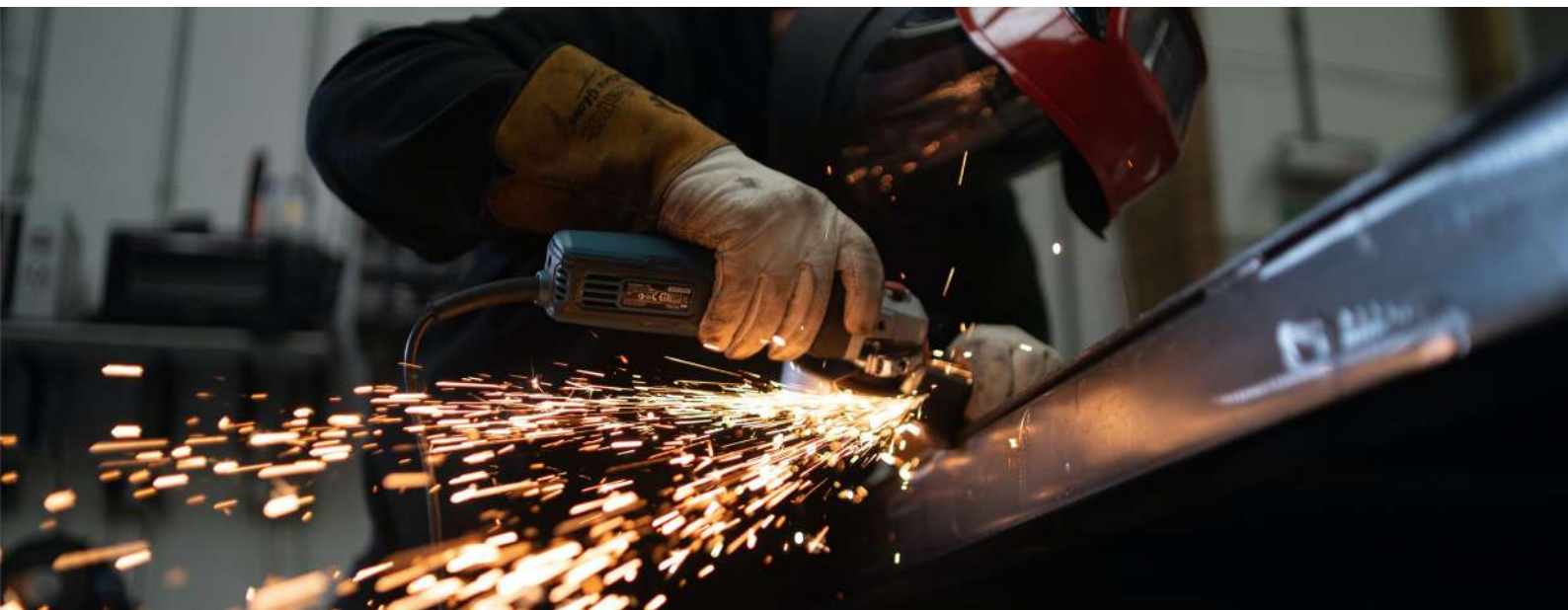
No	Priority Industry	Types of Industry		
		2015-2019	2020-2024	2025-2035
		<b>Communication Equipment Industry</b>		
		1. Telecommunication transmission 2. Smart mobile phones	1. Telecommunication transmission (radar and satellite) 2. Smart mobile phones	Telecommunication (satellite) transmission
6.	<b>Power Generation Industry</b>	<b>Electrical Equipment Industry</b>		
		1. Electric motors/generators 2. Battery 3. Solar cells	1. Electric motors/generators 2. Battery 3. Solar cells 4. Nuclear Power Plant	1. Electric motors/generators 2. Battery 3. Solar cells 4. Nuclear Power Plant
7.	<b>Capital Goods, Components, Auxiliary Materials and Services Industries</b>	<b>Machinery and Equipment Industry</b>		
		1. Computer Numerical Control (CNC) Machine 2. Industrial tools 3. Production process automation for electronics and food processing	1. Industrial tools 2. CNC controllers 3. Flexible machining center 4. Production process automation for electronics and food processing	1. CNC controller 2. Flexible machining centers 3. Production process automation for electronics and food processing
		<b>Components Industry</b>		
		1. Packaging (carton and plastic base) 2. Processing of rubber and rubber goods (among others pneumatic tires, outer tires, and inner tubes) 3. Giant vulcanised tires (for aircraft and offroad) 4. Rubber goods for industrial purposes and automotive components 5. Additives 6. Textile dyes (dye stuff), plastics and rubber (pigment) 7. Inorganic chemicals (among others iodine and sea minerals)	1. High quality packaging (carton and plastic base) 2. Engineering rubber and plastic goods 3. Giant vulcanised tires (for aircraft and offroad) 4. Additives 5. Textile dyes (dye stuff), plastics and rubber (pigment) Inorganic chemicals (including iodine and marine minerals)	1. High quality packaging (carton and plastic base) 2. Plastic and rubber products for health, electricity, electronics and machinery 3. Plastic and rubber products advanced materials 4. Additives Textile dyes (dye stuff), plastics and rubber (pigment) 5. Inorganic chemicals (including iodine and marine minerals)
5.	<b>Electronics and Telematics/ict Industry</b>	<b>Auxiliary Materials Industry</b>		
		1. Catalyst 2. Solvent		

No	Priority Industry	Types of Industry		
		2015-2019	2020-2024	2025-2035
		Industrial Services		
		1. Factory design 2. Industrial process services 3. Maintenance of industrial machines/equipment	1. Factory design 2. Industrial process services (precision and high added value) 3. Maintenance of industrial machines/equipment	
8.	Upstream Agro Industry	Oleofood Industry		
		1. Olein 2. Stearin 3. Gliserol 4. Palm Fatty Acid Distillate (PFAD) 5. Coco butter substitute 6. Margarin 7. Shortening 8. Other specialty fats	1. Specialty fats (coco butter substitute) 2. Tocopherol 3. Betacaroten 4. Organic acids and alcohol from waste of palm oil industry	Specialty fats of food additives
		Oleochemical Industry		
		1. Vegetable fatty acids 2. Fatty alcohols 3. Fatty amines 4. Methyl ester sulfonate (biosurfactant) 5. Biolubricant (rolling oil) 6. Glycerin based chemicals 7. Essential oil 8. Isopropyl palmitate (IPP) and Isopropyl Myristate (IPM) 9. Stearic acid	1. Methyl esters 2. Bio-plastic based on waste of palm oil industry 3. industry 4. Essential oil	1. Methyl esters 2. Palm oil derived polymers 3. Essential oil





No	Priority Industry	Types of Industry		
		2015-2019	2020-2024	2025-2035
		Chemurgy Industry		
		1. Biodiesel (Fatty Acid Methyl Ester/FAME) 2. Bioavtur (Bio jet fuel)	1. Biodiesel 2. Bioethanol 3. Bioavtur (Bio jet fuel) 4. Biogas from palm oil mill effluent (POME) 5. Biomaterials for medical devices, lignin-based aromatic building blocks for drug/pharmaceutical synthesis 6. Bioethanol made from lignocellulosic and biomass waste	1. Biodiesel (Fatty Acid Methyl Ester/FAME) 2. Bioavtur (Bio jet fuel) 3. Nano cellulose derivatives 4. Bio-based fibers and polymers (carbon fiber, viscous) 5. New generation of bio-based composites 6. Secondary biofuel (bioethanol), bioethanol (based on lignocellulosic), secondary biofuel (biomass pyrolysis-gasification)
		Feed Industry		
		Animal feed rations and supplements and aquaculture		
		Wood Goods Industry		
		Wood-based components (wood working, laminate and finger joints)	1. Bamboo fiber for textiles 2. Various products based on wood industrial waste	Wood moulding products
		Pulp and Paper Industry		
		1. Long fiber 2. Dissolving pulp	Pulp and various paper goods that are produced in an environmentally friendly manner	Microbial cellulose fiber



No	Priority Industry	Types of Industry		
		2015-2019	2020-2024	2025-2035
9.	<b>Base Metal and Non-Metal Mineral Materials Industry</b>	<b>Basic Iron and Steel Processing and Refining Industry</b>		
		1. Iron ore pellets 2. Lumps 3. Fines 4. Sponge iron 5. Pig iron and cast iron 6. Nickel Pig Iron 7. Ferronickel 8. Ferrous alloy 9. Steel for special purposes (among other things for health, defence, automotive)	1. Slabs, billets, blooms 2. Hot Rolled Coils (HRC), Hot Rolled Plates (HRP), Cold Rolled Coils(CRC), Wire rods 3. Profiles, bars, wires 4. Ferrous alloy (ferro alloy) 5. Stainless steel (stainless steel long and flat products) 6. Steel for special purposes (among other things for health, defense, automotive)	1. Seamless pipes 2. Ferrous alloy (ferro alloy) 3. Decorative stainless steel 4. Steel for special purposes (among others: for health, defense, automotive)
		<b>Non-Ferrous Metal Base Processing and Refining Industry</b>		
		1. SGA Alumina (Smelter Grade Alumina) and CGA Alumina (Chemical Grade Alumina) 2. Aluminum, aluminum alloy, billet, and slab 3. Matte nickel 4. Copper cathode 5. Copper/Brass Sheet 6. Nickel hydroxide 7. Fe Ni Sponge, Luppen Fe Ni, and Nuggets FeNi	1. Aluminum and aluminum alloy 2. Mixed Hydroxide Precipitate (MHP), Mixed Sulfide Precipitate (MSP), Nickel Metal 3. Copper alloy 4. Copper/Brass Sheet	1. Aluminum and advanced aluminum alloy 2. Nickel Electrolytic, Nickel Sulfate, Nickel Chloride 3. Copper wire and electronic components
		<b>Precious Metals, Rare Earth, and Nuclear Fuel Industries</b>		
		1. Precious metal 2. Concentrates of rare earth metals	1. Precious metal for decoration and jewelry 2. Rare earth metals	1. Precious metals for electronic components 2. Rare earth metals for electronic components 3. Earth metal Nuclear fuel

No	Priority Industry	Types of Industry		
		2015-2019	2020-2024	2025-2035
		Non-Metal Mineral Industry		
		1. Cement 2. Ceramics 3. Glass 4. Pharmaceutical Grade glass/glass 5. Refractories 6. Zirconia, silicate zircon, zircon chemical 7. Zircon Opacifier	1. Ceramics 2. Glass/Glass 3. Refractories	1. Advanced ceramics 2. High quality Glass/decorative glass
10.	Oil-and-Coal Based Chemical Industries	Organic Chemical Industry		
		1. Carbon black 2. Terephthalic Acid 3. Acetic Acid 4. Acrylonitrile 5. Bis Phenol A	1. Caprolactam 2. Cumene 3. Propylene Glycol 4. Ethylene Glycol 5. Phenol 6. Fumaric Acid 7. Ptalic Anhydrous	1. Caprolactam 2. Methyl Methacrylate 3. Acetic Acid
		Fertilizer Industry		
		1. Single fertilizer (nitrogen base) 2. Compound fertilizer	1. Single fertilizer (phosphate and potassium base) 2. Compound fertilizer	1. Single fertilizer (nitrogen, phosphate and potassium base) 2. Compound fertilizer
		Synthetic Resin and Plastic Material Industry		
		1. Low-density polyethylene (LDPE) 2. High-density polyethylene (HDPE) 3. Polypropylene (PP) Nylon 4. Polyethylene terephthalate (PET) 5. Acrylic 6. Polyvinyl Chloride (PVC)	1. Methyl Methacrylate 2. Polycarbonate 3. Polyvinyl Alcohol	1. LDPE 2. HDPE 3. PP 4. Nylon 5. PET 6. Acrylic

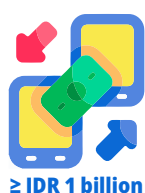
No	Priority Industry	Types of Industry		
		2015-2019	2020-2024	2025-2035
		Natural and Synthetic Rubber Industry		
		1. Butadiene Rubber (BR) 2. Styrene Butadiene Rubber (SBR) 3. Engineering natural rubber compound	1. Isoprene Rubber (IR) 2. Acrylonitrile Butadiene Rubber (ABR) 3. Chloroprene Rubber (CR) 4. Ethylene Propylene Diene Monomer (EPDM) 5. Engineering natural rubber compound 6. Acrylonitrile Butadiene Styrene (ABS)	1. SBR 2. IR 3. ABR 4. CR 5. EPDM 6. Engineering natural rubber compound

Source: National Industrial Development Master Plan 2015–2035

## 8. PAYMENT SYSTEM

The Payment System in Indonesia has undergone rapid progress in accordance with technological advances in the financial sector. Cash is getting less and less used. Indonesians have a wide variety of payment instruments to choose from, both for household retail transactions for daily payments, as well as for large-scale corporate business transactions. There has been a shift in instruments from paper-based instruments, such as checks and bilyet giro, to card-based and electronic-based instruments.

Card-Based Payment Instruments (*Alat Pembayaran Menggunakan Kartu/APMK*), cheques, bilyet giro, debit notes, as well as electronic money (card-based and server-based). Scope of non-cash payment systems are grouped into 2 types of transactions, namely large value transactions (wholesale) and retail transactions.



Large value transactions have the characteristics of urgent and important transactions, including interbank transactions, financial market transactions or transactions with ticket sizes  $\geq$  IDR 1 billion. The infrastructures that are used to process this transaction are the Bank Indonesia Real-Time Gross Settlement (BI-RTGS) and the Bank Indonesia Scripless Securities Settlement System (BI-SSSS).

Meanwhile, retail transactions shall include transactions between individuals with a ticket size value of  $<$  IDR 1 billion with characteristics of small value and relatively high frequency. The infrastructure used for the processing of these transaction activities is the Bank Indonesia National Clearing System (*Sistem Kliring Nasional Bank Indonesia/ SKNBI*).





The development of payment systems is inseparable from technological infrastructure innovations. The payment industry, both involving banks and non-bank institutions, is competing to develop its payment system. Even now, the role of non-bank institutions (*Lembaga Selain Bank/LSB*) in the organization of payment systems is becoming more and more evident with the increasing number of LSB collaborating with banks both as network providers and as issuers of said payment instruments. Bank Indonesia, as the payment system organizer, has recently commenced the operation of Payment-versus-Payment (PvP) service within the Bank Indonesia Real-Time Gross Settlement (BI-RTGS) system. Settlement services relating to the sale and purchase of foreign currencies, specifically the United States Dollar (USD) against the Indonesian Rupiah (IDR), are to be performed simultaneously.

Retail transactions use the National Clearing System of Bank Indonesia (*Sistem Kliring Nasional Bank Indonesia/SSNBI*). The ATM/Debit cards have met security standards by using chip technology for ATM/Debit cards, thus minimizing the incidence of ATM/Debit card fraud.

## 9. LIVING IN INDONESIA

### 9.1 Housing and Living Cost

Indonesia has various types of housing. In urban areas, residents may live in landed houses, as well as in apartments. Until now, foreigners are still not allowed to own landed houses or apartments, although for apartment, its lease agreement has very long period, namely 30 years with an extension of 20 years.

The Job Creation Law, as referred to in Article 144 paragraph (1), stipulates that the ownership of apartments may be granted to Indonesian citizens; Indonesian legal entities; Foreign citizens who have licenses in accordance with the provisions of laws and regulations; foreign legal entities which have representatives in Indonesia; or representatives of foreign countries and international institutions which are domiciled or have representatives in Indonesia.



As of mid-2022, Indonesia is now ranked as the 33rd most affordable country out of 137 countries, with a cost-of-living index of 32.20.

Source: [https://www.numbeo.com/cost-of-living/rankings\\_by\\_country.jsp](https://www.numbeo.com/cost-of-living/rankings_by_country.jsp)

## 9.2 Health and Education Facilities

Health and Education facilities with international standards are available in urban areas, specifically in large cities such as Jakarta, Surabaya and Bali. Government-owned hospitals and clinics reach out to remote rural areas.

The health insurance system is divided into private insurance and basic insurance, which is provided by the state for all citizens living in Indonesia, including foreign citizens. Compulsory health insurance has been around since January 2014. This compulsory health insurance scheme is known as the National Health Insurance (*Jaminan Kesehatan Nasional/JKN*), which makes basic medical treatments and facilities available to all citizens.

Foreign workers who work in Indonesia for at least 6 months must be registered under the BPJS scheme with their families. Employers have an obligation to do this. BPJS Cards can be used in all government-owned public hospitals, clinics or health centers and in almost all private health facilities.

Private health insurance offers a wider choice of health facilities. These private health facilities usually feature superior facilities and service quality. Moreover, they are also likely to have English-speaking staff available to assist you in obtaining better medical services.

In large cities, there are many international standard schools with English as the language of instruction. All citizens are required to study for nine years, six years at the primary level and three years at the secondary level, so that public schools are available in all regions of Indonesia, both in urban and rural areas. Foreign citizens in Indonesia usually send their children to international schools with foreign curricula that are officially accredited by the education authorities in their home countries. There are various international schools in Indonesia, with schools offering national curricula from a number of countries, including the UK, the US, France, Germany, India, Japan, South Korea, New Zealand, Russia and Singapore.

These schools also offer International Baccalaureate (IB) programs. Admission and registration procedures vary from school to school. Spaces are often limited and preference may be given to students based on nationality. Tuition tends to be expensive by local standards, but offers a high standard of learning, boasting smaller class sizes, first-class facilities and extra-curricular activities. Boarding facilities are available in some schools, but most only offer daily classes.





### 9.3 Communicating with Local Community

Indonesian Language is the common language used in all regions in Indonesia. In big cities, there are people who can master English, even in public places. However, only a few of the instructions in public places, such as in bus terminals, in supermarkets, in traditional markets, and so forth that use English.

Culture in each region is different. In the capital city of DKI Jakarta, the original Betawi culture is no longer visible. Betawi is also very close to Indonesian Language, only the pronunciation and intonation differ significantly. However, in other areas, such as in Java and Sumatra, the regional language is still frequently used, even on official events. In order to communicate directly with local residents, an English translator is required. English translators will always be available, especially in areas close to tourism sites.







# **Chapter 2**

## **Investment Procedures**



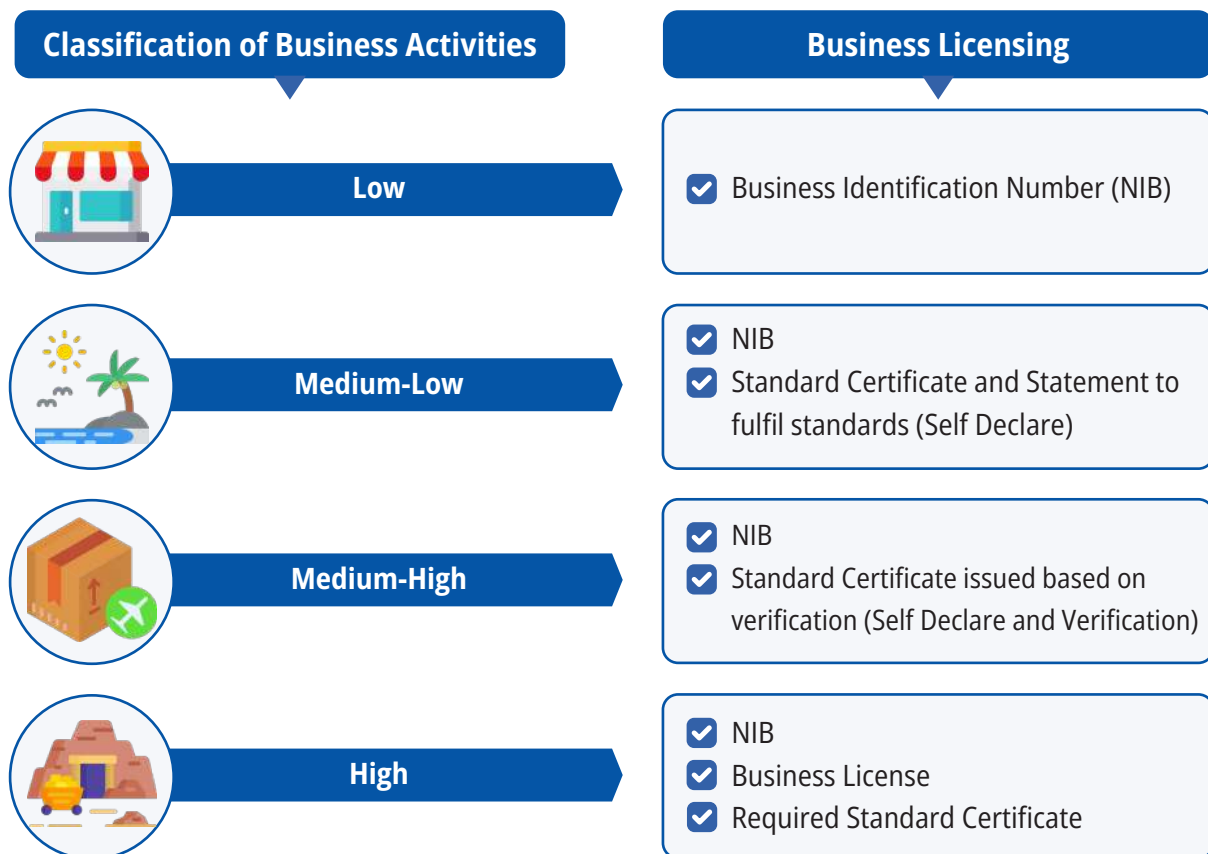
## 1. OSS RBA

### 1.1 The Risk Based Approach (RBA) Concept

The RBA concept was first mentioned under Law No. 11 Year 2020 on Job Creation ("Law 11/2020") as part of the government's efforts to improve the investment and business activity ecosystems. Article 6 of Law 11/2020 states that the improvement of the investment and business activity ecosystems shall include: (1) risk-based business licensing (2) simplification of basic business licensing requirements (3) simplification of sectoral business licensing (4) simplification of investment requirements.

Furthermore, it is mentioned that risk-based business licensing shall be conducted based on the stipulation of the risk level and scale of business activities. Risk shall be divided into 4 categories, namely low, medium-low, medium-high and high risk. The level of risk will determine the licensing type of the business licensing. Meanwhile, the scale of business activity ranking consists of micro, small and medium enterprises and/or large businesses.

Risk Analysis	Description	Classification of Business Activities
Danger level	Carried out in relation to the following aspects: 1. Health 2. Safety 3. Environment, and/or 4. Resource utilization and management	From the results of the risk analysis, the classification of business activities shall be divided into: 1. Low 2. Medium Low 3. Medium High 4. High
Potential for harm	Consists of: 1. Almost impossible 2. Less likely to happen 3. Likely to happen, or 4. Almost certain to happen	
Scale of business activity	1. Micro 2. Small 3. Medium 4. Large	



Furthermore, Government Regulation No. 5 Year 2021 on the Organization of Risk-Based Licensing, which is one of the implementing rules of Law No. 11 Year 2020, states that risk-based business licensing is a business licensing based on the level of risk of business activities, it is hoped that with the existence of risk-based business licensing, the implementation of business licensing may be implemented more effective, simpler and its supervision is more transparent, structured and accountable.



## 1.2 About OSS RBA (Online Single Submission Risk Based Approach)

In order for the organization of Risk-Based Business to be effective, the government stipulates the existence of an electronically integrated business licensing system. The OSS System is an integrated electronic system which is managed and organized by the OSS Agency for the organization of Risk Based Business Licensing (*Perizinan Berusaha Berbasis Risiko/PBBR*). The OSS system can be accessed through the website address of [www.oss.go.id](http://www.oss.go.id). The OSS system is in the form of a web-based software which is the gateway to information and the organization of Risk-Based Business Licensing.

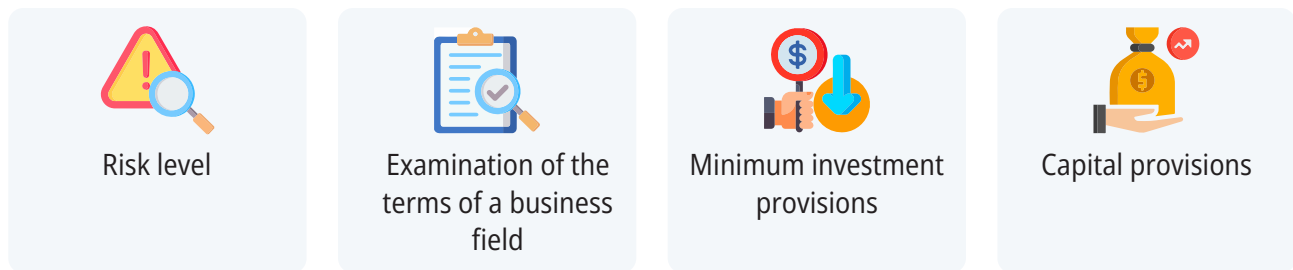


Display of Online Single Submission Risk Based Approach (OSS RBA)

The OSS management and organization agency is a government agency that organizes government affairs in the sector of investment coordination. The BKPM is a government agency under and reporting directly to the president. In April 2021 the government decided to change the nomenclature from the BKPM to the Ministry of Investment/the BKPM. Based on Presidential Regulation No. 31 Year 2021 on the Organization of Duties and Functions of the Ministry of Education, Culture, Research and Technology and the Ministry of Investment/Investment Coordinating Board in the Onward Indonesia Cabinet for the 2019-2024 Period, it is stated that the Minister of Investment/the Head of the BKPM shall lead and coordinate the organization government affairs in the investment sector and the organization of government duties in the investment sector.

The Ministry of Investment/the BKPM will be the focal point for connecting all investment sectors from the technical ministries. As the primary link between business and government, the ministry shall be responsible for creating a conducive investment climate in Indonesia.

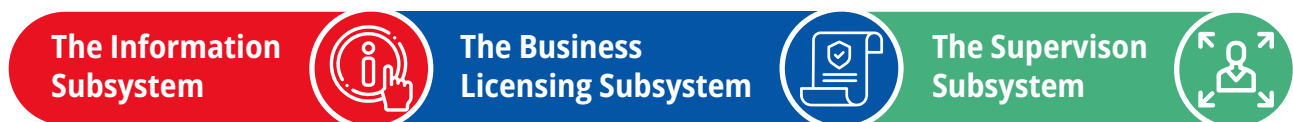
Pursuant to Article 193 of Government Regulation No. 5 Year 2021 the OSS Agency shall issue Business Identification Numbers (NIB) through the OSS system based on:



The abovementioned risk level shall follow the relevant norms, standards, procedures and criteria and shall be automatically verified by the OSS System.

### 1.3 Information Subsystem, Business Licensing and Supervision

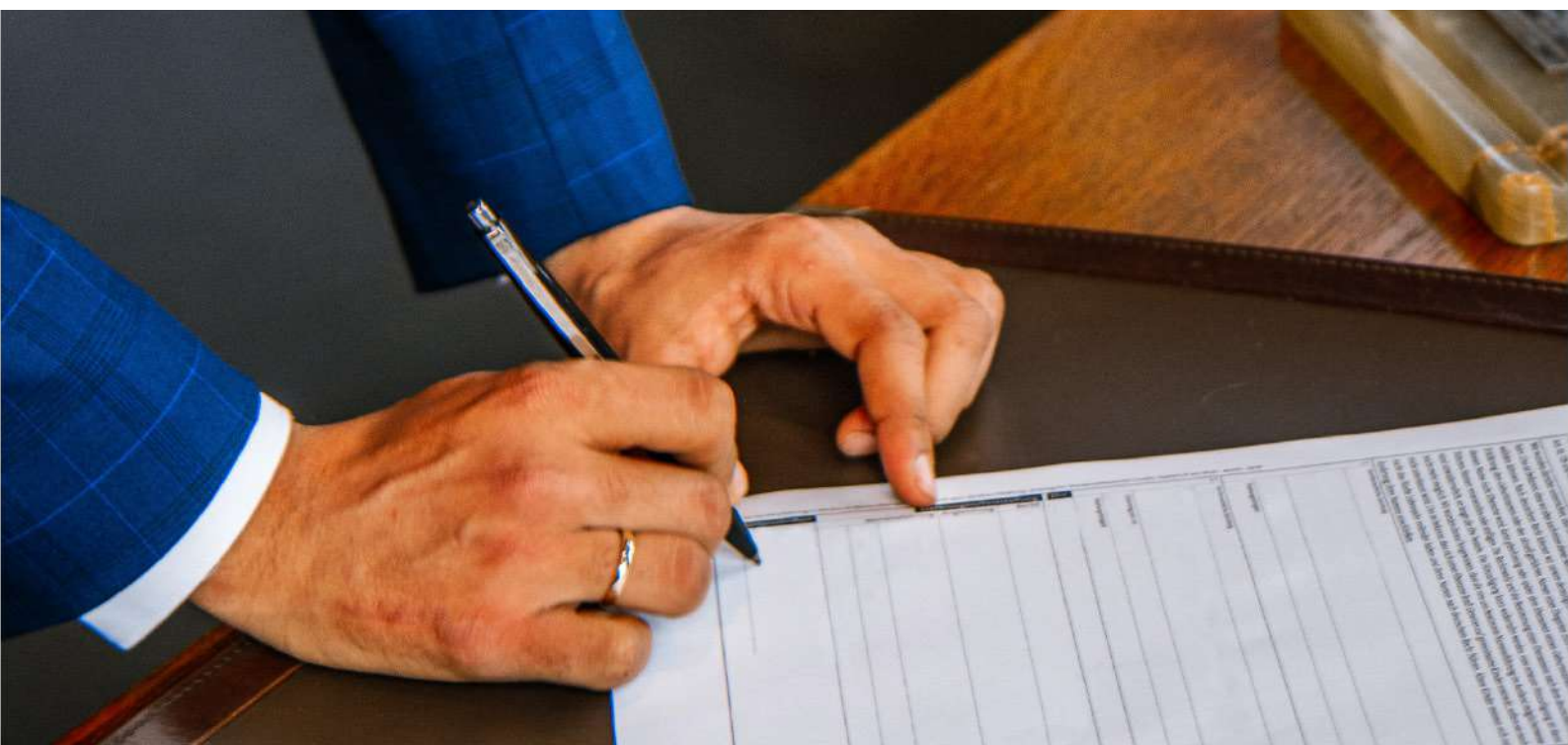
One of the important developments from the previous OSS system to the OSS RBA is the existence of 3 integrated subsystems, namely:



The government wants access to information, processing of business licenses and supervisory mechanisms to be conducted through a single platform.

The OSS system must be used by the following:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Relevant Ministries/Agencies;  | <input checked="" type="checkbox"/> Administrators of KEK;          |
| <input checked="" type="checkbox"/> Provincial governments;        | <input checked="" type="checkbox"/> Concession boards of KPBPB; and |
| <input checked="" type="checkbox"/> Regency/city-level government; | <input checked="" type="checkbox"/> Business actors.                |





The abovementioned obligation is to ensure that the submission, processing and supervision of business licensing can only be undertaken through the OSS system. This is reinforced by Government Regulation No. 5 Year 2021 which states that there are 16 sectors that are included in the organization of risk-based company licensing, as follows:



In addition to the 16 sectors above, based on Circular of the Ministry of Investment/BKPM No. 18 Year 2021, there are five sectors related to finance that have special characteristics, in which the OSS only processes the NIB. Meanwhile, its business licensing is issued by either BI or the OJK, namely:



Furthermore, Regulation of the BKPM No. 3 Year 2021 ("Regulation 3/2021") confirms that the OSS system is to be developed and managed by the Ministry of Investment/BKPM. It has also been determined that the OSS system will operate for a full 24 hours and be supported by system devices consisting of hardware, software, networks and supporting devices.

In addition, it is also regulated that the OSS system is an electronic-based system, has an interconnection system for the fulfillment of basic requirements and validation of Business Actors data with Relevant Ministries/Agencies, and allows for the exchange of data in the context of Risk-Based Licensing and Supervision with related Ministries/Agencies electronically in accordance with the feasibility requirements of electronic transactions as well as data storage facilities or filling out electronic documents.



#### a. Information Subsystem

Government Regulation No. 5 Year 2021 states that the information provided and accessible in the information subsystem are related to the organization of Risk-Based Business Licensing, which shall include:

- ✓ Indonesian Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha Indonesia/KBLI*) based on Risk level;
- ✓ Spatial plans;
- ✓ Investment requirements;
- ✓ Requirements and/or obligations of Business Licensing, period, standards for the implementation of business activities and supporting business activities, and other provisions in norms, standards, procedures and criteria for all business fields, guidelines and procedures for the submission of NIB, Standard Certificate and Licenses;
- ✓ Basic requirements, including the conformity of spatial utilization activities, building approvals and building worthiness certificate, as well as environmental approval;
- ✓ Investment incentives and facilities;
- ✓ Supervision of Business Licensing and reporting obligations;
- ✓ Simulation of Business Licensing services, OSS System user manual, OSS System dictionary and frequently asked questions (FAQ);
- ✓ Public complaint service; and
- ✓ Other information as stipulated by a decree of the OSS Agency.

In addition to the above, other functions of the information subsystem shall include consultation and information services relating to Business Licensing and assistance in accessing the OSS website in order to obtain Business Licensing. Both of these additional functions are to be performed through self-service and assisted-service.

Self-service shall be implemented by providing rooms with adequate electronic device facilities for business actors to undertake the application process and the issuance of business license independently. As for the assisted services, the process shall be carried out interactively, among others, through:



Call Centers



Electronic Mail



Face-to-Face



WhatsApp Business

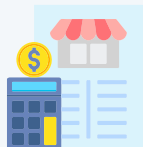


## b. Business Licensing Subsystem

For the business licensing subsystem, the OSS system is prepared to process business licensing applications submitted by business actors. The criteria for business actors shall be stipulated as follows:



Individual Persons



Business Entities



Representative  
Office



Foreign Business  
Entities

The business licensing subsystem will issue an NIB after the business actors defined above have entered into the OSS system. NIB must be owned by all Business Actors. NIB shall be issued by the OSS Agency and is the identity for Business Actors as proof of registration/registration of Business Actors to conduct business activities.

The NIB is also valid as:

- a. Import identification number as referred to in laws and regulations on import identification number;
- b. customs access rights as referred to in laws and regulations in the customs sector;
- c. registration of Business Actor's participation for social security for health and social security for employment; and
- d. the first period of mandatory employment report of Business Actors.

NIB is in the form of a random number which is secured and is accompanied by an electronic signature which contains data on profile, business capital, taxpayer identification number, KBLI, business location. Furthermore, toward this data, the OSS system shall check the conformity of business field provisions and other investment provisions, including:

- a. Business fields classified as priority business fields;
- b. allocation of business fields for Micro Small Medium and cooperatives;
- c. mandatory partnership with Micro Small and cooperatives; and
- d. provisions for single-purpose business fields

From the examination performed by the OSS system upon the business fields and other Investment provisions above, the Investment incentives and/or facilities which are available for Business Actors will be determined.

Furthermore, the OSS system also inspects business locations which include land, sea and/or forested Areas. Examinations of business locations are to be carried out based on the availability of detailed regional spatial plans in the system at the ministry in charge of spatial planning which is integrated with the OSS System. For business activities which are located in accordance with the detailed regional spatial plan, the OSS System will automatically issue a confirmation of spatial utilization activity in accordance with the relevant business activity. However, for business activities whose locations are not in accordance with the detailed regional spatial plan, the OSS System shall provide a notification of spatial non-conformity and the application for NIB cannot be continued.



### c. Supervision Subsystem

Supervision of Risk-Based Business Licensing shall be implemented by the Central Government, Regional Governments, Administrators of KEK, and/or Concession Boards of KPBPB in accordance with their respective authorities. Other than regulated under Government Regulation No.5 Year 2021, the supervision of business licensing is also regulated through Regulation of the BKPM Number 5 Year 2021 on Guidelines and Procedures for Risk-Based Business Licensing.

Supervision shall be conducted by taking into account the compliance level of Businesses. The indicators for supervision are as follows:



The purpose of the supervision is to ensure compliance with the fulfillment of requirements and obligations by Business Actors and to collect data, evidence and/or reports on the occurrence of dangers to safety, health, the environment, and/or other dangers that may arise from the implementation of business activities. In addition, supervision is also intended for reference in development or for the imposition of administrative sanctions for violations of Business Licensing.



Coordination of the implementation of business licensing supervision:

- ✓ The Ministry of Investment/the BKPM for the implementation of the issuance of Business Licensing through the OSS System;
- ✓ Provincial Investment and One-Stop Integrated Services Agency (*Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu/DPMPTSP*), for the implementation of Business Licensing which falls under the authority of Provincial Governments;
- ✓ Regency/city-level DPMPTSP, for the implementation of Business Licensing which falls under the authority of Regency/City-level Governments;
- ✓ Administrators of KEK, for the implementation of Business Licensing Supervision located in KEK; and
- ✓ Concession Boards of KPBPB, for the implementation of Supervision which is located in a KPBPB.

Supervision of business licensing shall consist of routine and incidental supervision. Routine supervision is to be carried out through reports of business actors and field inspections. Meanwhile, incidental supervision is the supervision carried out by the relevant ministries, provincial governments, regency/city-level governments, Administrators of KEK and/or Concession Boards of KPBPB at certain times. Incidental supervisions may be undertaken through on-site inspections or virtually.

Routine supervision through the reports of Business Actors shall be carried out upon reports submitted by Business Actors to ministries/agencies, provincial Governments, regency/city-level Governments, Administrators of KEK, and/or Concession Boards of KPBPB which contain the compliance of Business Actors to business implementation standards and the development of business activities.

The report on the development of business activities shall contain the realization of Investment and manpower at the development and commercial stages every 3 (three) months and the realization of production, corporate social responsibility, implementation of business partnerships at the commercial stage, and organization of training and transfers of technology to Indonesian workers as assistants.

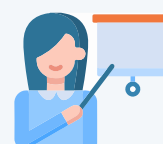
Field inspections shall include:



Administrative and/or physical examination on the fulfillment of business activity standards and/or product/service standards



Testing



Development in the form of mentoring and counseling

Incidental supervision shall be carried out based on complaints from the public and/or Business Actors whose identities are guaranteed to be confidential by the Central Government and Regional Governments

## 2. STARTING A BUSINESS

As mentioned above, there are criteria for business actors that may apply for business licensing through the OSS system. Furthermore, the OSS Agency will issue an NIB wherein said number is the identity for Business Actors as proof of registration/registration of Business Actors to conduct business activities.

One of the aspects that must be considered by business actors upon establishing business entities and obtaining business license is the capital aspect. Similar to the level of risk, the capital aspect will determine business licensing in accordance with the business activity carried out by business actors.

### 2.1 Classification of Company Based on Capital



#### a. Division of Micro-, Small-, Medium-, and Large Business Scale

Based on Regulation of the BKPM No. 4 Year 2021, the business scale of legal entities in Indonesia shall be divided into 4 types, as follows:

##### Micro Business

**IDR 1 billion**

Has a business capital up to a maximum of IDR1,000,000,000.00 (one billion rupiahs) excluding land and buildings for business premises.

##### Small Business

**> IDR 1-5 billion**

Has a business capital of more than IDR1,000,000,000.00 (one billion rupiahs) up to a maximum of IDR5,000,000,000.00 (five billion rupiahs) excluding land and buildings for business premises.

##### Medium Business

**IDR 5-10 billion**

Has a business capital of more than IDR5,000,000,000.00 (five billion rupiahs) up to a maximum of IDR10,000,000.00 (ten billion rupiahs) excluding land and buildings for business premises.

##### Large Business

**> IDR 10 billion**

Has a business capital of more than IDR10,000,000.00 (ten billion rupiahs) excluding land and buildings for business premises.

Business capital is defined as the owner's equity and loan capital for business activities (Elucidation of Government Regulation No. 7 Year 2021).

Specifically for Foreign Investment business entities, based on Regulation of the BKPM Number 4 Year 2021, are included in the category of large-scale business and must follow the minimum investment value provisions, unless otherwise stipulated by laws and regulations.

The investment value provisions for foreign investment companies (*Penanaman Modal Asing/PMA*) shall be exempted for several business activities:



Specifically for whole scale trading activities, the amount of which is greater than IDR10,000,000,000 (ten billion rupiahs) excluding land and buildings, is per 4 (four) initial digits of the KBLI;



Specifically for food and beverage service business activities, the amount is greater than IDR10,000,000,000 (ten billion rupiahs) excluding land and buildings, is per 2 (two) initial digits of the KBLI per one location point;



Specifically for construction service business activities, the amount is greater than IDR10,000,000,000 (ten billion rupiahs) excluding land and buildings in one activity, is per 4 (four) initial digits of the KBLI;



Specifically for industrial business activities that produce different types of products with 5 (five) different digits of the KBLI in 1 (one) production line, is greater than IDR10,000,000,000 (ten billion rupiahs) excluding land and buildings; or

Specifically for property development and enterprise activities, the following provisions shall apply:



In the form of property taking the form of a building in its entirety or an integrated housing complex, provided that the investment value is greater than IDR10,000,000,000 (ten billion rupiahs) including land and buildings; or



In the form of unit property not in 1 (one) building as a whole or in 1 (one) integrated housing complex, the investment value is higher than IDR 10,000,000,000 (ten billion rupiahs) excluding land and buildings.



### b. Paid-Up Capital of Foreign Investment Company

Regulation of the BKPM No. 4 Year 2021 stipulates that the minimum paid-up capital for PMA is at least IDR10,000,000,000 (ten billion rupiahs), unless otherwise stipulated by laws and regulations. For example, the capital requirement for construction works under Government Regulation No. 5 Year 2021 is a minimum of IDR25,000,000,000 (twenty-five billion Rupiahs).

*Provisions on investment and capital values are exempted for representative offices and foreign business entities.*



### c. Divestment Obligation

Prior to the enactment of the Job Creation Law, there are regulations that mandated the divestment of shares from PMA business entities to Indonesian parties for certain sectors, one of the examples is in the mineral and coal mining business field under Law Number 3 Year 2020, it is mentioned that business entities that are holders of Mining Business License (*Izin Usaha Pertambangan/IUP*) or Special Mining Business License (*Izin Usaha Pertambangan Khusus/IUPK*) during the Production Operation activity stage are required to divest 51% (fifty-one percent) of their shares in stages to the Central Government, Regional Governments, BUMN, regionally owned enterprises, and/or national private Business Entities.

Furthermore, under Regulation of the BKPM No. 4 Year 2021, the obligation to divest shares of PMA business entities still binds the parties and must be carried out in accordance with the predetermined period. The said divestment of shares may be conducted to individual Indonesian citizen or to PMDN (*Penanaman Modal Dalam Negeri/PMDN*) business entities through direct ownership in accordance with the agreement of the parties and/or the domestic capital market.

Direct share ownership for Indonesian citizens (*Warga Negara Indonesia/WNI*) or PMDN is set at a minimum of IDR10,000,000 for respective shareholder. Meanwhile, ownership in the domestic capital market is regulated in accordance with provisions of laws and regulations in the capital market.



The obligation to divest shares of PMA business entities shall be in accordance with the business field that is carried out based on a deed document which states the agreement of the parties regarding the implementation of the mandatory share divestment. However, this share divestment obligation may not be implemented if the prevailing provisions do not require the share divestment and in the company deed document the shareholders agree on:

1

The Indonesian party declares that they do not desire/demand the ownership of shares in accordance with the share divestment provisions which are set out in an approval letter and/or business license, for PMA business entities which 100% of the shares are not owned by foreigners; or

2

The shareholders declare that they have no commitment/agreement with any Indonesian party to sell their shares, for PMA business entities which are 100% owned by foreigners. However, if there are Indonesian parties that demand the implementation of the said divestment obligation in the future, then the shareholders/business entities must be held accountable.

The abovementioned shareholder agreement must be submitted to the BKPM and the BKPM will subsequently evaluate and assess the relevant shareholder agreement. Evaluation and assessment results may be approved or rejected. If approved, the BKPM will declare the divestment obligation is null and if rejected, the BKPM will issue an explanation letter and rejection letter.

After the share divestment deed has been approved by the Minister of Law and Human Rights, the Indonesian parties who already own the shares may resell them to Indonesian individuals/foreign individuals/foreign business entities/Indonesian business entities/foreign business entities while still observing the relevant laws and regulations.

Once the implementation has been conducted and ratified by the Ministry of Law and Human Rights, business actors are required to make changes to the data in the OSS system.

## 2.2. Categories of Business Scale and Business Actors

The following is a breakdown of business scale categories and business actors. It can be seen that for the existing foreign ownership is only possible in the category of Non-Micro-Small Enterprises (Non-UMK).



<b>Micro-,Small-Scale Business</b> <i>(Usaha Mikro Kecil/UMK)</i>	<b>Non Micro-,Small-Scale Business</b> <i>(Non Usaha Mikro Kecil/Non-UMK)</i>
<ol style="list-style-type: none"> <li>1. Individuals</li> <li>2. Business Entities: <ul style="list-style-type: none"> <li>• Individual Company (Specifically for Individual Company is a company that is only possible to be established by Indonesian Citizens)</li> <li>• Limited Liability Company</li> <li>• Union or partnership</li> <li>• Foundation</li> <li>• Limited Partnership</li> <li>• Commercial Partnership (Firma)</li> <li>• Civil partnership</li> <li>• Cooperatives</li> <li>• Public companies</li> <li>• Other legal entities</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1. Individuals</li> <li>2. Business Entities: <ul style="list-style-type: none"> <li>• Limited Liability Company</li> <li>• Union or partnership</li> <li>• Foundation</li> <li>• Limited Partnership</li> <li>• Commercial Partnership</li> <li>• Civil Partnership</li> <li>• Cooperatives</li> <li>• Public companies</li> <li>• Other legal entities</li> </ul> </li> <li>3. Representative Offices shall consist of: <ul style="list-style-type: none"> <li>• Foreign Company Representative Office (<i>Kantor Perwakilan Perusahaan Asing/ KPPA</i>)</li> <li>• Representative Office of Foreign Trade Company (<i>Kantor Perwakilan Perusahaan Perdagangan Asing/KP3A</i>)</li> <li>• Representative Office of Foreign Electricity Support Service Company (<i>Kantor Perwakilan Perusahaan Asing Jasa Penunjang Tenaga Listrik Asing/ KPPA JPTLA</i>)</li> <li>• Representative Office of Foreign Construction Service Business Entity (<i>Badan Usaha Jasa Konstruksi Asing/ BUJKA</i>)</li> <li>• Trade Representative Office of Foreign Company of Trading through Electronic Systems (<i>Kantor Perwakilan Perdagangan Perusahaan Asing untuk Perdagangan Melalui Sistem Elektronik/ KP3APMSE</i>)</li> </ul> </li> <li>4. Foreign business entities shall comprise: <ul style="list-style-type: none"> <li>• Franchisors</li> <li>• Futures trading</li> <li>• Foreign Electronic System Organizer (PSE)</li> </ul> </li> </ol>

## 2.3 Explanation of Non-Micro Small Business



### a. Individuals

Investments which are undertaken by individuals shall be categorized as PMDN, therefore only Indonesian Citizens may undertake this investment.



### b. Business Entities

Investments carried out by business entities, both legal entities and non-legal entities established within the territory of the territory of Republic of Indonesia, shall be categorized as PMDN or PMA.



### c. Representative Offices

Representative offices are Indonesian individuals or foreign individuals, or business entities which are representatives of foreign business actors with the approval of the establishment of offices in the territory of the territory of Republic of Indonesia. Representative offices are non-investment activities. There is no regulation of capital or investment value for representative offices.



### d. Foreign Business Entities

Foreign business entities are foreign business entities established outside the territory of the territory of Republic of Indonesia and conducting business and/or activities in certain sectors.

## 2.4 Investment Limitation

Currently, all business fields that are commercial in nature are open for investment except for business fields that are declared closed for investment or business fields that can only be carried out by the central government which are of a service nature or in the context of defense and security which are strategic in nature and cannot be carried out or cooperated with other parties.

### • I. Open business fields shall consist of:

In principle, all business fields are open to Investment, except for business activities which are specifically regulated under Presidential Regulation Number 10 Year 2021 on Investment Business Fields and Presidential Regulation Number 49 Year 2021 on the Amendment to Presidential Regulation Number 10 Year 2021, it is mentioned that all business fields are open for investment activities except:

- ✗ Business fields which are declared closed for investment
- ✗ Business fields for activities which may only be undertaken by the Central Government

For business fields which are open to investment (foreign investment and domestic investment) shall consist of:

**1. Prioritized business fields, are business fields that meet the following criteria:**



Investors who invest in the list of priority business fields will be granted fiscal incentives and/or non-fiscal incentives.

**Fiscal incentives** that are granted by the government shall encompass: Tax incentives and customs incentives.



**Tax incentives in the form of:**

- Income tax for investment in certain business fields and/or certain regions (tax allowance)
- Deductions of corporate income tax (tax holidays)
- Investment allowance in the form of deduction of corporate income tax and deduction of net income for new investment or business expansion in certain business fields which are considered as labor-intensive industries, as well as gross income deduction for the organization of work practices, apprenticeships and/or learning activities in relation to the development of human resources based on certain competency



**Customs incentives in the form of:**

Exemption of import duty on the import of machinery as well as goods and materials for the construction or development of industries in the framework of investment facilities.

Meanwhile, for **non-fiscal incentives** shall cover ease of doing business, the provision of supporting infrastructure, the guarantee of the availability of raw materials, immigration shall include: recommendation to transfer the status of a visitor permit to a limited stay permit and recommendation to transfer the status of a limited stay permit to a permanent stay permit, employment and other facilities in accordance with provisions laws and regulations.

## 2. Allocated business fields or partnerships with cooperatives and Micro-Scale Business shall consist of:

Business fields allocated for cooperatives and Micro-Scale Business	Business fields open to large business in partnership with cooperatives and Micro-Scale Business
<p>Must meet the following criteria:</p> <ul style="list-style-type: none"> <li>a. Business activities that do not use technology or that use simple technologies</li> <li>b. Business activities that have specific processes, are labor-intensive, as well as have a special cultural heritage and are hereditary and/or</li> <li>c. The operating capital of the business does not exceed IDR10,000,000,000 (ten billion rupiahs) excluding the value of land and buildings</li> </ul>	<p>Must meet the following criteria:</p> <ul style="list-style-type: none"> <li>a. Business fields which are mostly operated by Cooperatives and UMKM and/or</li> <li>b. Business fields that are encouraged to be included in large business supply chain</li> </ul>

## 3. Business fields with certain requirements are business fields that can be operated by all investors, including cooperatives and UMKM which meet the following requirements:

- a. Investment requirements for domestic investors. (These requirements may include requirements regarding investment values, permitted business fields for certain business entities, and business fields which require paid-up capital/certain assets).
- b. Requirements for investment with restrictions on foreign capital ownership, however, this requirement does not apply to:
  - ✗ Approved investments in certain business fields prior to President Regulation No. 10 Year 2021 was promulgated
  - ✗ Investments which acquire special rights based on an agreement between Indonesia and the country of origin of the investors, unless the provisions under President Regulation No. 10 Year 2021 are more profitable for Investments

Restrictions on the ownership of foreign capital shall also apply to companies that receive merger, acquisition or new companies resulting from a consolidation in accordance with provisions of laws and regulations in the same business field.
- c. Requirements for investment with special license
- d. Other investment requirements namely business fields which are strictly limited and supervised in separate laws and regulations in the control and supervision of alcoholic beverages. These business fields shall encompass:
  - ✓ Wholesale of alcoholic beverages (importer, distributor and sub distributor) (KBLI 46333)
  - ✓ Retail of alcoholic beverages (KBLI 47221); and
  - ✓ Street retail trade of alcoholic beverages (KBLI 47826)

## 4. Business fields which are eligible to be operated by all investors are business fields which are not included in numbers 1,2,3 above.

## II. Business fields which are closed to investment

This business field is a business field that cannot be carried out by both domestic investors and foreign investors. Business fields which are closed to investment based on Law No. 25 Year 2007 on investment are as follows:



Cultivation and industry of class I narcotics;



Any form of gambling and/or casino;



Catching of fish species listed under Appendix I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);



Utilization or retrieval of coral and utilization or extraction of corals from nature which are used for building materials/lime/calcium, aquariums and souvenirs/jewelry, as well as live or dead corals from nature;



Chemical weapons manufacturing industry; and



Industrial chemical substances and industrial substances which destroy the ozone layer industries.

## III. Special Business Fields (Single Purpose dan Single Majority)

Special business fields are certain business fields which based on the regulation on said business field cannot be merged with other business fields. Several business fields which are categorized as Single Purpose are hospitals, shipping, services related to water transportation, private broadcasting institutions, subscription broadcasting institutions, transportation management services, warehousing and other storage.

Meanwhile, Single Majority is the ownership of domestic (national) capital must remain greater than the overall owner of foreign capital, for example, Single Majority business field is Air Transportation for other passengers (KBLI 51109) with foreign capital of a maximum of 49%.



## Provisions for Technology-Based Start-Ups

Foreign investment activities located within Special Economic Zones (KEK) which engage in technology-based pioneering businesses may undertake investments with an investment value equal to or less than IDR10,000,000,000 (ten billion rupiahs) excluding the value of land and buildings.\*



\*Regulation of the BKPM Number 4 Year 2021 Article 49 - Paragraph 9 - Letter b

## 2.5 Forms of Foreign Business in Indonesia



### a. Foreign Investment Company

Foreign Investment (PMA) is an activity of investing to conduct business in the territory of the Republic of Indonesia which is carried out by foreign investors, both foreign individuals, foreign business entities and/or foreign governments that fully utilize foreign capital or joint ventures with investors in the country.



### b. Representative Offices of Foreign Companies (Kantor Perwakilan Perusahaan Asing/KPPA)

Based on Regulation of BKPM No. 4 Year 2021, Representative Offices of Foreign Companies (KPPA) are Indonesian individuals or foreign individuals or business entities which are representatives of foreign business actors with the approval of the establishment of offices in the territory of Republic of Indonesia and the following restrictions shall apply:

- As supervisor, liaison, coordinator, and take care of the interests of the company or its affiliated companies;
- Prepare the establishment and business development of PMA companies in Indonesia or other countries and Indonesia;
- Located in an office building in the capital of a province
- Must not seek any income from sources in Indonesia, including not engaging in any activities or engaging in any engagements/transactions relating to the sale and purchase of commercial goods or services with domestic companies or individuals; and
- Must not participate in any form in the management of any company, subsidiary or branch of a company in Indonesia.

The head of representative of a foreign company must reside in Indonesia, shall be fully responsible for the expediency of the office and is not allowed to conduct activities other than the representative activities of the foreign company and does not have any concurrent position as the head of a company and/or more than 1 (one) representatives of foreign company. If the appointed head of the representative of a foreign company is a foreign citizen (WNA) and/or also employs foreign workers, then the representative of a foreign company must employ Indonesian workers.

*Risk-based business licensing for representative offices of foreign companies is included in the low-risk level and is valid as long as the representative offices of foreign companies carry out activities.*



### c. Representative Offices of Foreign Trade Companies (KP3A)

Representative Offices of Foreign Trade Companies (KP3A) is as described in Regulation of the Minister of Trade of the Republic of Indonesia No. 10/M-DAG/PER/3/2006 is a representative of foreign trade company which may perform the following activities:



Introduce, promote and advance the marketing of goods produced by foreign companies or by associations of foreign companies which appoint them, as well as to provide information or instructions for the use and import of goods to domestic companies/users;



Undertake market research and supervision of domestic sales in relation to the marketing of goods from foreign companies or jointly appointed foreign companies;



Conduct market research for goods required by foreign companies



Close contracts for and on behalf of the appointing companies with domestic companies for export purposes.

Representatives of foreign trade companies are prohibited from engaging in trade and sales transactions, whether submitting tenders, signing contracts, settling claims and the like.

*Representatives of Foreign Trade Companies in Indonesia may take the form of selling agents and/or manufacturers' agents and/or buying agents.*

Foreign companies or joint ventures abroad may appoint Indonesian Citizens or Foreign Citizens as the head of the representative headquarters of a foreign trade company or the head of a branch office of a representative of a foreign trade company in Indonesia.

Representative offices of foreign trade companies may be opened in the Capitals of provinces and regencies/cities throughout the territory of the Republic of Indonesia, while branch offices for representatives of foreign trade companies may be opened in the capitals of provinces and regencies/cities throughout the territory of the Republic of Indonesia outside of the domicile of their head offices.

Every representative of a foreign trade company that employs 1 (one) foreign citizen must employ at least 3 (three) experts and/or an administrative worker for Indonesian citizens. If a KP3A has arranged for licensing through the OSS RBA, then the KP3A will obtain an NIB and a Trade Business Permit for Representatives of Foreign Trading Company (*Surat Izin Usaha Perwakilan Perusahaan Perdagangan Asing/SIUP3A*).



#### d. Representative Offices of Foreign Electricity Support Service Companies (JPTLA)

Representative Office of Foreign Electricity Support Service Company is a foreign representative office established by business entities or individuals of foreign electricity support services as regulated in Government Regulation No. 25 Year 2021.

Business licensing for foreign electricity support services shall be granted for the following types of businesses:

- a. Consultancy in the field of Electricity Installation
- b. Construction and installation of Electricity Installation; and
- c. Maintenance of Electrical Installations

Applications for business licensing of electricity support services for foreign representative offices shall be subject to administration fees in accordance with provisions of laws and regulations in the sector of non-tax state revenue. Foreign representative offices for the JPTL are only permitted to undertake high-cost electrical power support services in the form of:

- a. Construction work and installation of electrical power with a minimum value of IDR100,000,000,000 (one hundred billion rupiahs); and
- b. Consultancy work in the field of electricity installations or maintenance of electrical installations shall be at least Rp10,000,000,000 (ten billion rupiahs).

Other obligations for foreign representative offices for electricity support services are:

- ✓ Possess large qualifications
- ✓ Establish of joint operations with domestic JPTL business entities
- ✓ Hire more Indonesian workers than foreign workers
- ✓ Place Indonesian citizens as persons in charge of representative office business entity
- ✓ Prioritize the use of domestic products
- ✓ Have high technology, are up-to-date, efficient, environmentally friendly, as well as pay attention to local wisdom
- ✓ Implement the transfer of technology
- ✓ Implement other obligations in accordance with provisions of laws and regulations

Specifically for the use of foreign workers, guidance and supervision shall be carried out by the Minister or governor (in accordance with their authority).

Foreign representative offices of electricity supporting services are required to obtain a business license for business activity of supporting electricity services if they do not have the business license then they will be subject to a fine of 20% (twenty percent) of all contract values. Meanwhile, foreign Engineering personnels who do not have a certificate of competence in the electricity sector will be subject to a fine amounting to:

- IDR90,000,000 if working in an electricity supply company
- IDR150,000,000 if working in an electric power support service business entity.



### e. Representative Offices of Foreign Construction Service Business Entities (BUJKA)

Another representative office as regulated under Government Regulation No. 5 Year 2021 is the Representative Office of Foreign Construction Service Business Entity (BUJKA) which is a representative office in the form of a legal entity from abroad with the approval of the establishment of office in the territory of the Unitary State of the Republic of Indonesia in the field of construction business.

BUJKA may carry out construction activities in the field of construction consultancy services, construction works and integrated construction works, but must meet the requirement of large qualifications.

Consultation services and construction works are divided into 2 classifications, as follows:

Classification	Construction Consultancy Services	Construction Works	Integrated Construction Works
General	a. architecture; b. engineering; c. integrated engineering; d. landscape architecture and regional planning.	a. buildings; b. civil buildings.	a. buildings; b. civil buildings.
Specialized	a. scientific and technical consultancy; b. technical testing and analysis.	a. preparation; b. special construction; prefabricated c. construction; d. rental of equipment; e. installation; f. building completion.	

The senior executive of a BUJKA representative office, who is technically responsible, shall be occupied by an Indonesian citizen, while the highest head of a BUJKA representative office who is responsible for the implementation of construction for the purpose of technology transfer process may be held by a foreign citizen.



The qualification of BUJKA representative offices for **general classification** shall be implemented based on the feasibility assessment of the following documents:

Stipulation of Classification	Construction Consultancy Services	Construction Works	Integrated Construction Works
Annual sales	minimum of IDR10,000,000,000 (ten billion Rupiahs)	minimum of IDR100,000,000,000 (one hundred billion Rupiahs)	
Assessment of financial capacity	minimum of IDR2,000,000,000 (two billion Rupiahs)	minimum of IDR35,000,000,000 (thirty-five billion Rupiahs)	
Availability of construction manpower for the following activities	1 Person in Charge of the Business Entity as the highest leader		
	1 person in charge of Technical of the Business Entity with a Certificate of Construction Work Competency with the qualification of the Indonesian National Qualification Framework level 9 (nine) or primary expert in accordance with the sub-classification of the construction manpower or have a certificate of ASEAN Architect or ASEAN Chartered Professional Engineer		
	1 person in charge of Sub-classifications of the Business Entity per business sub-classification with a Certificate of Competence for construction with the qualification of the Indonesian National Qualification Framework level 9 (nine) or primary expert in accordance with the sub-classification of construction workers or has a certificate of ASEAN Architect or ASEAN Chartered Professional Engineer.	2 persons in charge of Sub-classifications of the Business Entity per business sub-classification with a Certificate of Competence for construction with the qualification of the Indonesian National Qualification Framework level 9 (nine) or primary expert in accordance with the sub-classification of construction workers or have a certificate of ASEAN Architect or ASEAN Chartered Professional Engineer.	
Provision of construction equipment		minimum of 5 (five) main equipment per sub-classification	own at least 5 (five) main equipment per sub-classification

The qualification of BUJKA representative offices for the **classification of specialists shall be implemented based on the following assessments:**

Category	CONSTRUCTION CONSULTATION SERVICES (Availability of assets and availability of manpower)	CONSTRUCTION WORKS (On the availability of assets and the availability of construction manpower and main equipment)
Assesment	Must have assets of at least IDR1,000,000,000 (one billion Rupiahs)	Must have assets of at least IDR10,000,000,000 (ten billion Rupiahs)
	1 (one) Person in Charge of the Business Entity as the highest leader	
	1 (one) person in charge of Technical of the Business Entity with a Certificate of Construction Work Competency with the qualification of the Indonesian National Qualification Framework level 9 (nine) or primary expert in accordance with the sub-classification of the construction manpower or has a certificate of ASEAN Architect or ASEAN Chartered Professional Engineer	
	1 (one) Person in Charge of Sub-classifications of the Business Entity per business sub-classification with a Construction Competency Certificate for the qualification of the Indonesian National Qualification Framework at least level 8 (eight) or an intermediate expert in accordance with the sub-classification of construction workers	
		Possess a minimum of 5 (five) main equipment per sub-classification

*The results of the abovementioned assessment shall be the basis for the issuance of construction Business Entity Certificate (Sertifikat Badan Usaha/SBU). The issuance of construction SBU certificate and Construction Work Competency Certificates (Sertifikat Work Competency/SKK) shall be implemented through the OSS Agency.*



#### f. Representative Offices of Foreign Companies in the Field of Trading Through Electronic Systems (KP3A PMSE)

Through the Regulation of the Minister of Trade Number 50 Year 2020 it is clarified that a Representative Office of Foreign Trading Company in the trade sector through Electronic System (KP3A for the PMSE sector) is an office which is led by 1 (one) person or more individuals of Indonesian citizen or foreign citizen appointed by the Organizer of Trade through Electronic System (*Penyelenggara Perdagangan Melalui Sistem Elektronik/PPMSE*) abroad as their representatives in Indonesia who may act as and on behalf of the foreign PPMSE.

Foreign PPMSEs must meet certain criteria, as follows:



Have conducted transactions with more than 1,000 (one thousand) consumers within a one-year period; and/or



Have delivered more than 1,000 (one thousand) packages to consumers within a one-year period.

In the event of a unilateral termination of the representative relationship, the foreign PPMSE must appoint a new representative within a period of 14 (fourteen) days and if it fails to be carried out, it will be subject to an administrative sanction in the form of written reprimand which will be given a maximum of 3 (three) times with a grace period between respective reprimand for a maximum of 14 calendar days. After the 3rd (third) reprimand, a foreign PPMSE still fails to appoint a representative, it will be subject to an administrative sanction in the form of temporary blocking of PPMSE services by the authorized agency based on the request of the Director-General of Consumer Protection and Trade Order (*Perlindungan Konsumen dan Tertib Niaga/PKTN*).

KP3A in the PMSE sector shall be located in the capitals of provinces and/or regencies/cities throughout the territory of the Unitary State of the Republic of Indonesia. KP3A may also open branch offices with the approval of the represented foreign PPMSE. A KP3A in the PMSE sector may only represent 1 (one) foreign PPMSE.

A KP3A in the PMSE sector is required to secure a SIUP3A for the PMSE sector, which can be obtained by submitting an application to the OSS Agency.

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A KP3A in the PMSE sector is required to secure a SIUP3A for the PMSE sector, which can be obtained by submitting an application to the OSS Agency.

**An application to obtain a Business Permit for Representatives of Foreign Trading Company (*Surat Izin Usaha Perwakilan Perusahaan Perdagangan Asing/SIUP3A*) for the PMSE sector shall be submitted by completing the following requirements:**

- ▶ Proof of appointment of a KP3A in the PMSE sector as a representative by a foreign PPMSE that has been validated by a Notary Public and a Certificate from the Trade Attaché of the Republic of Indonesia or an official of the representative office of the Republic of Indonesia in a foreign PPMSE country (should be translated into Indonesian language by a sworn translator) at least containing the authority of the KP3A in the PMSE sector to represent the foreign PPMSE in fulfilling consumer protection obligations, conducting guidance to improve competitiveness, and resolving disputes.
- ▶ Recording of the articles of association/incorporation of the foreign PPMSE (should be translated into Indonesian language by a sworn translator).
- ▶ Proof of identity of the head of the KP3A in the PMSE sector as proven by a Residential Identity Card for an Indonesian citizen and a passport for a foreign citizen;
- ▶ The use of manpower in order to enclose an affidavit on the number of manpower employed along with a record of identity and employment statement letter;
- ▶ Submit the website address and/or the name of the application from the represented foreign PPMSE; and
- ▶ Submit the contact number and/or email address of the Consumer complaint service from the represented foreign PPMSE.

SIUP3A for the PMSE sector shall be used by a KP3A to represent the foreign PPMSE and is prohibited from taking actions other than for the interests of consumer protection, guidance to improve domestic competitiveness, and dispute resolution. The SIUP3A for the PMSE sector shall be valid as long as the KP3A carries out its business and/or activities as a representative.



#### **g. Permanent Establishments**

Permanent Establishment is a foreign individual or a legal entity that operates business in Indonesia and is a foreign tax subject or non-resident taxpayer. One example of a foreign business entity with a permanent establishment is a representative office that is established to conduct business activities in the oil and gas sector.

## **2.6 Establishment Process of a Foreign Investment Company**



#### **a. Provisions on Paid-Up Capital**

As mentioned above, the minimum paid-up capital for PMA companies is Rp10,000,000,000 (ten billion rupiahs), however there are several conditions for foreigners who are shareholders who own a recommendation for the transfer of visitor stay permit and limited stay permit, must meet the criteria for capital deposit as regulated in Regulation of the BKPM No. 4 Year 2021.





## b. Capital for Certain Business Fields

Several business fields have certain capital requirements, one of which is the construction business field (Foreign Investment BUK) which follows large qualifications. The application of the qualification of Foreign Investment BUK for general classification shall be conducted based on the feasibility assessment of the following documents:

Stipulation of Classification	Construction Consultancy Services	Construction Works	Integrated Construction Works
Annual sales	Minimum of IDR2,500,000,000 (two billion five hundred	Minimum of IDR50,000,000,000 (fifty billion Rupiahs)	
Assessment of financial capacity	Minimum of IDR500,000,000 (five hundred million	Minimum of IDR25,000,000,000 (twenty-five billion Rupiahs)	
Availability of construction manpower for the following activities	1 (one) Person In Charge of the Business Entity as the highest leader		
	1 (one) Person In Charge of Sub-classifications of the Business Entity per business sub-classification with a Certificate of Competence for construction with the qualification of the Indonesian National Qualification Framework level 9 (nine) or primary expert in accordance with the sub-classification of construction workers or have a certificate of ASEAN Architect or ASEAN Chartered Professional Engineer	1 (one) Person In Charge of Technical of the Business Entity with a Certificate of Construction Work Competency with the qualification of the Indonesian National Qualification Framework at least level 8 (eight) or intermediate expert in accordance with the sub-classification of the construction manpower	1 (one) Person In Charge of Technical of the Business Entity with a Certificate of Construction Work Competency with the qualification of the Indonesian National Qualification Framework at least level 9 (nine) or primary expert in accordance with the sub-classification of the construction manpower

Stipulation of Classification	Construction Consultancy Services	Construction Works	Integrated Construction Works
	1 (one) Person in Charge Sub-classifications of the Business Entity per business sub-classification with a Certificate of Construction Competency for the qualification of the Indonesian National Qualification Framework at least level 8 (eight) or intermediate expert in accordance with the sub-classification of construction manpower	1 (one) Person in Charge of Sub-classification of the Business Entity per business sub-classification with a Certificate of Construction Competency for the qualification of the Indonesian National Qualification Framework at least level 7 (seven) or junior expert in accordance with the sub-classification of construction manpower	2 (two) Persons in Charge of Business Entity Sub-classification per business sub-classification with a Certificate of Construction Competency for the qualification of the Indonesian National Qualification Framework level 8 (eight) or intermediate expert in accordance with the sub-classification of construction manpower
		Own at least 3 (three) main equipment per sub-classification	

Implementation of the **qualification of Foreign Investment BUJK** for the classification of specialist shall be conducted based on the assessment as follows:

Category	CONSTRUCTION CONSULTATION SERVICES (Availability of assets and availability of manpower)	CONSTRUCTION WORKS (On the availability of assets and the availability of construction manpower and main equipment)
Assesment	Must own assets of at least IDR500,000,000 (five hundred million Rupiahs)	Must own assets of at least IDR5,000,000,000 (five billion Rupiahs)
	1 (one) Person in Charge of the Business Entity as the highest leader	
	1 (one) person in charge of Technical of the Business Entity with a Certificate of Construction Competency with qualifications of the Indonesian National Qualification Framework at least level 7 (seven) or junior expert in accordance with the sub-classification of construction manpower	
	1 (one) Person in Charge of Sub-classifications of the Business Entity per business sub-classification with a Certificate of Construction Competency for the qualification of the Indonesian National Qualification Framework at least level 7 (seven) or junior expert in accordance with the sub-classification of construction manpower	
		Must own at least 2 (two) main equipment per sub-classification

*Another regulation which addresses the ownership of foreign capital is Regulation of the Financial Services Authority No. 12/POJK.03/2021 on Commercial Banks as stated in Article 13 paragraph 2 that ownership by foreign citizens and/or foreign legal entities (in partnership with Indonesian parties) is at most 99% of the paid-up capital of a Bank that is incorporated in an Indonesian Legal Entity.*



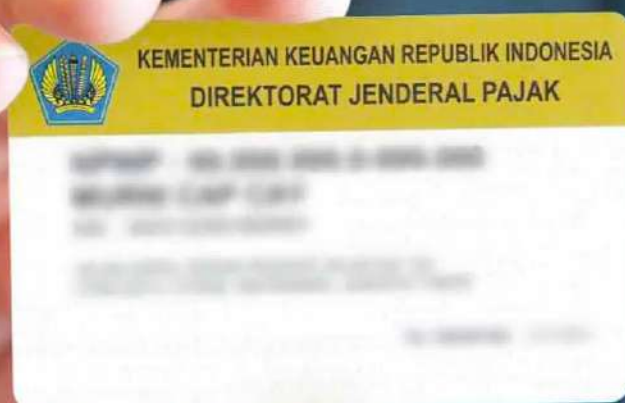
#### c. Establishment Process of a Foreign Investment Company at a Public Notary

After determining the type of business, capital and business location, the next process is the process of drawing up a deed of a Foreign Investment Company at a notary. In the deed of establishment of a Foreign Investment Company, there are things that must be considered, namely the domicile of the company, the field of business, paid-up capital, the appointment term of the board of directors and the board of commissioners, the name of the shareholders, the share percentage of the shareholders, the name and composition of the board of directors and the board of commissioners.



#### d. Taxpayers Identification Number (Nomor Pokok Wajib Pajak/NPWP)

After drawing up the deed of establishment of a Foreign Investment Company and obtaining a Decree of the Minister of Law and Human Rights on the validation of the establishment of a legal entity, a business actor will obtain a Taxpayer Identification Number (NPWP) automatically or if a business does not obtain an NPWP automatically, a business actor may register an NPWP through electronic registration (e-reg). Furthermore, in order to obtain a physical NPWP card, a business actor must conduct a re-registration at the Primary Tax Office (*Kantor Pajak Pratama/KPP*) in the address area of the Foreign Investment Company.





### e. Business Licensing

The subsequent process, after the a Foreign Investment Company has obtained the deed, the Decree (SK) for the validation of the establishment of the legal entity and the NPWP, the business actor must have legality to be able to carry out operational activities. Currently, the government is implementing a simplification and facilitation in the application of business licensing.

Simplification of business licensing through the implementation of risk-based business licensing is a method created to determine the type of licensing in which businesses can directly carry out operational activities or require certain requirements before business actors conduct operational activities, because not all business activities are required to have a license. The implementation of this concept will be followed by regular and structured supervision activities.

With the implementation of this risk-based business licensing concept, the government has issued a system for making licensing which can be conducted online under the name of Online Single Submission Risk Based Approach (OSS RBA).

## 3. GETTING A LICENSE

### 3.1 OSS RBA Access Rights

The OSS RBA Access Right shall be granted to both UMK and non-UMK business actors by registering an account, for business actors in the form of a business entity must prepare the following documents:



Company email address



Mobile number of the director/ company



Decree of the Ministry of Law and Human Rights on the validation of the establishment of legal entity



NPWP of the Company

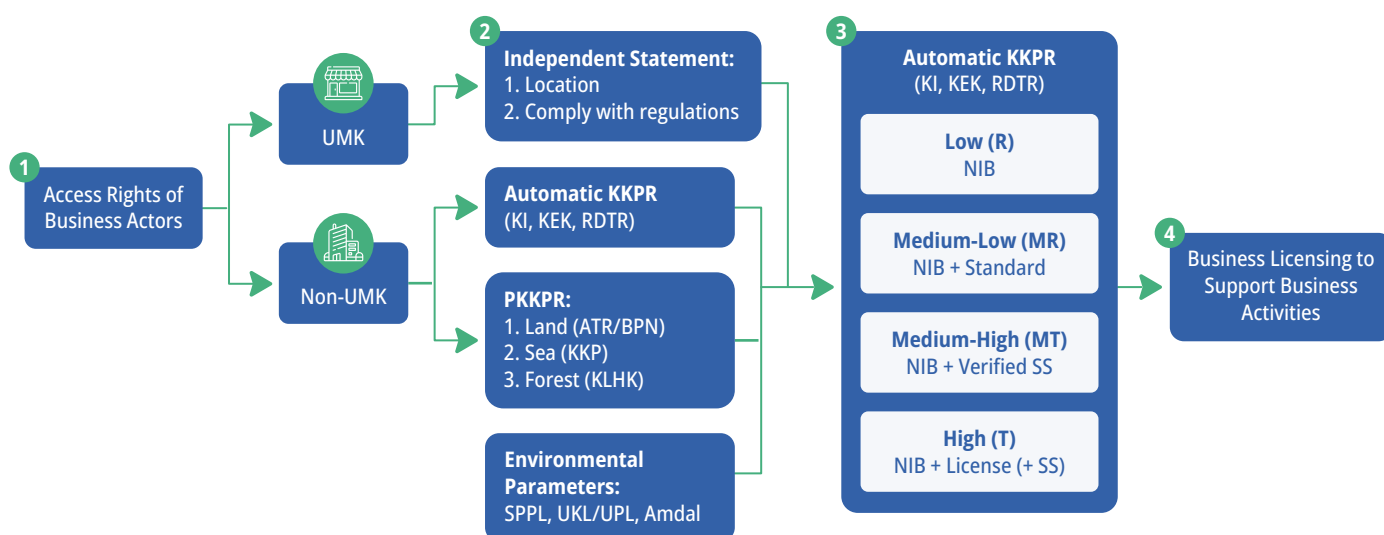


KTP/passport of the Director

Access right will be granted via registered email in the form of username and password. At the time of logging in, business actors may enter the username they received from the OSS email or the email address of the business actor which has been registered previously, as well as enter the password, which was created by the business actor at the time of account registration.

## 3.2 Processes Conducted at the OSS RBA System

Understand the processes which are performed in the OSS system based on the level of risk. The OSS system issues NIB as identity and legality in order to conduct business preparation automatically and equipped with electronic signature. NIB shall be issued based on the data entry of business actors and general business plan, results of examination of conformity of spatial utilization activities, and data entry of business activities. In addition, in the process of issuing the NIB, a risk level validation process for the business activities shall also be carried out. The risk level shall follow the level of risk in accordance with the norms, standards, procedures and criteria of the ministries/agencies which are automatically verified by the OSS System. Procedures for the issuance of business licenses for all levels of risk—low, medium-low, medium-high and high—are regulated under Regulation of the BKPM No. 4 Year 2021 on Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities.



### LOW RISK

For low-risk business activities, the NIB shall apply as a legality to carry out the preparation of business activities, as well as operational and/or commercial. The process shall begin with the submission of business data and general business plan, business activity data, as well as verification of Spatial Conformity (*Kesesuaian Kegiatan Pemanfaatan Ruang/KKPR*).\*

The issued NIB shall also become the Environmental Approval document. For low-risk business activities, the NIB shall apply as a legality to carry out the preparation of business activities, as well as operational and/or commercial.

In the event that it is necessary to support business activities, Business actors may submit an application for Business Licensing to Support Business Activities (*Perizinan Berusaha Untuk Menunjang Kegiatan Usaha/PB-UMKU*).



## • LOW-MEDIUM RISK

For the issuance of medium-low-risk business licenses, the OSS system shall begin by the submission of business actor data and general business plan, business activity data, verification of Spatial Conformity (KKPR)\*, as well as filling out a statement of ability to meet business activity standards.

In addition, the OSS System will also examine environmental provisions as well as Environmental Approval documents which must be processed by Business Actors based on their business activities and risk level.

Furthermore, the OSS System will issue a valid NIB and Standard Certificate as a legality document to carry out the preparation of business activities, as well as operational and/or commercial activities.

In the event that it is necessary to support business activities, Business Actors may submit an application for Business Licensing to Support Business Activities (PB-UMKU).

## • MEDIUM-HIGH RISK

For the issuance of medium-high risk business licenses, the OSS system shall begin by the submission of business data and general business plan, business activity data, verification of Spatial Conformity (KKPR)\*, as well as filling out a statement of ability to meet business activity standards.

In addition, the OSS System will also examine environmental provisions as well as Environmental Approval documents which must be processed by Business Actors based on their business activities and risk levels.

In contrast to low-and medium-low risk business activities, for medium-high risk the NIB and Standard Certificate that are obtained from the OSS system and have not been verified shall be valid as the legality of Business Actors in order to prepare for business activities. In order for standard certificate can be verified and can be used as legality to conduct commercial operations, business actors must fulfill the standards through the OSS system whose period is regulated through norms, standards, procedures and criteria which are stipulated by ministries/non-ministerial government agencies.

In the event that it is necessary to support business activities, Business Actors may submit an application for Business Licensing to Support Business Activities (PB-UMKU).



## HIGH RISK

For the issuance of high-risk business licenses, the OSS system shall begin by the submission of business actor data and general business plan, business activity data, as well as verification of Spatial Conformity (KKPR).\*

In addition, the OSS System will also examine environmental provisions as well as Environmental Approval documents which must be processed by Business Actors based on their business activities and risk level.

For high-risk business activities, other than the NIB, a business actor is required to secure a License before undertaking operational/commercial activities. Permit shall refer to the approval of the Central Government or Regional Governments for the implementation of business activities which must be fulfilled by Business Actors prior to carrying out their business activities.

To be able to obtain Licenses, business actors must submit the fulfillment of license requirements through the OSS system, whose period is regulated through norms, standards, procedures, and criteria stipulated by ministries/non-ministerial government agencies.

For high-risk business activities, in addition to NIB and Licenses, Business Actors may also obtain Business Standard Certificate and/or product standards. In order to obtain Standard Certificate of business and product, Business Actors are required to submit the fulfillment of business standards and product standards through the OSS System in accordance with the norms, standards, procedures and criteria stipulated by the ministries/agencies.

In the event that it is necessary to support business activities, Business Actors may submit an application for Business Licensing to Support Business Activities (PB-UMKU).

### A KKPR will be issued in the form of a KKPR Approval if :

1. The location of the business is located on land but the area does not yet have a Detailed Spatial Plan (*Rencana Detail Tata Ruang*/RDTR) or has an RDTR but has not been integrated with the OSS system (verified by the Ministry of Agrarian Affairs and Spatial Planning/ National Land Agency).
2. Business location is located in sea areas (verified by the Ministry of Marine Affairs and Fisheries).
3. Business location is located in forested areas (verified by the Ministry of Environment and Forestry)

However, a KKPR will be issued automatically if the business location is in accordance with the RDTR, the business location is located in an Industrial Zone, or the business location is located in a Special Economic Zone

## 3.3 Indonesian Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha Indonesia/KBLI*)

KBLI is a code to classify Indonesian economic activities/activities that produce products/outputs, either in the form of goods or services, based on the business field used as a standard reference and a means of coordination, integration, and synchronization of statistical organization in Indonesia. This code is regulated by a non-ministerial government agency that organizes government affairs in the field of statistics (Badan Pusat Statistik/BPS).

Currently, the OSS RBA uses the 2020 KBLI to process business licenses which are operated by business actors. This 2020 KBLI refer to Regulation of BPS no.2 Year 2020. Each 2020 KBLI has different business scales, risks and authorities. The determination of the business scale, risks and authorities of each 2020 KBLI has been mapped out by the government and said information can be found on the [oss.go.id](https://oss.go.id) website.

### 3.4 Basic Requirements for Risk-Based Business Licensing

The basic requirements for risk-based business licensing shall include:

#### a) Conformity for Spatial Utilization Activity (*Kesesuaian Kegiatan Pemanfaatan Ruang/KKPR*)

Conformity of Spatial Utilization Activity is conformity between spatial utilization activity plan for a business activity with the Spatial Plan of a region. KKPR shall comprise the following business locations:



##### 1. Mainland

In the event that the business location is located on the mainland, the OSS system shall conduct an examination of KKPR with a system which is managed by the ministry which organizes government affairs in the agrarian and spatial planning sector.

Examinations of spatial utilization for a business location on land shall be divided into 3 KKPR, namely:

- ✓ If the business location is **in accordance** with **the regional RDTR**, the OSS system will **automatically** issue a **confirmation of KKPR**
- ✓ If the regional government has yet to prepare and provide an RDTR, the OSS system will send a notification for the approval of spatial utilization activity to the minister who is in charge of government affairs in the agrarian and spatial sector (*Agraria Tata Ruang/Badan Pertanahan Nasional/ATR BPN*), the provincial or regency/city-level DPMPTSP and the land office. Then the land office will deliver technical considerations of land to the minister of ATR BPN or the provincial or the regency/city DPMPTSP no later than 10 (ten) days from the payment of PNBP made by the business actor. If technical considerations are not issued, the land office is deemed to have granted technical considerations. Based on the result of land considerations, the relevant OSS system notification will be issued whether it is approved or rejected. If it is approved, the OSS system will issue approval of KKPR and if it is rejected, the OSS system will notify the business actor of the rejection and the NIB application cannot be continued and must make repairs or search for an alternative business location in accordance with the spatial layout. The period for the issuance or rejection of approval of KKPR is no later than 20 (twenty) days after the application is submitted. If there is no notification of approval or rejection, then the minister or the DPMPTSP will be deemed to have given their approval and the OSS system will issue the approval of KKPR.
- ✓ For medium and large business actors which undertake the construction of houses for low-income people with areas of no more than 5 ha (five hectare), approval of KKPR shall be issued based on a statement from the business actor.

✓ **Approval of KKPR shall be issued automatically** in the event of:



Land for the business location is located within Industrial Zones, tourism areas and KEK



Land in which the business is located is required for the expansion of an existing business and the land is located adjacent to the relevant business location with the same spatial designation



Land for the business location is land that is already in the possession of another business actor which has obtained a location permit



Business location is located within oil-and-gas business areas which have been stipulated by the government



Land of the business location comes from the authority or the agency that organizes the development of an area in accordance with the RTR of the development area



## 2. Sea

In the event that a business location is located at sea, the OSS system shall conduct an examination of KKPR with a system which is managed by the ministry that is in charge of government affairs in the marine and fisheries sector. An application for Marine KKPR shall be sent via the OSS system to the minister, after that the minister shall conduct an examination. The Examination of marine KKPR shall be carried out by referring to the zoning plan and marine spatial plan. After the examination, the minister will submit a notification via the OSS system as follows:



Such notification will be issued within 20 (twenty) days at the latest since the NIB application is submitted. If within a period of 20 (twenty) days there is no notification, then the OSS system will automatically issue a marine KKPR Approval.

If there is a notification of rejection of the marine KKPR, then the business actor must look for an alternative location and adjust the data entry of the business location plan.



### 3. Forest Areas

In the event that a business location is located in a forest, the OSS system shall conduct an examination of KKPR with a system managed by the ministry that is in charge of government affairs in the environment and forestry sector.

Business actors may submit an application via the OSS system for the following activities:



Utilization of forested areas, will be granted with risk-based business licensing



For the use of forested areas, business actors must secure approval for the use of forest areas



For the release of forested areas, business actors must obtain approval for the release of forest areas

For activities that require approval for the use of forest areas and approval for the release of forest areas, the OSS system will send a notification of the application to the system of the ministry of environment and forestry for a verification. Verification results of the utilization of forested areas or the release of forested areas shall consist of:

#### b) Environmental Approval

Every business plan and/or business activity that has an impact on the environment must have environmental documents in the form of:



i. Amdal;



ii. UKL-UPL; or



iii. SPPL

The list of business plans/activities which are subject to Amdal, UKL-UPL and SPPL can be found in Regulation of the Minister of Environment and Forestry Number 4 Year 2021.

Specifically for business and/or activity plan for which Amdal or UKP-UPL is mandatory, Environmental Approval for the fulfillment of business licensing requirements shall be granted through:



Preparation of Amdal and Amdal feasibility test; or



Verification of UKL-UPL

The OSS system will forward the verification of the Environmental Approval to the relevant ministries/agencies and technical agencies in the region through the system of the Ministry of Environment and Forestry.



The results of the Amdal feasibility test shall be stipulated as follows:

- a. Decree of environmental feasibility; or
- b. Decree of environmental propriety which is submitted to the Business Actor through the OSS system

The UKL-UPL verification result that has been approved will be stipulated in the Approval of Statement of Commitment to Environment which will be issued and submitted to the business actor through the OSS system.

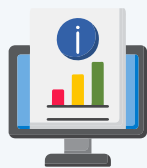
In the event that business and/or activity plan is not included in the mandatory Amdal or UKL-UPL, the SPPL shall be integrated into the NIB.

### ● c) **Building Approval (*Persetujuan Bangunan Gedung/PBG*) and Building Worthiness Certificate (*Sertifikat Laik Fungsi/SLF*)**

For business actors that engage in the construction of buildings, altering, expanding, reducing and/or maintaining buildings in accordance with the technical standards of buildings, must have a Building Approval (PBG). PBG is a license that must be owned by business actors, that replaces Building Permit (Izin Mendirikan Bangunan/IMB). Buildings which have obtained the appropriate IMB, the permit shall remain valid until the expiry of said IMB.

Prior to obtaining a PBG, business actors must arrange for a Building Worthiness Certificate (SLF). SLF is a certificate which is granted by regional governments to declare the functional worthiness of a building before it can be utilized.

If business actors do not yet have an IMB/PBG, then the OSS system will grant:



Notification of PBG needs to the Building Management Information System (Sistem Informasi Manajemen Bangunan Gedung /SIMBG) which is managed by the ministry of Public Works and Public Housing (Pekerjaan Umum dan Perumahan Rakyat/PUPR); and



Notification to business actors to follow up in order to obtain a PBG and an SLF to the SIMBG.

# Chapter 3

## Legal Overview for Foreign Investor



## 1. EMPLOYMENT

### 1.1 Utilization of Foreign Workers

In order to implement Government Regulation (*Peraturan Pemerintah/PP*) No. 34 Year 2021 regarding the Utilization of Foreign Workers, the Minister of Manpower has issued Regulation of the Minister of Manpower Number 8 Year 2021. Therefore, the implementation of the employment of foreign workers can be carried out in a measurable manner in order to achieve maximum results.

#### Work Permit for Foreign Workers

Before employing foreign workers, employers are required to secure a Validation of Foreign Workers Utilization Plan (*Rancangan Penggunaan Tenaga Kerja Asing/RPTKA*) from the Ministry of Manpower which is valid as a work permit for foreign workers. However, RPTKA Validation is not required for:

- ❌ Board of directors or commissioners with certain share ownership, or shareholders who meet the criteria as set out under Regulation of the BKPM No. 4 Year 2021. They will be given a recommendation for the granting of a visa and a stay permit from the BKPM;
- ❌ Diplomatic and consular employees at representative offices of foreign countries; or
- ❌ TKA who are required by TKA Employers for types of production activities which are ceased due to emergencies, vocational training, technology-based start-ups, business visits, and research for a certain period of time.



However, it should be noted that the utilization of foreign workers for technology-based startups and vocational companies is granted exemption from obtaining RPTKA Validation for a maximum period of 3 months. Therefore, the employer must submit an application for the Validation of RPTKA for the foreign worker at least 2 weeks prior to the end of their working period.

Parties who may utilize foreign workers include:



Government agencies, representatives of foreign countries, and international agencies;



Foreign trade representative offices, representative offices of foreign companies, and foreign news agencies operating in Indonesia;



Foreign private companies operating in Indonesia;



Legal entities in the form of limited liability companies or foundations established under Indonesian law or foreign business entities registered with the authorized agency;



Social, religious, educational and cultural institutions;



Impresario services business; and



Business entities insofar as it is permitted by law to employ foreign workers.

However, Limited Liability Companies in the form of individual legal entities are not allowed to utilize foreign workers.

In addition, employers that utilize foreign workers may employ foreign workers who are currently being employed by other employers for the same position as:

- a. board of directors or commissioners; or
- b. foreign workers in the vocational education and training sectors, the digital economy sector, and the oil-and-gas sector for contractors of cooperation contracts.

## Stages of Application for RPTKA Validation



### 1. Application Submission

Employers of foreign workers shall submit an application for RPTKA Validation through <https://tka-online.kemnaker.go.id/> by filling out data and submitting the required documents to the Director-General of Development of Manpower Placement and Expansion of Employment Opportunities if the number of foreign workers that are utilized is 50 or more persons or to the Director of Control over the Utilization of Foreign Workers if the number of foreign workers that are utilized are less than 50 persons.



### 2. Feasibility Assessment

Immediately after the application for RPTKA validation submitted by the employer of foreign workers is declared complete and correct, the Ministry of Manpower will conduct an online Feasibility Assessment for RPTKA Validation and shall issue the results of Feasibility Assessment for a maximum of 2 business days from the date of the feasibility assessment.



### 3. Issuance of Endorsements

Based on the results of Feasibility Assessment, the employer of foreign workers must provide certain data regarding foreign workers and upload certain documents related to foreign workers and the employer. These data and documents may be submitted in advance along with the submission of an application for RPTKA validation if said data and documents are ready at that time. The submitted data and documents will then undergo a verification process which should be completed within 2 business days.

Furthermore, the Ministry of Manpower will issue an order for the payment of the Compensation Fund for the Utilization of Foreign Workers (*Dana Kompensasi Penggunaan Tenaga Kerja Asing/DKPTKA*) amounting to USD100 per position per person per month to the employer of foreign workers after said data and documents are declared complete and correct.

The mandatory DKPTKA payment does not apply to government agencies, representatives of foreign countries, international agencies, social institutions, religious institutions and certain positions in educational institutions. RPTKA Validation will only be issued after the relevant DKPTKA payment has been settled. Later, the RPTKA Validation will be used as a recommendation to obtain visa and residency permit for foreign workers.

### • Types of RPTKA Ratification and Validity Period

RPTKA Types	Validity
RPTKA for temporary works	Maximum period of 6 months and cannot be extended
RPTKA for work longer than 6 months	Maximum period of 2 years and can be extended
Non-DKPTKA RPTKA	Maximum period of 2 years and may be extended. This document is provided to Employers of TKA for government agencies, representatives of foreign countries, international agencies, social institutions, religious institutions, and certain positions in educational institutions
RPTKA for Special Economic Zones	Maximum period of 5 years and can be extended. Specifically, for the position of board of directors or commissioners, is granted once and is valid as long as the foreign workers in question become board of directors or commissioners

It should be noted that an application for the extension of RPTKA Validation is to be submitted no later than 30 business days prior to the expiry of the relevant period.

### • Amendment to RPTKA Ratification



If necessary, employers of foreign workers may apply for amendment to RPTKA Validation before its validity period expires. If the data and application documents for the amendment to RPTKA Validation are declared complete and correct, within a maximum period of 2 business days the Ministry of Manpower will issue the Amendment to RPTKA Validation.



## 1.2 Fixed-Term Workers

### • Employment Agreement for Specified Timeframe (*Perjanjian Kerja Waktu Tertentu/PKWT*)

PKWT is an Employment Agreement between a Worker/Laborer and an Employer to establish an Employment Relationship within a certain period or for certain work. PKWT cannot require a probationary period, if it is still required then the probation period is null and void and the working period will still be calculated. In addition, PKWT must be registered online at the Ministry of Manpower for a maximum of 3 business days from the signing of the PKWT. There are 2 types of PKWT, specifically:

<b>PKWT based on timeframe</b> 	<b>PKWT based on the completion of certain works</b> 
<p>For certain works which are expected to be completed within a short period of time; seasonal in nature; or related to new products, new activities, or additional products which are still under trial or assessment. However, a PKWT based on timeframe may only be made for a maximum of 5 years and may be extended for a period of no more than 5 years if the work that is carried out has not been completed but the PKWT period is about to expire.</p>	<p>Made for one-time work and temporary work. The agreement of the parties in this type of PKWT contains the scope and limitations of a work declared complete; and the length of time for the completion of work is adjusted to the completion of a job.</p>

### • Provision of Compensation

Employers have the obligation to provide compensation to workers/laborers upon the termination of a PKWT. However, this obligation does not apply to employers who employ foreign workers in an employment relationship based on a PKWT. The amount of compensation is determined as follows:

# 12<sub>mo</sub>

PKWT for 12 months continuously, shall be given in the amount of 1 month Wage

# <12<sub>mo</sub>

PKWT for 1 month up to less than 12 months, shall be calculated proportionally to the calculation of working period/12 x 1 month of wages

# >12<sub>mo</sub>

PKWT for more than 12 months, shall be calculated proportionally to the calculation of working period/12 x 1 month of wages

The wage which is used as the basis for the calculation of this obligation consists of the basic wage and fixed allowances. If the company does not use the components of basic wage and fixed allowances in the provision of wages, then the basis for the calculation of the compensation payment is wages without allowances. Furthermore, if the company's wage consists of a basic wage and non-fixed allowances, then the basis for the calculation of compensation is the basic wage.

### 1.3 Outsourcing

Outsourcing is a working relationship between an Outsourcing Company and the employed Workers/Labors, based on a PKWT or an Employment Agreement for Unspecified Timeframe (*Perjanjian Kerja Waktu Tidak Tertentu/PKWTT*), whereby both agreements must be drawn up in writing. Outsourcing Companies are fully responsible for the protection of Workers/Labors, welfare, work requirements, and disputes that arise in accordance with the provisions of laws and regulations. These are all regulated under an Employment Agreement, a Company Regulation, or a Collective Labor Agreements.

In order for Outsourcing Companies to operate, they must be incorporated in a legal entity and comply with business licensing, as issued by the Central Government. Meanwhile, the requirements and procedures to obtain business licensing shall be implemented in accordance with the provisions of laws and regulations on norms, standards, procedures and criteria for business licensing, as stipulated by the Central Government.

### 1.4 Working Hours

Government Regulation 35/2021 addresses the mandatory working hours for employers. The implementation of working hours for workers/labors in companies shall be stipulated in a Work Agreement, a Company Regulation, or a Collective Labor Agreement with the following provisions:

**7 hours 1 day and 40 hours 1 week  
for 6 business days in 1 week; or**



**8 hours 1 day and 40 hours 1 week  
for 5 business days in 1 week.**

However, the abovementioned rules are exempted for Companies in certain business or work sectors so that they may implement less or more working hours than the stipulated provisions. Companies in certain business or work sectors that implement working hours less than the stipulated provisions must have the following characteristics:

- Completion of work less than 7 hours 1 day and less than 35 hours 1 week;
- flexible working hours; or
- work may be performed outside of the work location.

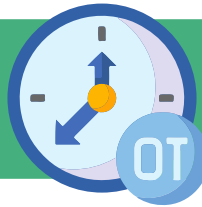
Meanwhile, for Companies in certain business or work sectors that implement working hours longer than the stipulated provisions, the implementation shall be in accordance with the provisions of working hours which have been stipulated by the Minister of Manpower.



Companies may implement overtime work for a maximum of 4 hours in 1 day and 18 hours in 1 week, not including overtime which is carried out during weekly breaks and/or official holidays. In order to implement overtime work, there must be an order from the Employer and approval from the relevant Worker/Labor in writing and/or through digital media.

The amount of overtime wages received by Worker/Labors from a Company is regulated as follows:

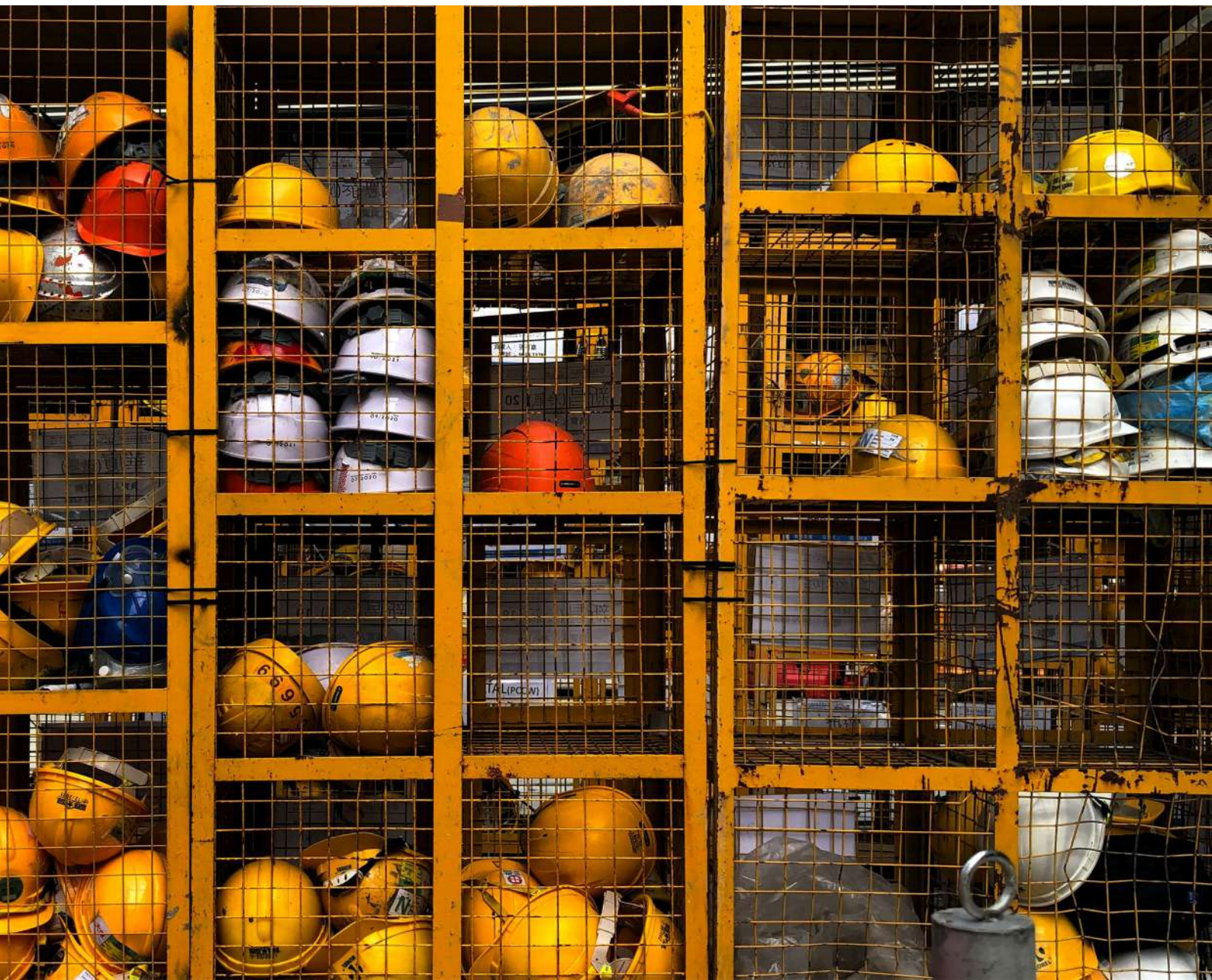
for the first overtime hour is  
in the amount of 1.5 times  
the hourly Wage; and



for any subsequent overtime  
hours, is in the amount of to  
2 times the hourly Wage.

## 1.5 Termination of Employment

Termination of Work (*Pemutusan Hubungan Kerja/PHK*) is the termination of employment relationship due to a certain matter which resulted in the termination of the rights and obligations between a Worker/Labor and an Employer. If PHK occurs, then an Employer must pay severance pay and/or tenure award, and compensation for entitlements which should have been received.



The followings are some of the reasons for PHK and the Rights received by Workers/Labors as a result of PHK in accordance with the provisions of Government Regulation No. 35 Year 2021:

Reasons for PHK	Rights due to PHK
Acquisition of Companies that results in changes to work requirements and Workers/Labors are not willing to continue the Employment Relationship	Severance pay in the amount of 0.5 times the provisions, tenure award of 1 times the provisions, compensation for entitlement in accordance with the provisions
Companies carry out efficiencies which are caused by companies experiencing losses	
Companies close due to continuous losses for 2 years or non-continuous losses for 2 years	
Companies close due to force majeure	
Companies are in a state of suspension of debt payment obligations caused by Companies' incurring losses	
Bankruptcy of Companies	
Workers/Labors commit violations of the provisions set out in the Employment Agreement, Company Regulation or Collective Labor Agreement and have previously been issued with the first, second and third reprimand letters, respectively.	Severance pay in the amount of 1.75 times the provisions, tenure award in the amount of 1 times the provisions, compensation for entitlements in accordance with the provisions
Workers/Labors are entering the retirement age	
Workers/Labors suffer from prolonged illness or disability as a result of work accidents and are unable to carry out their work after exceeding the 12-month threshold	Severance pay in the amount of 2 times the provisions, tenure award in the amount of 1 times the provisions, compensation for entitlements in accordance with the provisions
Worker/Labor passes away	



## 1.6 Regional Minimum Wage

Wage policies, starting with the wage structure and scale and the forms and payment methods of wages, are regulated under Government Regulation No. 36 Year 2021. Through these provisions, the reference which is used in order to provide wages to workers/laborers is the provincial minimum wage. However, Governors may determine regency/city minimum wage if the average economic growth of said regency/city during the last 3 years is higher than the provincial average or the value of the regency/city's economic growth deducted by inflation for the last 3 years has always been positive and higher than the provincial value.

### ● Calculation of Minimum Wage Value

Minimum wage is determined by Regional Governments based on economic and employment conditions, which include the variables of purchasing power parity, labor absorption rate and median wage. Meanwhile, the calculation of the monthly minimum wage is carried out by the Provincial or Regency/City Wage Council.

The minimum wage applies to Workers/Laborers with less than 1 year of working at the relevant Company. Meanwhile, wages for Workers/Laborers who work 1 year or longer shall refer to the wage structure and scale. In addition, employers may conduct a periodic wage review with due regard to the Company's capabilities and productivity. Furthermore, a review of said wages shall be set forth in an Employment Agreement, a Company Regulation or a Collective Labor Agreement.

## 1.7 Social Security Program

Based on Law No. 24 Year 2011, the social security program is implemented by the Social Security Agency (*Badan Penyelenggara Jaminan Sosial/BPJS*), which consists of BPJS-KS (*BPJS Kesehatan*) for health programs and BPJS-TK (*BPJS Ketenagakerjaan*) for employment programs. In accordance with the law, Employers must gradually register themselves and their Workers as Participants with the BPJS in accordance with the Social Security program they are participating in.

Furthermore, Employers are required to collect social security program Contributions from their Employees and deposit them to the BPJS. In this way, employees can enjoy health insurance, work accident insurance, old-age security, pension and life insurance in order to fulfill the basic needs of a decent life.

After the enforcement of the Job Creation Law, the government has added a new social security program under the BPJS-TK and the central government, namely the Unemployment Insurance (*Jaminan Kehilangan Pekerjaan/JKP*). The implementation of JKP is further regulated under PP 37/2021, which specifies that participants must meet the following criteria:



An Indonesian Citizen



Must not be 54 years old at the time of registration



Must have a working relationship with an employer



In addition, workers who are already registered with the BPJS-TK are automatically registered as JKP participants. The JKP program will provide workers with cash benefits for a maximum of 6 months with a maximum wage of IDR5,000,000.00, access to job market information, and job training.

## 2. IMMIGRATION PROCESS

In order to encourage investment increase to strengthen the economy, the government provides various business facilities, one of which is by issuing Government Regulation No. 48 Year 2021 which regulates Immigration.



### a. Visitor Visa

Visitor visa is granted to Foreigners who will travel to the Indonesian Territory for a visit in the framework of governmental duties, education, socio-cultural duties, non-commercial sports, giving lectures or attending seminars, tourism, pre-investment, business talks, family, journalism, stopover to continue their trip to other countries, and join the Transportation Means located in the Indonesian Territory.

Pre-investment activities are activities in order to start a business, among others, field surveys and/or feasibility studies. After the issuance of Government Regulation No. 48 Year 2021, foreigners who come to the Indonesian territory to engage in this activity may obtain a visitor visa for either one trip or several trips.



### b. Limited-Stay Visa

Limited-stay visa is granted to foreigners who will travel to the Indonesian territory for working purposes and non-working purposes. Government Regulation No. 48 Year 2021 adds 2 new requirements for applying for a limited-stay Visa, namely (i) a statement of good conduct from the authorized authority in the country of origin or the representative of the Foreigner's country of origin and (ii) the results of a medical examination stating that they are free from any communicable diseases which endanger public health.



Working Purposes	Non-working Purposes
<ul style="list-style-type: none"> <li>a. as an expert</li> <li>b. join to work on ships, floating equipment, or installations operating in the archipelago waters, territorial seas, or continental shelf, as well as the Indonesian Exclusive Economic Zone</li> <li>c. carry out their duties as clergy</li> <li>d. carry out activities related to a profession by receiving payment</li> <li>e. conduct activities in the context of making commercial films and have obtained license from the authorized institution</li> <li>f. supervision of the quality of goods or production</li> <li>g. conduct inspections or audits at company branches in Indonesia</li> <li>h. after-sales service</li> <li>i. install and repair machines</li> <li>j. undertake non-permanent construction works</li> <li>k. organize art, music and sports performances</li> <li>l. organize professional sporting activities</li> <li>m. carry out medical activities</li> <li>n. prospective foreign workers who will work in order to test their skills</li> </ul>	<ul style="list-style-type: none"> <li>a. make foreign investment</li> <li>b. participate in training and scientific research</li> <li>c. attend education</li> <li>d. family union</li> <li>e. repatriation</li> <li>f. second home</li> </ul>

In addition, for certain foreigners who are going to apply for visitor visa or limited-stay visa, they must have a Guarantor (an individual or a corporation) that is responsible for the existence and activities of the guaranteed Foreigner during their stay in the Indonesian Territory and must report any changes in their civil status, Immigration status, and change of address.

For foreigners who invest their capital in Indonesia, foreigners who obtain second-home facility, foreigners who conduct pre-investment do not have the obligation of having a Guarantor. However, if they do not have a Guarantor, then they may deposit an immigration guarantee in lieu of the requirement for a Guarantor. The immigration guarantee will be returned to the relevant foreigners in full upon the expiration of their residency permit if they are not used to pay immigration obligations.

## 2.2 Stay Permit

Although Government Regulation No. 48 Year 2021 changes several important provisions, the main provisions regarding the presence of foreigners in the Indonesian territory still apply.

### • Visitor Stay Permit

- Holders of visitor Visa for 1 trip shall be granted a maximum of 180 days from the issuance date of Entry Stamp and cannot be extended.
- Holders of visitor Visa for multiple trips shall be granted a maximum of 180 days from the issuance date of Entry Stamp and may be extended provided that the overall Stay Permit in the Indonesian Territory is no longer than 12 months.
- Visitor Stay Permit for holders of Visa on arrival shall be granted for a maximum period of 30 days from the issuance date of Entry Stamp and cannot be extended.

### • Limited Stay Permit

- Limited Stay Permit shall be granted for a maximum period of 5 years and may be extended provided that the overall Stay Permit is no longer than 10 years.
- Limited Stay Permit shall be granted to Foreigners to do work, within a maximum period of 90 days and may be extended provided that the overall Stay Permit in the Indonesian Territory is no longer than 180 days.
- Limited-Stay Permit for holders of limited-stay Visa upon arrival shall be granted for a maximum period of 180 days and cannot be extended.
- Application for transfer of status of limited Stay Permit to Permanent Stay Permit may be submitted by a Foreigner or a Guarantor to the Head of the Immigration Office whose working area covers the domicile of the Foreigner. However, submissions may be made if said foreigner has been in the Indonesian Territory for at least 3 consecutive years from the date upon which the Limited Stay Permit was granted.

## 3. LAND AND THE ENVIRONMENT

### 3.1 Land Rights

The main principle regarding regulations of land ownership is under Law No. 5 Year 1960 on Basic Agrarian Principles. However, the issuance of Government Regulation No. 18 Year 2021 as the executor of the Job Creation Law gives a new dimension to the provisions in the land sector, among others, the rules on the implementation of Right-to-Manage (*Hak Pengelolaan/HPL*), the implementation of various land rights, rules on multistory housings, land rights or HPL on aboveground spaces and underground spaces, electronic land registrations.

Types of land rights shall encompass:



**a. Freehold Title (*Hak Milik/HM*)**

Freehold title is hereditary, strongest and most complete rights that can be owned by people on land. This type of land right may be transferred or handed over to other parties. Freehold Title is only intended for Indonesian citizens, legal entities stipulated by the Government, religious and social entities.



**b. Right-to-Build (*Hak Guna Bangunan/HGB*)**

Right to Build is the right to establish and own buildings on land that is not their own. This right is granted to Indonesian citizens and legal entities which are established under Indonesian law and domiciled in Indonesia. Land which may be granted with Right-to-Build consists of state land, Right-to-Manage land, and Freehold Title land.

Right to Build on State Land and Right-to-Manage Land shall be granted for a maximum period of 30 years, extended for a maximum period of 20 years, and renewed for a maximum period of 30 years. Meanwhile, Right-to-Build on freehold title land is granted for a maximum period of 30 years and may be renewed through the granting of Right-to-Build over a freehold title.



**c. Right to Cultivate (*Hak Guna Usaha/HGU*)**

Right-to-Cultivate is the right to cultivate State Land and Right-to-Manage Land for agriculture, fisheries or animal husbandry purposes. This right is granted to Indonesian citizens and legal entities which are established under Indonesian law and domiciled in Indonesia.

Right-to-Cultivate shall be granted for a maximum period of 35 years, extended for a maximum period of 25 years and renewed for a maximum period of 35 years. Right-to-Cultivate on State Land is granted through a decree on the granting of the right by the Minister of Agrarian Affairs and Spatial Planning. Meanwhile, Right-to-Cultivate on Right-to-Manage Land is granted with a decree on the granting of the right by the Minister of Agrarian Affairs and Spatial Planning based on the approval of the holder of Right-to-Manage.



#### d. Right-to-Use (*Hak Pakai*)

Right to Use is the right to use and/or collect proceeds from said land. Based on Government Regulation No. 18 Year 2021, Right to Use consists of 2 types, namely Right to Use with term and Right to Use as long as it is used.

	Right-to-Use For a Certain Period of Time	Right-to-Use For Unspecified Period of Time
Subject of Right-to-Use	<ul style="list-style-type: none"> <li>a. Indonesian Citizen</li> <li>b. Legal entities which are established under Indonesian law and domiciled in Indonesia</li> <li>c. Foreign legal entities which has representatives in Indonesia</li> <li>d. Religious and social agencies</li> <li>e. Foreigners</li> </ul>	<ul style="list-style-type: none"> <li>a. Central Government agencies</li> <li>b. Regional Governments</li> <li>c. Village governments</li> <li>d. Representatives of foreign countries and representatives of international agencies</li> </ul>
Land which Can be Granted with Right-to-Use	<ul style="list-style-type: none"> <li>a. State Land</li> <li>b. Freehold land</li> <li>c. Right-to-Manage Land</li> </ul>	<ul style="list-style-type: none"> <li>a. State Land</li> <li>b. Right-to-Management Land</li> </ul>
Period of Right-to-Use	<ul style="list-style-type: none"> <li>a. If using State Land and Right-to-Manage Land, it shall be granted for a maximum period of 30 years, with an extension for a maximum period of 20 years, and a renewal period for a maximum period of 30 years.</li> <li>b. If using Freehold Land, it shall be granted for a maximum period of 30 years and may be renewed with a Deed on the granting of Right-to-Use on the Freehold Land.</li> </ul>	Intended for an indefinite period insofar that it is used and utilized.



#### e. Right-to-Manage (*Hak Pengelolaan*)

Right-to-Manage is the right of control from the state whose implementing authority is partially delegated to the holder of Right-to-Manage. This right may be originated from State Land and Customary Land. Right-to-Manage that is derived from State Land shall be granted to Central Government agencies, Regional Governments, state-owned enterprises/regionally owned enterprises, Land Bank Agency, legal entities appointed by the Central Government. Meanwhile, Right-to-Manage that is derived from Customary Lands shall be assigned to customary law communities.



Holders of Right-to-Manage are granted the authority to:

- ✓ Draw up a plan for the allocation, use and utilization of Land in accordance with the spatial plan
- ✓ Use and utilize all or part of the Right-to-Manage Land for their own use or in cooperation with other parties
- ✓ Determine annual tariffs and/or mandatory fees from other parties in accordance with an agreement

### • Priorities for Ex-Holders of Land Rights

After the period for the granting, extension and renewal of land rights in the form of Right-to -Build, Right-to-Cultivate, and Right-to-Use which utilize State Land, the said Land shall return to be Directly Controlled by the State. Thus the realignment of the use, utilization and ownership shall fall under the authority of the Minister in the fields of agrarian land and spatial planning, however, the Government gives priority to the former holders of land rights to reclaim it with due regard to certain requirements.

### • Land Registration

Previously, land registration provisions did not regulate the implementation of electronic land registrations and did not acknowledge the validity of electronic data and information. However, under PP 18/2021, administrative procedures and the implementation of land registration may now be conducted electronically, and electronic data and information that are derived from such land registration procedures may now be considered as valid legal evidence in accordance with the prevailing procedural law in Indonesia.

In addition, in order to accelerate Land Registration, the implementation of Land Registration for the first time which is conducted simultaneously (systematic Land Registration) must be followed by owners of Land parcels. If the owner of a Land parcel fails to comply, then the owner of the Land parcel must register their land on a sporadic basis.

Announcement of the results of physical data collection and juridical data on land registration only require 14 calendar days for systematic land registrations and 30 calendar days for sporadic land registration. This announcement may be made through the website of the Ministry of Agrarian Affairs and Spatial Planning.

### 3.2 Conformity of Spatial Utilization Activities

Prior to applying for a Business Licensing, Business Actors are required to obtain a Spatial Utilization Activity Conformity (*Kesesuaian Kegiatan Pemanfaatan Ruang/KKPR*) through the OSS system. Based on Government Regulation No. 21 Year 2021, the form of KKPR for Business Actors of medium- and large-scale may be in the form of KKPR Confirmation (*Konfirmasi Kesesuaian Kegiatan Pemanfaatan Ruang/KKKPR*) or KKPR Approval (*Persetujuan Kesesuaian Kegiatan Pemanfaatan Ruang/PKKPR*). Meanwhile, the implementation of KKPR for business activities located in coastal waters, water areas, and jurisdiction areas shall be conducted through the Marine KKPR Approval. KKPR has a validity period of 3 years from the date of issuance.

The confirmation of KKPR shall be granted based on the conformity of the spatial utilization plan with the Detailed Spatial Planning (*Rencana Detil Tata Ruang/RDTR*). Confirmation of KKPR shall be



However, if an RDTR is not available at the location of the spatial utilization activity plan, then a KKPR Approval shall be granted through the OSS system with the following stages:



*The above process in obtaining PKKPR is also applicable for business activities in forest area.*

Business Actors may obtain KKPR Approval without going through the stage of Spatial Utilization activity proposal assessment if their business activity is located in an industrial zone and tourism area that already secure Business Licensing in accordance with provisions of laws and regulations and special economic zones that have been stipulated in accordance with provisions of laws and regulations.

For business activities located in coastal waters, water areas, and jurisdiction areas shall be granted a Marine KKPR Approval through the OSS with the following stages:

**Registration**; equipped with the coordinates of the location, a plan for buildings and installations at Sea, the area required for Marine Spatial Utilization activities, information on the surrounding Spatial Utilization, and the depth of the location

**Assessment** of Spatial Utilization activity proposal documents on the Spatial Planning/RTR, Zoning Plan for Certain National Strategic Areas/RZ KSNT, and Zoning Plan for Inter-Region Areas/RZ KAW

**Issuance** of Marine KKPR Approval



### 3.3 Buildings

#### ● Building Approval

Since the issuance of the Job Creation Law, Building Approval (*Persetujuan Bangunan Gedung/PBG*) has emerged to replace the function of Building Construction Permit (*Izin Mendirikan Bangunan/IMB*). Based on Government Regulation No. 16 Year 2021, PBG is a license which is granted to owners of Buildings to construct, modify, expand, reduce and/or maintain Buildings in accordance with the technical standards of Buildings.

Before building owners commence construction or make changes to their buildings, they are

Planning Consultation	Issuance
<ul style="list-style-type: none"> <li>▶ Registration; conducted through the Building Management Information System (<i>Sistem Informasi Manajemen Bangunan/SIMBG</i>) by enclosing information on the applicant or owner's data, building data, technical plan documents.</li> <li>▶ Examination of the fulfillment of Technical Standards.</li> <li>▶ A statement of Technical Standard Compliance; This statement letter will be issued by the Technical Agency in the region after a recommendation stating that the technical plan documents have fulfilled the requirements. Furthermore, this Statement letter shall be used to obtain PBG along with technical calculation for levies.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Determination of the value of regional levies</li> <li>▶ Payment of regional levies</li> <li>▶ Issuance of PBG; conducted by the Investment and One Stop Integrated Services Agency (<i>Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu/DPMPSTP</i>) after levy payment receipt is obtained</li> </ul>

#### ● Building Worthiness Certificate (Sertifikat Laik Fungsi/SLF)

SLF is a certificate granted by Regional Governments to declare the worthiness of a Building before it can be utilized. The technical agency will issue SLF through the SIMBG after a statement of worthiness is issued by a construction supervisory service provider or a construction management or a Supervisor after the completion of inspection and testing of the building. If a collection of Buildings are built within the same area and have the same technical plan, then an SLF is issued for each building. SLF must be extended for a certain period, i.e. 20 years for single-dwelling and terraced houses and 5 years for other Buildings.

### 3.4 Environment

#### Environmental Approval

Environmental Approval is an Environmental Feasibility Decree or Environmental Management Statement which has obtained approval from the Central Government or Regional Governments. Environmental Approval must be owned by any Business and/or Activity that has a Significant or non-significant Impact on the environment. Pursuant to Government Regulation No. 22 Year 2021, Business and/or Activity plans must include:

##### a. Environmental Impact Analysis/AMDAL

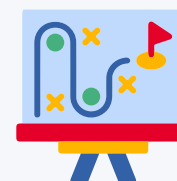
AMDAL is mandatory for any business and/or activity plans which have a significant impact on the Environment. The criteria are that the relevant business and/or activity plan has a mandatory Amdal scale and/or its location is located within and/or directly adjacent to a protected area.



AMDAL documents, which should be prepared by business actors, shall encompass Terms of Reference, Environmental Impact Analysis (*Analisis Dampak Lingkungan/Andal*), Environmental Management Plan and Environmental Monitoring Plan (*Rencana Pengelolaan Lingkungan Hidup dan Rencana Pemantauan Lingkungan Hidup/RKL-RPL*). Furthermore, the Environmental Feasibility Test Team will evaluate said documents in order to issue a recommendation which will be used as the basis for considerations for the stipulation of an Environmental Feasibility Decree by the Minister, governors or regents/mayors in accordance with their authority. Environmental Feasibility Decree is a form of environmental approval and prerequisite for the issuance of business licensing or government approvals.

##### b. Environmental Management Efforts and Environmental Monitoring Efforts/UKL-UPL

UKL-UPL is a series of environmental management and monitoring processes which are set out in the form of standards to be used as prerequisites for decision making as well as contained in Business Licensing, or approval from the Central Government or Regional Governments. Business and/or Activity Plans which are required to have UKL-UPL shall include:



- Types of Business and/or Activity plans that do not have any Significant Impact.
- Types of Business and/or Activity plans in which the locations of Businesses and/or Activities are conducted outside of and/or not directly adjacent to a protected area.
- Included in the types of Business and/or Activity plans which are exempted from mandatory Amdal.

The Minister, governors or regents/mayors in accordance with their authority shall examine the UKL-UPL form which is prepared by business actors. If deemed complete and correct, an approval for the Environmental Management Statement will be issued.



### c. Environmental Management and Monitoring Statement Letter (*Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup/SPPL*)

SPPL must be owned by:

- Business and/or activity plans which have no significant impact on the Environment;
- Micro- and small-scale Business and/or Activity Plans which have no significant impact on the Environment; and/or
- Business and/or Activity Plans that are exempted from the mandatory UKL-UPL.



Currently, SPPL is integrated with Business Identification Numbers whose submission is conducted electronically through the OSS system. Therefore, if a business activity requires an SPPL as one of the required documents, it will automatically obtain it as soon as the Business Identification Number is issued.

The list of businesses and/or activities subject to mandatory Amdal, UKL-UPL and SPPL can be found in Regulation of the Minister of Environment and Forestry No. 4 Year 2021.

## 4. LOGISTICS

### 4.1 National Logistic Ecosystem (NLE) Collaborative Platform

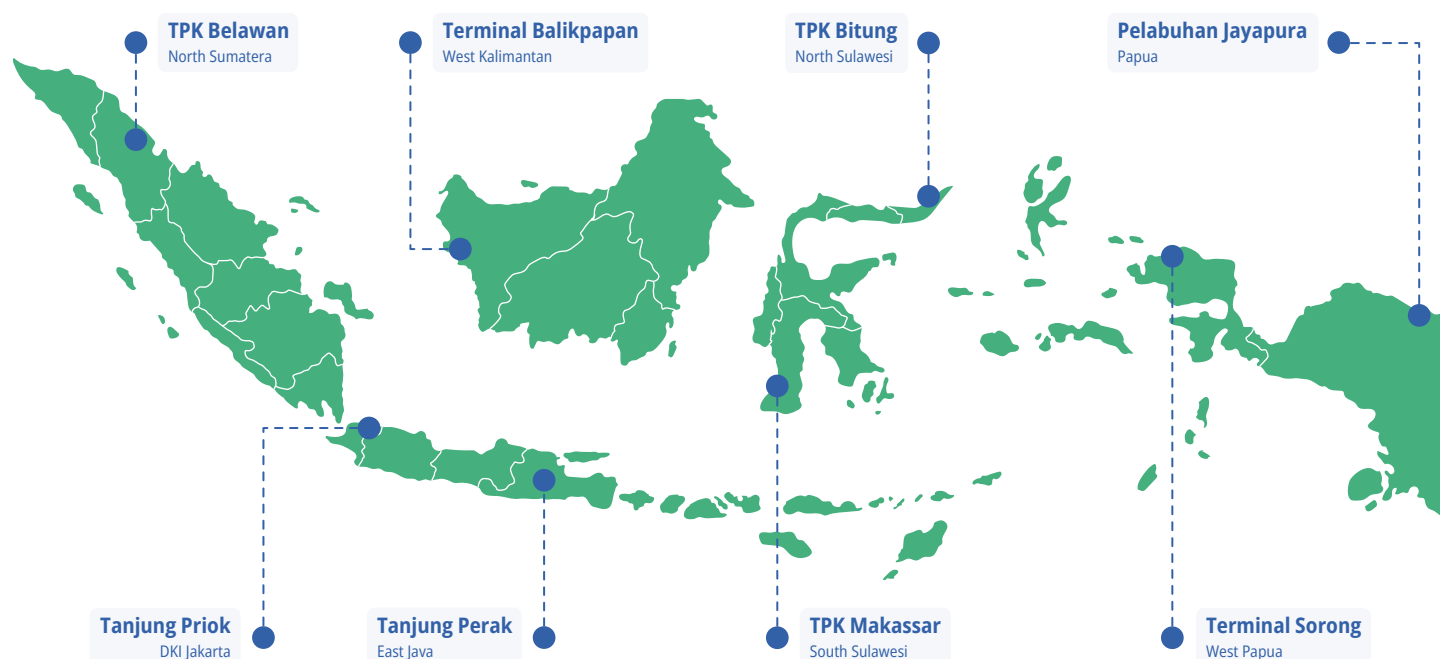
In order to improve the performance of national logistics, improve the investment climate, and increase the competitiveness of the national economy, President Joko Widodo has issued Presidential Instruction No. 5 Year 2020, which becomes the milestone for the birth of the NLE collaboration platform under the Ministry of Finance. The NLE collaboration platform integrates services in the logistics sector from upstream to downstream with the aim of simplifying the business processes of government services in the information technology-based logistics sector in order to eliminate repetition and duplication, collaborating both international and domestic logistics service systems between logistics activities within the government sector and private sector, as well as facilitating state revenue payment transactions and payment facilitations between business actors in relation to logistics processes.

In order to support the NLE, several regulations relating to import and export activities were issued in order for the NLE to function optimally, for example, Regulation of the Minister of Finance Number 97/PMK.04/2020 Year 2020 that requires freight forwarding companies to connect their system with the NLE and provides delivery order online. In addition, Regulation of the Minister of Finance Number 108/PMK.04/2020 Year 2020 stipulates that the submission of applications and approvals for the licensing of the unloading of imported goods outside of Customs Zones may be undertaken through the NLE.

## 4.2 Seaports in Indonesia

Indonesia has several hub ports which become the backbone of international trade. These hub ports connect logistics activities from Sabang to Merauke, with Tanjung Priok in Jakarta and Tanjung Perak in Surabaya as the main international seaports.

No	Hub Ports in Indonesia	Location	Twenty Equipment Unit (TEU)
1.	TPK Belawan	North Sumatera	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



## 5. INFRASTRUCTURE

In accordance with the 2020-2024 National Medium-Term Development Plan, the government targets an average GDP growth of 5.7-6.0 percent per year and allocates IDR6,445 trillion of the GDP for infrastructure spending. Meanwhile, the government's ability to fund is only amounted to IDR2,385 trillion (only 37 percent of the total needs). For this reason, innovative efforts are needed to encourage the participation of public investment and business entities through the Public-Private Partnership (PPP) scheme and other creative financing schemes.

### Public-Private Partnership (PPP)

PPP is conducted in order to fulfill the funding needs in a sustainable manner in the provision of infrastructure for the community through the mobilization of private funds. In addition, PPP is expected to create an investment climate that encourages the participation of Business Entities in the Provision of Infrastructure based on sound business principles.

Based on Presidential Regulation No. 38 Year 2015, the types of economic infrastructure and social infrastructure that may be cooperated through the PPP scheme shall include:



Transportation



Road



Water resources  
and irrigation



Drinking water



Centralized wastewater  
management system



Local wastewater  
management system



Solid waste  
management system



Telecommunications  
and informatics



Electricity



Oil, gas and  
renewable energy



Energy conservation



Urban facility



Educational facility



Sports and arts  
facilities



Regional



Tourism



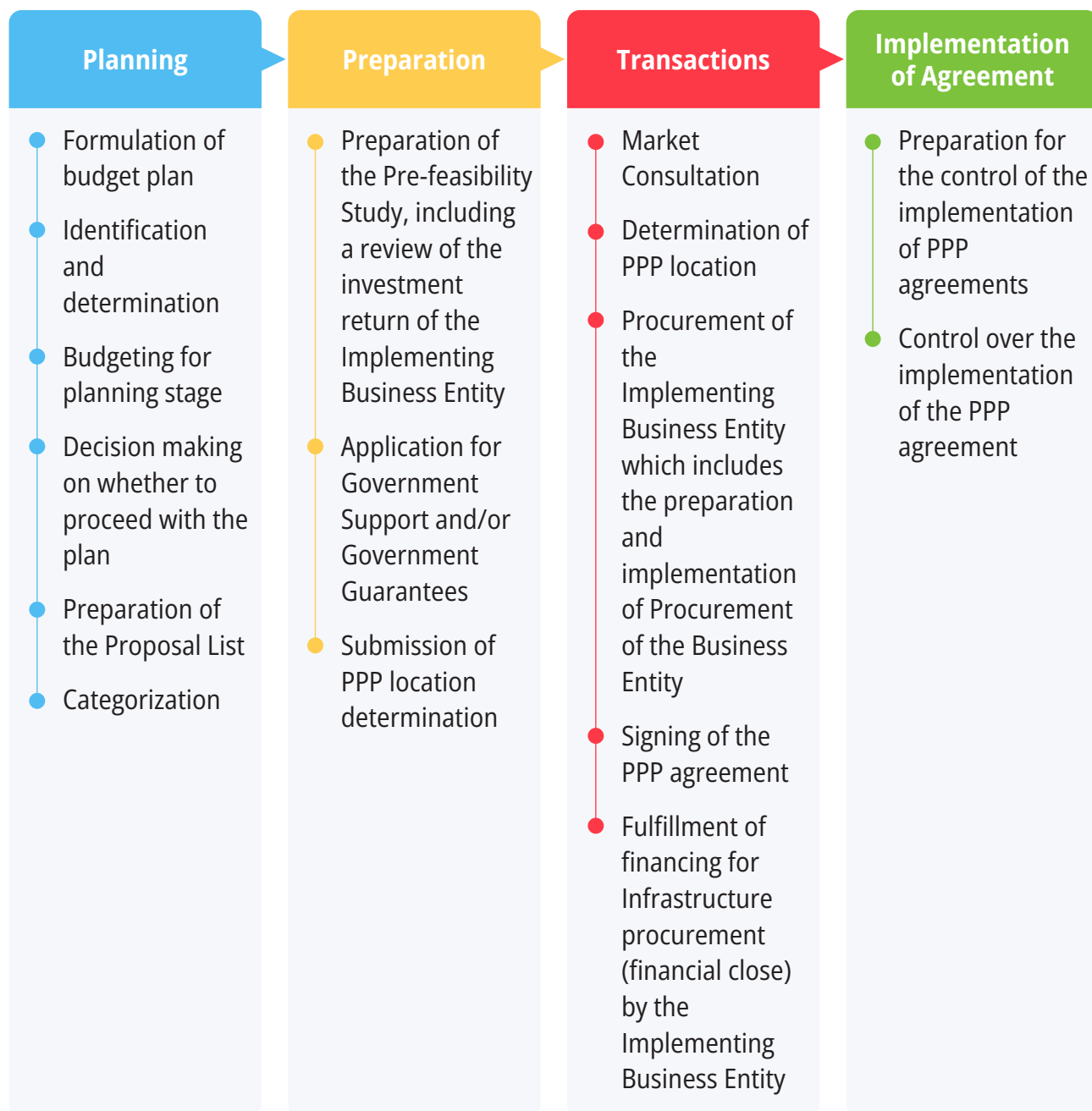
Health



Correctional facility



Public housing



PPP may be initiated by Business Entities under the following requirements:

- Technically integrated with the master plan of relevant sectors
- Economically and financially feasible
- Business Entities that submit the initiative must have sufficient financial capacity to finance the implementation of Infrastructure Provision

## 6. TRADE

### 6.1 Trade Agreements

Several free-trade agreements with countries and regions around the world have been signed and implemented by Indonesia, of course, by maintaining its status as an independent market as well as a member country of the Association of Southeast Asian Nations (ASEAN). As a member of ASEAN, Indonesia will also implement the ASEAN Free Trade Area (AFTA) policy which regulates intra-regional trade through the Common Effective Preferential Tariff (CEPT) scheme with 0-5% tariff for ASEAN member countries, except for products that are specified in the exemption list. Not only with ASEAN countries, Indonesia also implements free-market policies with other countries, including ASEAN-Australia-New Zealand (AANZFTA), ASEAN-China (ACFTA), ASEAN-South Korea (AK-FTA), ASEAN-India (AIFTA), ASEAN-Japan (AJCEP), ASEAN-Hong Kong-China (AHKFTA), Indonesia-Japan (IJEPA), Indonesia-Chile (IC-CEPA), Indonesia-Australia (IA-CEPA).

### 6.2 Exports and Imports

Pursuant to Government Regulation No. 29 Year 2021, Exporters and Importers are required to possess a Business Identification Number that is submitted through the OSS system. Specifically for Importers, Business Identification Numbers shall apply as a General Importer Identification Number (*Angka Pengenal Importir Umum/API-U*) and Producer Importer Identification Number (*Angka Pengenal Importir Produsen/API-P*).

Exporters and Importers are prohibited from exporting or importing goods which are prohibited to be exported or imported under the following criteria:



Related to the protection of health, safety of humans, animals, fish, plants and the environment;



Related to national security, national interest, or public interest, including social, cultural and moral of the community; and/or



Including natural plants and wild animals that need to be preserved

For certain Export activities, Exporters are required to secure Business Licensing from the Minister of Trade consisting of Registered Exporters and/or Export Approval. Meanwhile, for certain Import activities, Importers are required to secure Business Licensing from the Minister of Trade consisting of Registered Importers, Producer Importers (for their own use as capital goods, Raw Materials, Auxiliary Materials, and/or materials to support the production process), and/or Import Approvals.



Import and Export activities are supported by the Indonesia National Single Window System (*Sistem Indonesia National Single Window/SINSW*) platform, which is an electronic system that integrates systems and/or information relating to the handling of customs documents, quarantine documents, licensing documents, port/airport documents, and other documents relating to Export and/or Import, which ensures the security of data and information as well as integrates the flow and process of information between internal systems automatically.

In addition, the Minister of Trade may stipulate Reputable Exporters and Reputable Importers which may be granted Business Licensing facilities. In order to obtain this stipulation, in accordance with Regulation of the Minister of Trade No. 17 Year 2021, Exporters and Importers must meet the following criteria:

- ✓ For Importers, they must act as Producer Importers
- ✓ Fulfill the obligation of realization report for all Export Approval or Import Approval for each commodity within the last 1 year
- ✓ Obtain valid status in the Confirmation of Taxpayer Status from the ministry of Finance for the last 2 years
- ✓ Implementation of Export or Import of goods within the last 2 years in accordance with the business sector or nature of business
- ✓ Never been subject to administrative sanctions in the form of revocation of licenses for violations of regulations in the Import or Export sector for the last 2 years
- ✓ Currently not subject to administrative sanctions in the form of written reprimand, adjournment of licenses or suspensions of licenses for violations of regulations in the Import or Export sector
- ✓ Have never been subject to any criminal sanctions in the trade sector

## 6.3 Distribution of Goods

### ● Indirect Distribution of Goods

The indirect Distribution of Goods is conducted by Distribution Business Actors through an agreement that can be proven by the existence of an agreement, appointment, and/or written transaction proof. The indirect Distribution of Goods is conducted by Distribution Business Actors by using Distribution chain which is general in nature, namely:

- Distributors and their networks (Distributors, Wholesalers, Retailers);
- Agents and their networks (Agents, Wholesalers, Retailers); or
- Franchise



### Distributors

In order to carry out its business activities, they are required to have a Business Identification Number and other supporting licenses. In addition to possessing a clear location of business, Distributors are required to possess registered warehouses. If a Distributor has been appointed by a Producer to distribute Goods in a given region as the Sole Distributor, then another Distributor may not be appointed by the Producer to distribute Goods of the same type and brand. The validity period of the appointment of sole Distributor shall be at least for 5 years and must be extended once.

In terms of engagements for the distribution of goods by distributors or agents, these provisions are set out under Regulation of the Minister of Trade No. 24 Year 2021. Under this regulation, Distribution business actors shall comprise Distributors, Sole Distributors, Agents and Sole Agents. Each of the abovementioned Distribution business actors may appoint a Sub-Distributor or a Sub-Agent.

Specifically for Distribution business actors in the form of foreign investment companies (Penanaman Modal Asing/PMA) must appoint a domestic investment company (Penanaman Modal Dalam Negeri/PMDN) as Distributor, Sole Distributor, Agent, or Sole Agent to conduct trading activities. The appointment of said PMDN company shall be made in the form of an agreement validated by a public notary.



### Agents

In order to carry out its business activities, they are required to have a Business Identification Number and other supporting licenses. Agents operate business based on Commissions obtained from their appointing party and are prohibited from transferring rights to physical Goods which are owned/controlled by the Producers, suppliers and/or Importers who appoint them. If Agents have been appointed by a Producer to circulate goods in a given region as a Sole Agent, then other Agents are unable be appointed by the Produces to distribute Goods of the same type and brand.



### Wholesalers/Small-shops

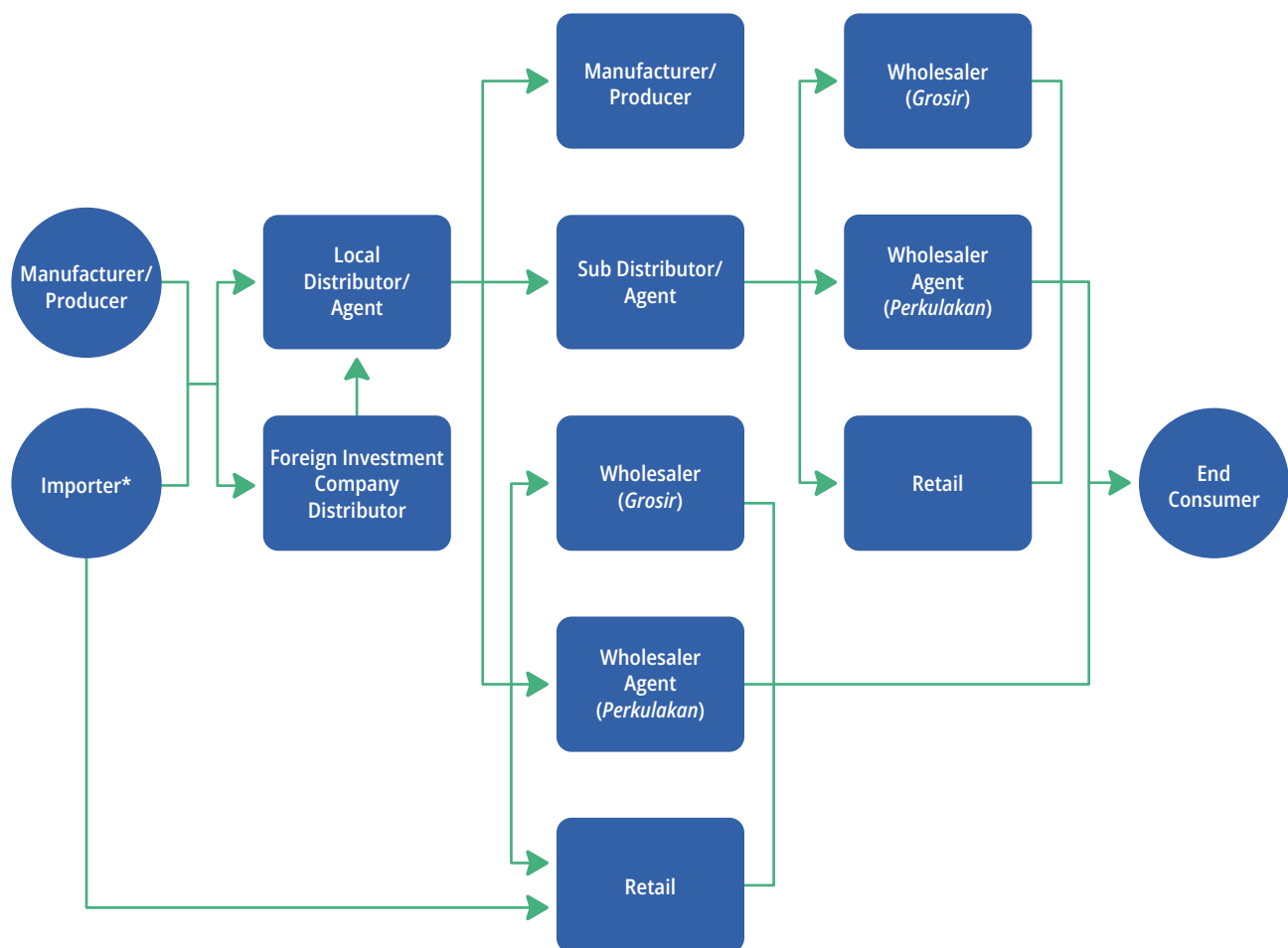
In order to carry out their business activities, they are required to secure a Business Identification Number and other supporting licenses. Other than having cooperation with Producers, Distributors or Importers of Goods based on an agreement, Wholesalers/ Small-shops are prohibited from distributing Goods in retail to Consumers.



### Retailers

In order to carry out their business activities, they are required to possess Business Identification Numbers and other supporting licenses. In distributing Goods, Retailers must utilize store sales facilities (supermarkets or conventional stores) and other sales facilities (electronic systems, sales with electronic devices or mobile sales). However, it should be noted that Retailers are prohibited from importing goods.

### Indirect Distribution Flowchart



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

## Direct Distribution of Goods

Direct Distribution of Goods is conducted by using special distribution through Direct Selling system, either in Single Level or Multi Level form. The Direct Selling System is developed by Direct Sellers who work on the basis of Commissions and/or Bonuses based on the proceeds of the sale of Goods to Consumers. The amount of Commissions and/or Bonuses granted to Direct Sellers is a maximum of 60% of the company's turnover.

Companies that engage in the Distribution of Goods through the Direct Selling system must meet the following criteria:



Have an Exclusive Distribution Rights for Goods to be distributed through direct sales



Have a Marketing Program



Have a code of ethics



Recruitment of Direct Sellers through a network system



Sell Goods directly to Consumers through a marketing network developed by Direct Sellers





## 7. UTILIZATION OF DOMESTIC PRODUCTS

### 7.1 Increasing the use of Domestic Products

Based on Government Regulation No. 29 Year 2021, the increased utilization of Domestic Products aims to empower domestic Industry and strengthen the structure of Industry. Domestic Products must be used by users of Domestic Products as follows:

State institutions, ministries, non-ministerial government agencies, other government agencies, and regional work units in the procurement of Goods/Services if the source of financing comes from the state revenue and expenditure budget, regional revenue and expenditure budgets, including loans or grants from within the country or abroad.



State-owned enterprises, other state-owned legal entities, regionally-owned enterprises, and private business entities in the procurement of Goods/Services which (i) is financed from the state revenue and expenditure budget or regional revenue and expenditure budgets (ii) the work is carried out through the cooperation scheme between the Central Government and/or Regional Governments with business entities and/or (iii) exploit state-controlled resources.



Furthermore, the procurement of Domestic Products consists of procurement of goods, procurement of services, joint procurement of goods and services. In the procurement of Goods/Services, users of Domestic Products are required to use Domestic Products if there are Domestic Products that have the sum of the Domestic Component Level (*Tingkat Komponen Dalam Negeri*/TKDN) value and the Company Benefit Weight (*Bobot Manfaat Perusahaan*/BMP) value of at least 40%.

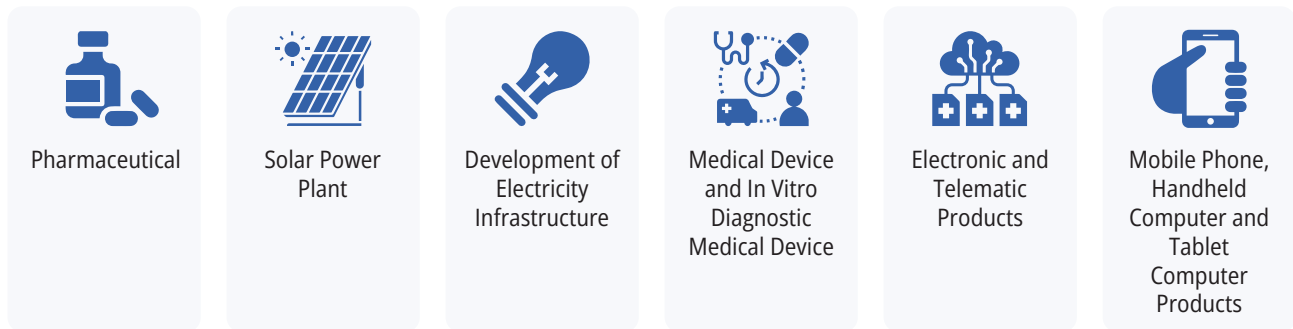
Domestic Products that must be used must have a minimum TKDN value of 25%. TKDN value and BMP value shall refer to the inventory list of domestically produced Goods/Services issued by the Minister of Industry. In addition, the Minister of Industry may set a minimum threshold for TKDN values in certain industries other than the 25% minimum.

### 7.2 Domestic Component Level (TKDN)

TKDN (*Tingkat Komponen Dalam Negeri*) is the amount of domestic content in goods, services and combinations of goods and services. TKDN assessment of goods is calculated based on production factors which include materials/ direct materials, direct labor, and factory overhead costs. For TKDN of services, the assessment is calculated based on costs which include manpower, work equipment/facilities, and general services. Meanwhile, the combined TKDN of goods and services shall be calculated based on the assessment of TKDN of goods and TKDN of services. In addition, the value of intellectual ability (brainware) may be calculated as a cost in the calculation of TKDN value.



TDKN shall include:



### 7.3 Company Benefit Weight (BMP)

BMP is the value of the award given to Industrial Companies that invest and produce in Indonesia. The amount of BMP achievement is calculated based on the determining factors, namely:



Calculation and verification of TKDN values and BMP values above is conducted through a TKDN certification by the Minister of Industry. However, if necessary, the Minister of Industry may appoint an independent verification agency which is competent in its field to calculate and verify it. In accordance with Regulation of the Minister of Industry No. 43 Year 2022, the independent verification agency will be in charge of calculating and verifying the TKDN values and BMP values submitted by businesses.



## 8. INVESTMENT PROTECTION

The objective of the organization of investment can only be achieved if the supporting factors that hinder the investment climate can be overcome. In order to achieve this objective, Law No. 25 Year 2007 which serves as the primary reference for investment in all sectors in Indonesia, stipulates provisions which protect investors, including:



Provide non-discriminatory treatment, both between domestic investors and foreign investors as well as between investors from one foreign country and investors from other foreign countries.



Ensure legal certainty, business certainty and business security for investors from the licensing process until the end of investment activities.



The government will not conduct nationalization or takeover of investors' ownership rights, except by law.



In the event of nationalization or acquisition of ownership rights, the Government will provide compensation in the amount of which is determined based on the market price, as well as prepare a settlement through arbitration if there is no agreement on compensation or indemnity.



Investors are entitled to transfer and repatriate in foreign currencies.



Prioritizing deliberation and consensus before resorting to arbitration or alternative dispute resolution in the event of a dispute in the investment sector between the government and investors.

Overall, by 2022, Indonesia has secured 67 Bilateral Investment Treaties (BITs) with the following statuses:

- ✓ 27 valid BITs;
- ✓ 31 dismissed BITs; and
- ✓ 9 valid FTA/CEPA

# Chapter 4

## Taxation

TAXES



Under the taxation system in Indonesia, Taxpayers are individuals or entities, including taxpayers, tax withholders and tax collectors who have tax rights and obligations in accordance with provisions of taxation laws and regulations. Taxpayers are grouped into 2 major groups, namely Individual Taxpayers and Corporate Taxpayers.

Individual Taxpayers are individuals Taxpayers, namely non-business entities or legal entities. Individual taxpayers are divided into 2, namely domestic subject taxpayers and foreign subject taxpayers. Meanwhile, the Object of Individual Income Tax is income which is any additional economic capacity received or obtained by Individuals both from within and outside of the country.

Corporate Taxpayers are in the form of companies or incorporated in a legal entity. Subjects of corporate taxpayers are divided into 2, namely domestic tax subjects and foreign tax subjects. The difference between the two is that domestic corporate tax subjects are those who become taxpayers from the time they are established or domiciled in Indonesia. Meanwhile, foreign tax subjects become taxpayers because they receive or derive income from Indonesia through permanent establishments in Indonesia.

Permanent Establishment (*Badan Usaha Tetap/BUT*) is a form of business used by non-resident taxpayers, either natural persons or legal persons, to operate businesses or conduct business activities in Indonesia. Foreign companies that engage in business activities in Indonesia through BUT is subject to the same tax rates as domestic taxpayers with the addition obligation of Branch Profits Tax.

The prevailing Taxation System in Indonesia is the self-assessment system, which is a tax collection system that gives trust to Taxpayers (*Wajib Pajak/WP*) to calculate payable tax, deposit and self-report the amount of payable tax based on taxation laws and regulations.

Taxpayers are required to obtain a Taxpayer Identification Number (*Nomor Pokok Wajib Pajak/NPWP*), which is a number given to Taxpayers as a means of tax administration and is used as a self-identification or Taxpayer's identity in implementing their taxation rights and obligations. Taxpayers may register themselves to obtain NPWP at the Tax Office where the Individual Taxpayers reside or in accordance with the domicile of the Corporate Taxpayers. NPWP registrations may be undertaken through the Tax Office, or through the [ereg.pajak.go.id](https://ereg.pajak.go.id) application. Corporate Taxpayers will automatically obtain an NPWP upon the validation of the establishment of the company through the General Law Administration (*Administrasi Hukum Umum/AHU*) system at the Ministry of Law and Human Rights.

Starting in 2024, for Individual Taxpayers, provisions on the use of Citizenship Identification Numbers (*Nomor Induk Kependudukan/NIK*) as NPWP will apply. However, this does not mean that every Indonesian citizen who owns an NIK automatically becomes a Taxpayer. In order to make an



## 1. CORPORATE INCOME TAX (CIT)

### 1.1 Financial Statement

In accordance with Law No. 7 Year 2021 on the Harmonization of Tax Regulations, every Corporate Taxpayer in Indonesia is required to make Financial Reports in Indonesia, which is prepared in the Indonesian Language with the rupiah currency. Certain Corporate Taxpayers are permitted to provide Financial Statements in English and in United States Dollar currency after obtaining a permit from the Minister of Finance in accordance with the provisions of Regulation No.123/PMK.03/2019 as follows:



The Fiscal Year which is commonly used in Indonesia is the same as the calendar year, i.e. 1 January until 31 December. Taxpayers are allowed to use a different fiscal year with the calendar year. Financial Statements must be prepared on accrual basis principle and obedience principle. Any changes to the bookkeeping methods or fiscal years must first be approved by the Director-General of Tax.

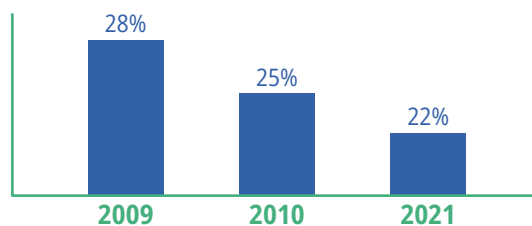
Books, records and documents, both physical and electronic, which become the basis for the preparation of Financial Statements must be stored for 10 (ten) years in Indonesia.



## 1.2 Tax Rate

According to Law No. 7 Year 2021 on the Harmonization of Taxation Regulations, in accordance with the provisions in Article 17, the applicable corporate income tax rate in Indonesia for 2022 onwards is 22%. For public companies which at least 40% of their shares are traded on the Indonesia Stock Exchange and fulfill certain other requirements, the corporate income tax rate is 3% lower than the general corporate income tax rate.

Additional Corporate Income Tax (PPh) rate infographics:



Based on Government Regulation No. 23 Year 2018 on Income Tax for Business Incomes Received or Obtained by Taxpayers with Certain Gross Turnovers (Government Regulation No. 23 Year 2018) which comes into force on 1 July 2018, which states that any newly registered taxpayers since 1 July 2018 automatically will automatically use a final income tax rate of 0.5%, unless they choose to utilize the general corporate income tax rate outlined above which must be submitted during the NPWP registration or by 31 December at the latest in order to utilize said tariff for the following year.

In accordance with the provisions of Article 3 of Government Regulation No. 23 Year 2018, Taxpayers with certain gross turnovers which are subject to final tax are:

- a. Individual Taxpayers; and
- b. Corporate taxpayers in the form of cooperatives, limited partnerships, commercial partnerships (firma), or limited liability companies

Which receive or obtain income with a gross turnover of no more than IDR4,800,000,000.00 (four billion eight hundred million rupiahs) in 1 Fiscal Year.

## 1.3 Tax Incentive

The Indonesian government provides various fiscal incentives in terms of taxation (i.e. tax allowance, tax holiday, investment allowance, super tax deduction) and import duty exemption. Business actors may choose to apply for a tax holiday or tax allowance provided that they meet the criteria for the selected income-tax facility. Details of the scope of facilities, objects of facility recipients, provisions for the granting of facilities, as well as procedures, are regulated in Chapter V of Regulation of the BKPM No. 4 Year 2021 on Guidelines and Procedures for Risk-Based Licensing Services and Investment Facilities ("BKPM Regulation 4/2021").



### a. Tax Holiday (PMK 130 Year 2020)

Tax holiday is a form of tax incentive to attract foreign investment. Through Regulation of the Minister of Finance No. 130/PMK.010/2020 on Tax Holiday ("*Peraturan Menteri Keuangan/PMK-130/2020*"), companies that make new investments in Pioneer Industries may obtain a Corporate Income-Tax deduction for any income generated by their Primary Business Activities.

Based on PMK-130, any companies which are eligible to enjoy Tax Holiday incentives must fulfill the following criteria:



Are a Pioneer Industry



Have a status as an Indonesian legal entity



Undertake new investments which have never been issued, subject to prior approval or rejection of any application to obtain: a) Corporate Income-Tax Deduction; b) Tax Allowances; c) Income-tax incentives for labor-intensive industries (Investment Allowance); and d) Incentives for income tax in Special Economic Zones



Have a new investment plan with a minimum value of IDR100 billion;



Must meet the Debt-to-Equity Ratio for tax purposes (which is currently 4:1, as set out under Regulation of the Minister of Finance No. 169/2015)



Commit to the realization of its investment plan within one year of the issuance of the Tax Holiday approval

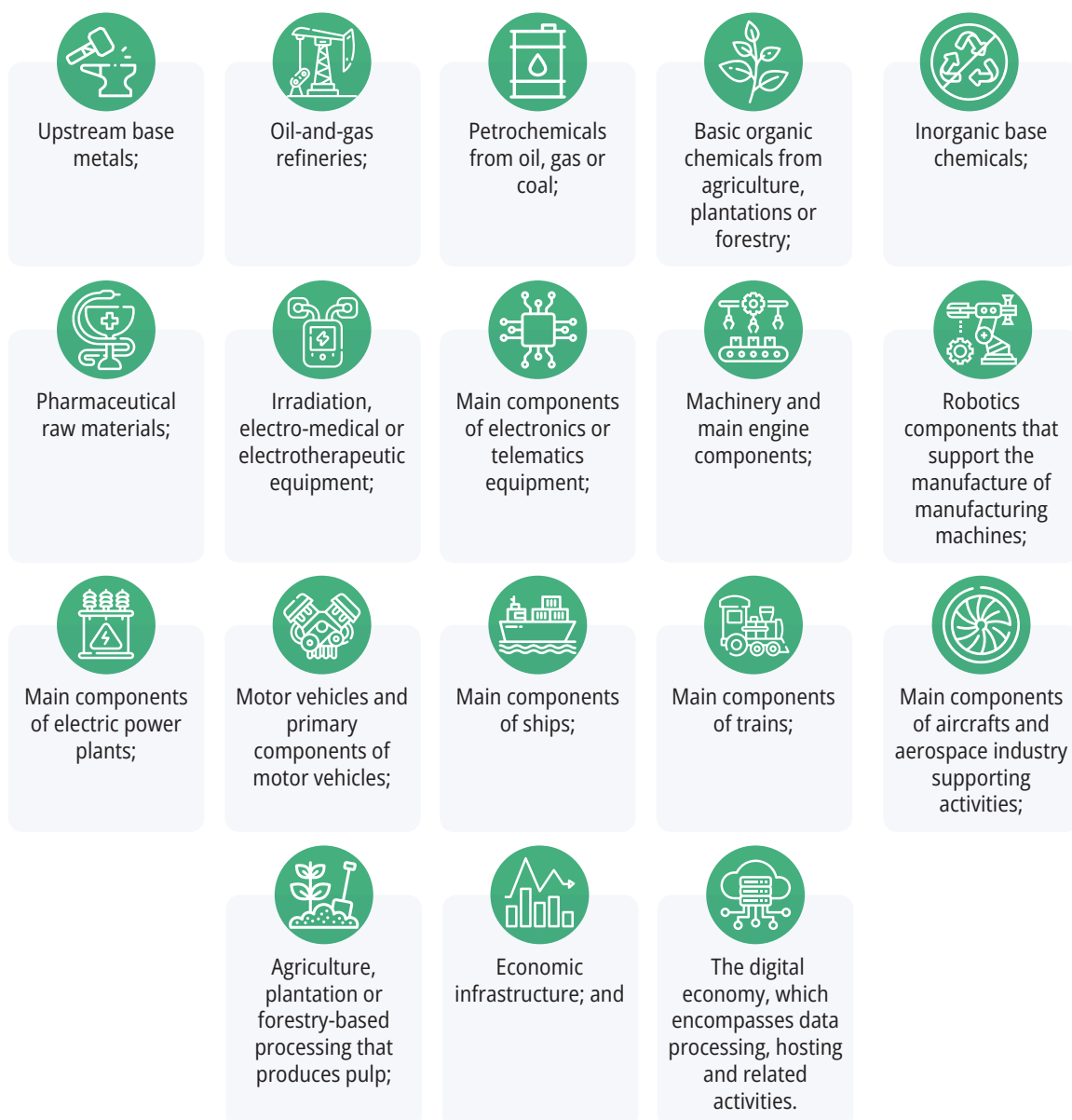


Must fulfill the requirements of Tax-Exemption Certificate (*Surat Keterangan Bebas Pajak/SKF*) for shareholders of domestic taxpayers

Companies may still apply for tax holiday, even if they operate in industries that do not meet the criteria for pioneering industries, provided that the companies meet the following requirements:

1. Must meet the five criteria for securing Tax Holiday incentives as referred to in numbers 2 to 6 above;
2. Achieving a minimum score of 80 on the quantitative criteria for Pioneer Industries (as seen in Appendix A to PMK-130); and
3. Fulfill the requirements of Tax-Exemption Certificate (SKF) for shareholders of domestic taxpayers.

List of pioneer industries according to PMK-130 shall include:



Category	New Capital investment *(IDR)	Tax Holiday Period *(Year/%)
Mini Tax Holiday (50%)	100 billion – 500 billion	5 years – 50%
Tax Holiday I	5 100 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 period for the deduction of income tax from Tax Holiday is as follows:

1

**Deduction of 50%** of payable Corporate PPh for 5 fiscal years for new investments with a minimum value of **IDR100 billion up to less than IDR500 billion**; and

2

A **100% deduction** from Corporate PPh payment for the following periods for new investments amounting to a **minimum amount of IDR500 billion**

An additional corporate income-tax deduction period for two fiscal years is also offered after the end of the above tax holiday for:

1

**25% of Corporate PPh** that is paid for new investments with a minimum amount of **IDR100 billion up to less than IDR500 billion**; and

2

**50% of the Corporate PPh** that is paid for new investments with a **minimum amount of IDR500 billion**.

Submission of tax holiday application may be submitted through the OSS system at the time of taxpayer registration or by no later than 1 year after the issuance of business licensing by the OSS system.



## b. Tax Allowance

In general, tax allowance is an income tax facility which is granted to domestic corporate taxpayers who invest in certain business sectors and/or in certain regions. The criteria for obtaining this tax allowance are set out in Government Regulation No. 78 Year 2019 on Income Tax Facilities for Investments in Certain Business Sectors and/or in Certain Regions dated 12 November 2019, including:

Criteria for obtaining tax allowances include:



Have high investment value or export-oriented



Have a large workforce



High in local content

Income tax facilities are in accordance with PMK 11 Year 2020 on the Implementation of Government Regulation No. 78 Year 2019 as follows:



Deduction of net income of 30% from the actual amount invested in fixed assets and tangible assets including land, which are charged for 6 years at 5% per year respectively;



Accelerated depreciation and/or amortization of eligible fixed and intangible assets



The withholding income tax rate for dividends paid to foreign Taxpayers other than permanent establishments in Indonesia is 10% or lower according to the applicable double-taxation avoidance agreement; and



Compensation for losses which are longer than 5 years but not longer than 10 years under certain conditions.

A list of certain business sectors and certain regions which may be granted this facility can be found in Appendices I and II to Government Regulation No. 78 Year 2019.

Tax holiday application may be submitted through the OSS system at the time of taxpayer registration or by no later than 1 year after the issuance of business licensing from the OSS system.



### c. R&D, Vocational Tax Facilities & Labor Intensive Tax Facilities (Government Regulation 45 Year 2019)

#### 1. Research and Development

Government Regulation No. 45 Year 2019 on the Amendment to Government Regulation Number 94 Year 2010 on Calculation of Taxable Income and Settlement of Income Tax within the Current Year ("PP 45/2019") provides new tax incentives to Indonesian corporations in order to: (i) encourage investment in labor-intensive industries ; (ii) support the creation of jobs and employment opportunities in Indonesia; (iii) encourage the involvement of business and industry in order to develop quality human resources; (iv) increase competitiveness; and (v) encourage businesses to engage in research and development (R&D).



Category	Description	Qualification Standards
Re 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	<p>The R&amp;D Tax Facility refers to Regulation of Minister of Finance No. 153/PMK.010/2020, which is eligible for domestic tax payers, who are involved in R&amp;D activities, and hold R&amp;D proposals.</p> <p>Focus theme of R&amp;D activities are as follows:</p> <ol style="list-style-type: none"> <li>1) food,</li> <li>2) pharmacy, cosmetics, and medical devices,</li> <li>3) textile, leather, footwear and anything,</li> <li>4) transportation,</li> <li>5) information and communication technology,</li> <li>6) energy,</li> <li>7) capital goods, components, and auxiliary materials,</li> <li>8) agroindustry,</li> <li>9) base metals and non-metallic minerals,</li> <li>10) oil &amp; gas and coal base chemistry,</li> <li>11) defense.</li> </ol>

In order to obtain an additional gross income deduction, Taxpayers must submit an application through the OSS system by enclosing a Fiscal Certificate (SKF) and a proposal for research and development activities in accordance with the provisions of Article 7 paragraph (1) and (2) of PMK 153/2020.

## 2. Working Program and Internship Vocational (PMK 128 Year 2019)

In an effort to encourage the participation of the private sector in assisting the development of human resource skills, the Government has issued Regulation of the Minister of Finance No.128/PMK.010/2019 on the Granting of Gross-Income Deductions for the Organization of Work Practices, Apprenticeships or Learning Activities for the Guidance and Development of Human Resources Based on Certain Competence ("PMK 128/2019").

	Description	Qualification Standards
Re Research & Development (R&D)	A reduction in gross income of up to 200% is available on expenditure incurred for human development (apprenticeship, internship, and/or learning activities).	<p>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.</p> <p>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.</p>

In order to obtain an additional gross income deduction, Taxpayers are required to submit a notification through the OSS system by enclosing a Cooperation Agreement and Fiscal Certificate (SKF) which are still valid in accordance with the provisions of Article 7 of Regulation 128/2019.

### 3. Labor Intensive Tax Facilities (PMK 16 Year 2020)

Taxpayers investing in labor-intensive industries may be granted Income Tax facilities in the form of deductions of net income up to a certain level in relation to the amount of Investment within a certain period. This facility is set out under Regulation of the Minister of Finance No. 16 Year 2020 on the Granting of Net Income Deduction Facilities for New Investments or Business Expansions in Certain Business Sectors which are Labor-Intensive Industries ("PMK 16/2020").

	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)	<p>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).</p> <p>Listed labor intensive industries in the Attachment A of MOF Regulation No. 16/PMK.010/2020 are as follows:</p> <ol style="list-style-type: none"> <li>1) fisheries,</li> <li>2) food,</li> <li>3) textile and apparel,</li> <li>4) leather goods,</li> <li>5) footwear,</li> <li>6) paper and tissue,</li> <li>7) goods industry from rubber and plastic,</li> <li>8) rubber asphalt,</li> <li>9) tableware or kitchenware from metals,</li> <li>10) nails, nuts, and bolts,</li> <li>11) computer and electronics,</li> <li>12) controlling equipment, electricity distribution, and household electricity appliances,</li> <li>13) stove, refrigerator, compressor, air conditioner, and cold storage,</li> <li>14) agricultural tractors assembly and rice milling unit,</li> <li>15) wooden, rattan, and bamboo furniture,</li> <li>16) jewellery from precious metal,</li> <li>17) kid toys</li> </ol>

Submission of facilities shall be conducted through the OSS system by fulfilling the following requirements:

Requirements for plans to employ Indonesian workers



Digital copy of details of fixed assets in the Investment value plan



Digital copies of shareholders' fiscal certificates





#### d. Import Duty Exemption

This facility shall apply to:

##### 1) Exemption from import duty on imports of capital goods

- a. Companies in the development, expansion or renovation/regeneration stages are entitled to this facility.
- b. Eligible sectors for this facility are industries which produce certain goods and/or service industries, for example tourism and culture, public transportation, health services, mining, construction, telecommunications and ports.
- c. Goods that meet the following requirements:
  - ✓ Goods which are not produced in Indonesia.
  - ✓ Goods which are produced in Indonesia but do not meet the required specifications.
  - ✓ Goods which are produced in Indonesia but in insufficient quantity.
- d. Facility period:
  - ✓ 2 (two) years and may be extended for 2 (two) years, except for the importation of machinery for development for the purpose of modernization, rehabilitation and/or restructuring.
  - ✓ The extension period may be extended under the following conditions:
    - For investment plans of at least IDR500 billion and less than IDR1 trillion, an additional 1 (one) year extension may be granted based on the results of a field examination.
    - For investment plans of at least IDR1 trillion and less than IDR 5 trillion, an extension may be granted for 2 (two) times for a period of 1 (one) year based on the results of a field examination.
    - For investment plans of more than IDR5 trillion, a maximum of 5 (five) additional years may be granted based on the results of a field examination.

##### 2) Import duty exemption on imports of goods and materials for production

Companies that have completed the establishment of the industry and are ready to produce as well as for companies that have completed the development of the industry minimum of 30% of the Business License/Expansion License capacity and/or Risk-Based Business Licensing may be granted import duty exemption on imports of goods and materials.

The submission of import duty exemption facility on imports of goods and materials shall be submitted at least 1 (one) year since the relevant company has produced commercially.

Facilities that may be given are as follows:

- a. Companies in the production stage (have obtained business licenses to operate).
- b. Eligible sectors: Industries which produce goods.
- c. Term of the facility:

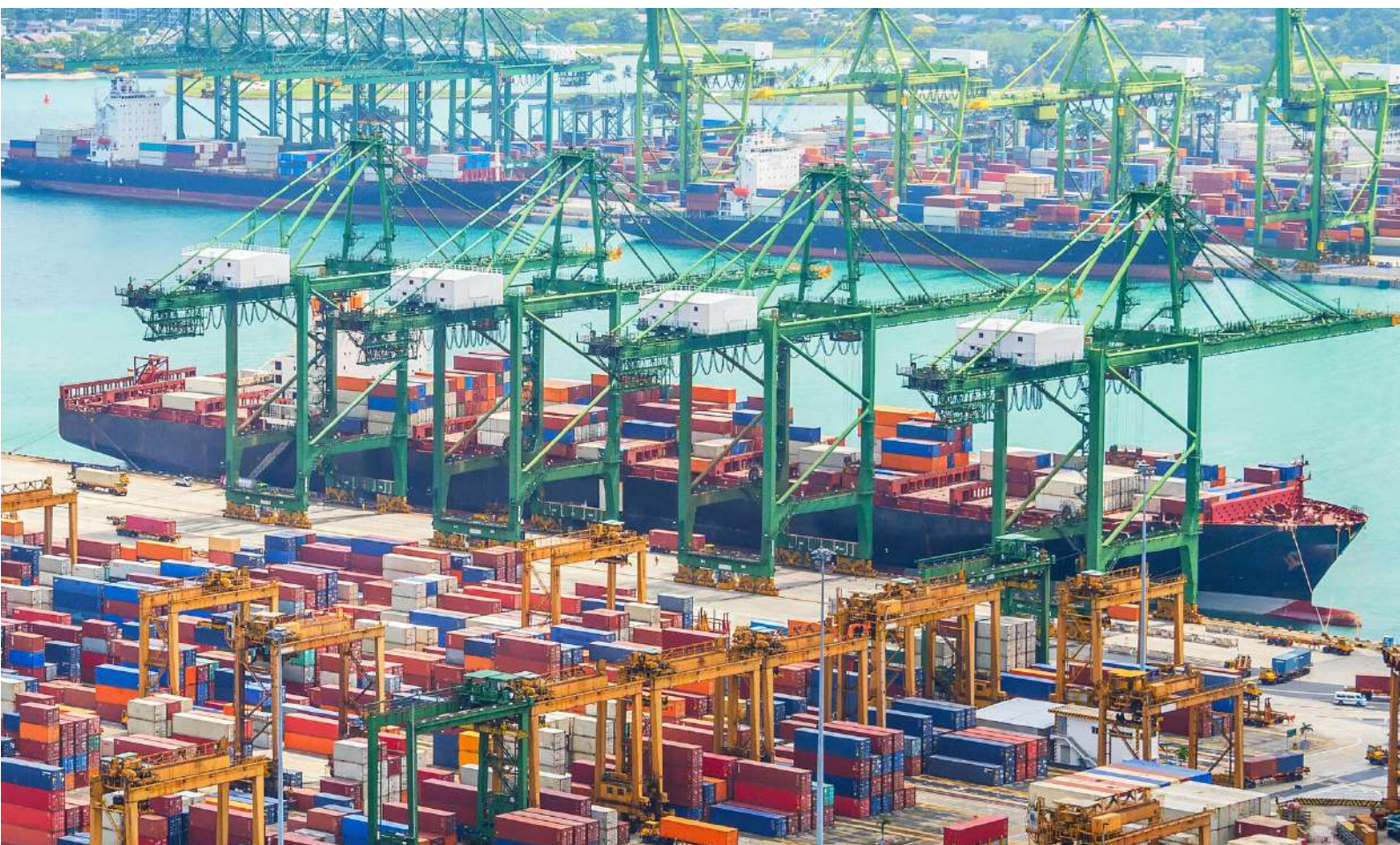


**3) Exemption from import duty on imports of capital goods used by the relevant company in the construction and development of power plants in the public**

- a. This facility is valid for PT PLN (*Perusahaan Listrik Negara*) Persero or/and holders of electricity supply business license.
- b. The abovementioned business actors are required to possess:
  - ✓ Business areas;
  - ✓ Power Purchase Agreement (PPA) with PT PLN (Persero);
  - ✓ Finance lease agreement (FLA) with PT PLN (Persero); or
  - ✓ Power purchase agreements with holders of power plant business license (*Izin Usaha Pembangkit Tenaga Listrik/IUPTL*) which own business areas.
- c. Term of the facility: 2 years and may be extended once for a period of 1 year.

**4) Exemption or deduction of import duty and exemption or suspension of Value-Added Tax (*Pajak Pertambahan Nilai/PPN*) on imports of capital goods used by mining contracts of work (*Kontrak Karya/KK/Perjanjian Karya Pengusahaan Pertambangan Batubara/PKB2B*) companies**

- a. This facility is valid for companies that hold mining contracts of work with the government (KK/PKB2B).
- b. Condition of facilities: In accordance with the provisions of the contract of work. Applications may be submitted by enclosing a letter of recommendation from the Directorate-General of Mineral and Coal, the Ministry of Energy and Mineral Resources of the Republic of Indonesia.
- c. Term of the facility: In accordance with the provisions of the contract of work. Generally granted on an annual basis and will expire every December 31 of each year. Any extension of the period will obtain a recommendation from the Director-General of Mineral and Coal.



All of the abovementioned import duty and PPN deduction facilities or exemptions may be submitted through the OSS system. In accordance with Article 81 Regulation of the BKPM No. 4 Year 2021 on Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities, and Regulation of the BKPM No. 1 Year 2022 on Procedures for the Implementation of Investment Partnerships Capital between Large Businesses and Micro, Small and Medium Enterprises in Regions, stating that in order to obtain the abovementioned Investment Facility, a company must submit a commitment to the implementation of a partnership plan between large businesses and micro, small and medium enterprises (UMK-M) through the System OSS. The partnership scheme can be implemented as follows:



## 1.4 Withholding Taxes

In addition to implementing a self-assessment system, Indonesia has also implemented a tax withholding scheme, which applies to several types of Income Tax (PPh), as follows:

Tax Types	Elaboration	Tax Rate
PPh Article 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	<ul style="list-style-type: none"> <li>- 5% (IDR 0 &gt; IDR 60 million)</li> <li>- 15% (IDR 60 million &gt; IDR 250 million)</li> <li>- 25% (IDR 250 million &gt; IDR 500 million)</li> <li>- 30% (IDR 500 million &gt; IDR 5 billion)</li> <li>- 35% (more than IDR 5 billion)</li> </ul>
PPh Article 22	<ul style="list-style-type: none"> <li>● Collected by the Director-General of Customs for Imports</li> <li>● Collected by exporters for exports of mining commodities</li> <li>● Collected by the State Treasurer and Budget User Proxy for the purchase of goods</li> <li>● Collected by certain designated business entities for the purchase or sale of certain goods</li> </ul>	<ul style="list-style-type: none"> <li>- 2,5% - 7,5%</li> <li>- 1,5%</li> <li>- 1,5%</li> <li>- 0,1% - 1,5%</li> </ul>



Tax Types	Elaboration	Tax Rate
PPh Article 23	Deducted from domestic WP and PE income elicited from: <ul style="list-style-type: none"> <li>● Capital utilization : <ul style="list-style-type: none"> <li>- Royalties</li> <li>- Interest payments to non-financial institutions</li> </ul> </li> <li>● Lease payments other than land and buildings</li> <li>● Payment for Services</li> <li>● Payments of gifts, awards and bonuses which are received by WP Agencies</li> </ul>	<ul style="list-style-type: none"> <li>- 15%</li> <li>- 15%</li> <li>- 2%</li> <li>- 2%</li> <li>- 15%</li> </ul>
PPh Article 26	Deducted finally from overseas WP income on income that is not elicited from PE in Indonesia.	20% or based on Double Taxation Avoidance Agreement (P3B) or tax treaty between Indonesia and income-recipient countries
PPh Article 4 (2)-final income tax (PPh Final)	Deducted from closing of earnings namely: <ul style="list-style-type: none"> <li>● Interest on deposits and savings/current account services, discounts on</li> <li>● Bank Indonesia Certificates</li> <li>● Transaction of sale of shares on the stock exchange</li> <li>● Interest and discount bonds sold on the capital market</li> <li>● Land or buildings rents</li> <li>● Transfer of land or building rights</li> <li>● Business income of construction services</li> <li>● Lottery Prizes</li> </ul>	<ul style="list-style-type: none"> <li>- 20%</li> <li>- 20%</li> <li>- 0,1%</li> <li>- 15%</li> <li>- 10%</li> <li>- 2,5%</li> <li>- 1,7% - 6%</li> <li>- 25%</li> </ul>
PPh Article 15	Deducted from rental income from: <ul style="list-style-type: none"> <li>● Domestic airlines and shipping companies</li> <li>● Foreign shipping and airline companies which own BUT in Indonesia</li> </ul>	<ul style="list-style-type: none"> <li>- 1,2% and 1,8%</li> <li>- 2,64%</li> </ul>

Under this system, any taxpayers who have undertaken tax withholding are required to make withholding tax receipts. Provisions on this withholding tax are also regulated by other taxation laws and regulations as implementing regulations of the law, as follows:

- Regulation of the Minister of Finance Number 12/PMK.03/2017 on Income Tax Withholding and Collection.
- Regulation of the Director-General of Taxes Number PER-23/PJ/2020 on Forms and Procedures for the Preparation of Proof of Withholding/Unification Collection as well as Forms, Content, Procedures for the Filling of and Submission of the Unification Periodic PPh SPT.

## 1.5 Transfer Pricing

Transfer Pricing is the policy of a company in determining the sale price of goods, services or intangible assets from one company to another company that has a special relationship. Transfer Pricing is permitted as long as it complies with the Arm's Length Principle (ALP). This principle is based on the norm that transactions entered into with related parties reflect fair values.

The Arm's Length Principle shall be conducted by conducting comparability analysis on transactions which are conducted with the related parties by using comparison data, and the proper Transfer Price Determination method as well as its documentation.

Based on PMK 213 Year 2016, for companies whose gross turnover in the previous year exceeded IDR50,000,000,000 (fifty billion rupiahs), or which conducted transactions with related parties which exceeded IDR20,000,000,000 (twenty billion rupiahs) for the sale of tangible goods, or exceeding IDR5,000,000,000 (five billion rupiahs) for the sale of services, payment of interest, transaction of sale of intangible goods, or transaction with related parties who are domiciled in the country with tax tariffs that are lower than Indonesia, must prepare Transfer Pricing Documentation (TP Doc).

TP Doc shall consist of Master File, Local File and Country-by-Country Report (CbCR). Master File and Local File must be available within the fourth month after the end of the Fiscal Year. Country-to-Report Documents must be available by the twelfth month after the end of the Fiscal Year.

## 1.6 Tax Administration

The self-assessment system requires every taxpayer to calculate payable tax, deposit the payable tax to the state treasury, and report the payable tax using a Tax Return (*Surat Pemberitahuan Pajak/SPT*), both for monthly tax obligations (Periodic SPT/SPT Masa) and for annual tax obligations (Annual SPT/SPT Tahunan).

Time limit for the deposit of monthly tax for withholding:

a.

Income Tax Article 21, Article 23, and Article 4 paragraph 2 by no later than the 10th day of the following month.

b.

Time limit for the deposit of Monthly tax for Income Tax Article 25, UMKM Tax 0.5%, Income Tax Article 4 paragraph 2 and PPN for Foreign Services which are paid by themselves by no later than the 15th day of the following month.

c.

Time limit for the monthly payment of Value-Added Tax is the end of the following month at the latest.

Any delay in depositing tax will be subject to interest sanction per month for a maximum of 24 (twenty-four) months.

The time limit for reporting Periodic Income Tax Return is the 20th day of the following month. Any delay in reporting Periodic Income Tax Return will incur a fine in the amount of IDR100,000. The time limit for reporting Periodic Value-Added Tax Return is the end of the following month. Any delay in the reporting of Periodic Value-Added Tax Return will be subject to a fine in the amount of IDR500,000. The time limit for the reporting of Annual Individual Tax Return is the end of March of the following fiscal year. Any delay in the reporting of Individual Annual Tax Return will result in a fine in the amount of IDR100,000. The time limit for the reporting of Corporate Annual Tax Return is the end of April of the following fiscal year. Any delay in reporting the Corporate Annual Tax Return will be subject to a fine in the amount of IDR1,000,000.

## 2. INDIVIDUAL INCOME TAX

Any income or additional economic capacity received by an individual taxpayer is the object of Income Tax. According to Law No. 7 Year 2021 on the Harmonization of Taxation Regulations (Undang-Undang Harmonisasi Peraturan Perpajakan/UU HPP), the Income Tax rates applicable to domestic individual taxpayers are as follows:

Taxable Income	Tariff
IDR0 > IDR60 million	5%
IDR60 million > IDR250 million	15%
IDR250 million > IDR500 million	25%
IDR500 million > IDR5 billion	30%
More than IDR5 billion	35%

Every individual domestic taxpayer is entitled to Non-Taxable Income (*Penghasilan Tidak Kena Pajak/PTKP*) which amount varies depending on the number of dependents owned. The number of PTKP applicable in Indonesia is as follows:

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

For Men who marry and have children, then their PTKP status will follow to the Men. Meanwhile, for married women, their PTKP status will always be Not Married (TK).

The object of income tax for individual taxpayers is all income received both from within the country and from abroad. Withholding tax which has been undertaken abroad may be acknowledged as a tax credit.

Income or additional economic capacity received by foreign individual taxpayers will refer to the provisions of Article 26 Income Tax with a tariff of 20% or based on a Tax Treaty tariff between the Indonesian government and the government of the country of origin of the foreign taxpayer.

### 3. DIVIDEND

Based on Law No. 7 Year 2021, dividends that are paid by domestic companies which are received by domestic individual taxpayers are not a tax object and no tax withholding shall be undertaken at the time of payment, provided that said dividends are to be reinvested. The forms of reinvestment according to PMK 18/PMK.03/2021 are as follows:



The dividends received must be reinvested by the end of the third month after said dividends are paid by the company, with a minimum period of three years. Every year, taxpayers must report their investment realization through the [djponline.pajak.go.id](https://djponline.pajak.go.id) application. In the event that a taxpayer fails to reinvest the dividends that are received, then said taxpayers are required to deposit an Income Tax of 10% of the value of the dividends received.

Dividends paid by domestic companies which are received by domestic corporate taxpayers are not a tax object and are not withheld at the time of payment.

Dividends which are paid by domestic companies and which are received by foreign individual taxpayers or foreign entities will refer to the provisions of Article 26 Income Tax with a tariff of 20% or based on a Tax Treaty tariff between the Indonesian government and the government of the country of origin of the foreign taxpayer.

Dividends which are paid by domestic companies and which are received by foreign individual taxpayers or foreign entities will refer to the provisions of Article 26 Income Tax with a tariff of 20% or based on a Tax Treaty tariff between the Indonesian government and the government of the country of origin of the foreign taxpayer.

## 4. VAT AND LUXURY-GOODS SALES TAX

### 4.1 Value-Added Tax

Value-Added Tax (*Pajak Pertambahan Nilai*) or PPN is a levy imposed on sale and purchase transactions of goods and services conducted by individual taxpayers or corporate taxpayers conducted within the territory of Indonesia. In essence, PPN is imposed on all Taxable Goods (*Barang Kena Pajak/BKP*) and Services (*Jasa Kena Pajak/JKP*). However, the government offers exemptions for the sale of certain goods or services, such as:

- a. Food and beverages which are served in hotels, restaurants, deli, shops or the like, including dine-in and take-away, including food and beverages which are served by catering companies; and
- b. Money, gold bars and securities.

In addition, the government also exempts the levy of PPN for the handover of certain JKP goods, among others:



With the enforcement of Law 7/2021, the PPN rate as of 1 April 2021 is 11% (eleven percent); and will be increased to 12% (twelve percent) as of 1 January 2025.

Any sellers of BKP or JKP are required to issue PPN collection receipts or tax invoices, with the exception of retail merchant taxpayers who sell BKP or JKP to final consumers. Tax invoices can be used as PPN credits for BKP or JKP buyers.

### ● Digital VAT

Since 1 July 2020, the Indonesian Government has regulated the levy of PPN for the use of intangible goods or services originating from other countries through the electronic system or trading activity (*Perdagangan Melalui Sistem Elektronik/PMSE*).

Collection of PPN for PMSE is conducted by application provider company which is appointed by the government. This policy is issued in response to the increasing use of intangible goods or services in digital form, such as streaming services and transactions for other digital products. To date, 130 companies have been registered as PMSE collectors.



## 4.2 Luxury-Goods Sales Tax

Luxury Goods Sales Tax (*Pajak Penjualan atas Barang Mewah/PPnBM*) is a tax imposed on producers or importers for the production or import of luxury goods. PPnBM is only imposed once, upon the handover of goods by producers or upon the importation of said goods. PPnBM tariffs vary from 10% to 200%, depending on the type of luxury goods. If entrepreneurs export Taxable Goods which are classified as luxury goods, then PPnBM with 0% tariff will be imposed.

The criteria for luxury goods shall comprise the following:



Non-essential commodities



Goods consumed by certain groups



Goods consumed by high-income individual



Goods that are consumed only to show status or social class

## 5. OTHER TAXES

### 5.1 PBB

Land and Building Tax (*Pajak Bumi dan Bangunan/PBB*) is a tax imposed on Individuals or Entities who have the right, control and obtain benefits over Land and/or Buildings. Land and Building Tax is not imposed if the lands or buildings in question:



Are used by the Government and Regional Governments for the organization of government;



Are used to serve the public interest in the fields of Religion, Social Affairs, Health, Education and National Culture;



Are used for graves, archaeological remains, or the like;



Are protected forests, nature reserve forests, tourism forests, national parks, grazing lands controlled by villages, and state lands that have not been encumbered with any rights;



Are used by diplomatic representatives and consulates;

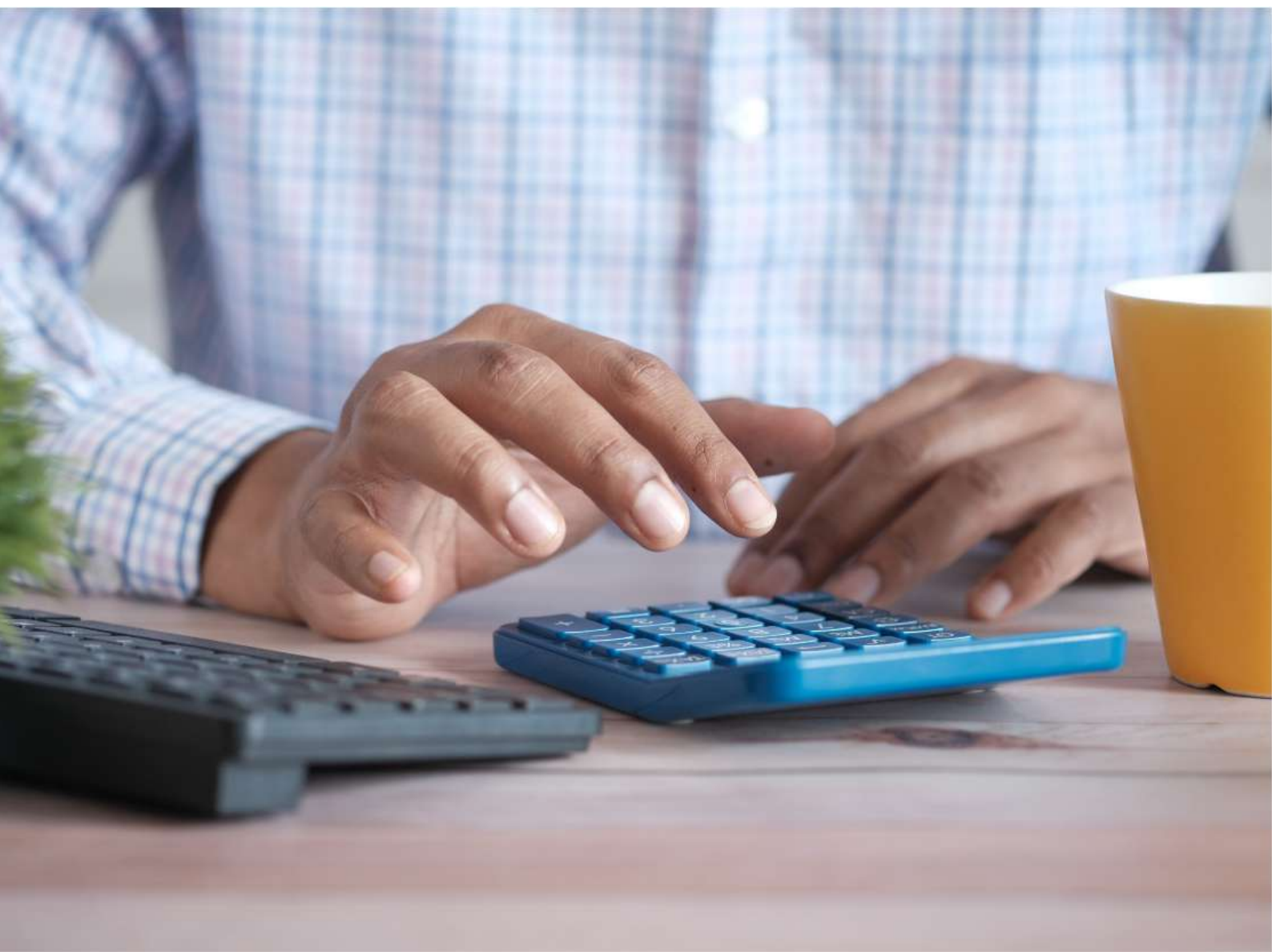


Are used by agencies or representatives of international agencies.

In general, PBB is divided into Rural and Urban PBB (PBB Perdesaan dan Perkotaan/PBB-P2) which is managed by Regional Governments and Plantation, Forestry and Mining PBB (PBB Perkebunan, Perhutanan dan Pertambangan/PBB-P3) which is managed by the Central Government through the Directorate-General of Tax.

**Law No. 28 Year 2009 on Regional Taxes and Levies**, clarifies that the basis for the imposition of PBB-P2 is the Tax Object Sales Value (*Nilai Jual Objek Pajak/NJOP*) in which the amount is stipulated by a Regional Head. Every Taxpayer is entitled to a Non-Taxable Sales Value of Taxable Object (*Nilai Jual Obyek Pajak Tidak Kena Pajak/NJOPTKP*) of which the amount is stipulated by Regional Governments and shall be at a **minimum of IDR10,000,000 (ten million rupiahs)**. The PBB-P2 tariff is set by a Regional Regulation of a **maximum of 0.3%**.

**Law No. 12 Year 1994 on Land and Building Tax**, clarifies that the base of PBB-P3 tax is equal to the Taxable Sales Value (*Nilai Jual Kena Pajak/NJKP*) which is a certain percentage of the Tax Object Sales Value (NJOP). The NJKP PBB-P3 shall be stipulated by a Government Regulation of a **minimum of 20% and a maximum of 100%** of the NJOP. The PBB-P3 tariff is set at **0.5%**.



## 5.2 Stamp Duty

Based on Law No. 10 Year 2020 on Stamp Duty which comes into force on 1 January 2021, Stamp Duty is a tax on Documents. Included in the definition of document are handwritten, printed or electronic documents.

Stamp Duty shall be imposed on:	Stamp Duty is not imposed on Documents in the form of:
<ul style="list-style-type: none"> <li>a. Agreement, Certificate, Affidavit documents;</li> <li>b. Notarial Deed</li> <li>c. Deed of Land Deed Official</li> <li>d. Securities and Futures Contract Documents</li> <li>e. Tender Documents</li> <li>f. Documents stating the amount of money is more than IDR5,000,000 (Five Million Rupiahs)</li> <li>g. Documents used as evidence in court.</li> <li>h. Documents of the purchase and sale of shares in the Indonesia Stock Exchange.</li> </ul>	<ul style="list-style-type: none"> <li>a. Documents relating to goods depository, bill of lading, passenger and goods transportation certificate, proof for the delivery and receipt of goods;</li> <li>b. Diplomas;</li> <li>c. Receipts for the payment of salaries, standby compensation, pensions, allowances and other payments relating to employment relationships;</li> <li>d. Proof of receipt of state funds from the state treasury, regional government treasuries, banks and other institutions appointed by the state;</li> <li>e. Tax receipts</li> <li>f. Receipt of money which is made for internal organization purposes;</li> <li>g. Documents of deposits of money, securities and payments of deposits to depositors by banks, cooperatives and other entities which organize the deposit of money,</li> <li>h. Issuance of securities by custodians to customers;</li> <li>i. Pledge certificate;</li> <li>j. Sign for the sharing of profits, interest or yields from securities,</li> </ul>



For the 2021 edition, there are 3 (three) types of Stamp Duty, namely:

Post Premium Stamp	Electronic Stamp	Other Forms of Stamp
Stamps have the general characteristics of an image of Garuda Pancasila, the phrase "Stamps Duty" and a nominal value. Stamp Duty also feature specific designs, materials and printing techniques as security elements.	Used for the granting of Stamp Duty on electronic documents. Electronic Stamp has a unique code and certain information.	Duty are manufactured through the use of digital stamping machines, computerized systems, printing technologies and other technologies.

*Stamp Duty is imposed 1 (one) time for each document with tariff of IDR10,000 (Ten Thousand Rupiahs).*

## 6. STATUTE OF LIMITATION

The amount of payable tax reported by a Taxpayer through a Tax Return (SPT) becomes certain after 5 (five) years, unless the Taxpayer commits a criminal act in the taxation sector. Within a period of 5 (five) years, the Directorate-General of Tax may issue a Tax Invoice or Tax Underpayment Assessment under the following conditions:



Tax Bills (*Surat Tagihan Pajak/STP*) is a facility used by the Directorate-General of Tax to collect tax underpayments which are discovered from the results of research, administrative sanctions due to failure to draw up Tax Invoices, late in drawing up Tax Invoices and late submission of tax returns, as well as used to collect interest for lateness in tax payment which is calculated per month for a maximum of 24 (twenty-four) months.

Notice of Tax Underpayment Assessment (*Surat Ketetapan Pajak Kurang Bayar/SKPKB*) shall be issued if, based on results of an examination, it is discovered that there is an underpaid tax amount. The amount of tax underpayment in the SKPKB shall be added with the administrative sanction which is calculated on a monthly basis for a maximum of 24 (twenty-four) months.



Taxpayers may file an Objection to an SKPKB which is issued within a period of 3 (three) months. The Director-General of Tax must render a decision on any Objection submitted by Taxpayers within a period of 12 (twelve) months. In the event that the objection of a Taxpayer is rejected or partially granted, the Taxpayer shall be imposed on an administrative sanction in the form of a fine in the amount of 30% (thirty percent).

Taxpayers may file an Appeal application to the Tax Court against a Decision on Objection within a period of 3 (three) months. In the event that a Taxpayer's appeal is rejected or partially granted, the Taxpayer is subject to an administrative sanction in the form of a fine in the amount of 60% (sixty percent).





# INDONESIA INVESTMENT GUIDEBOOK





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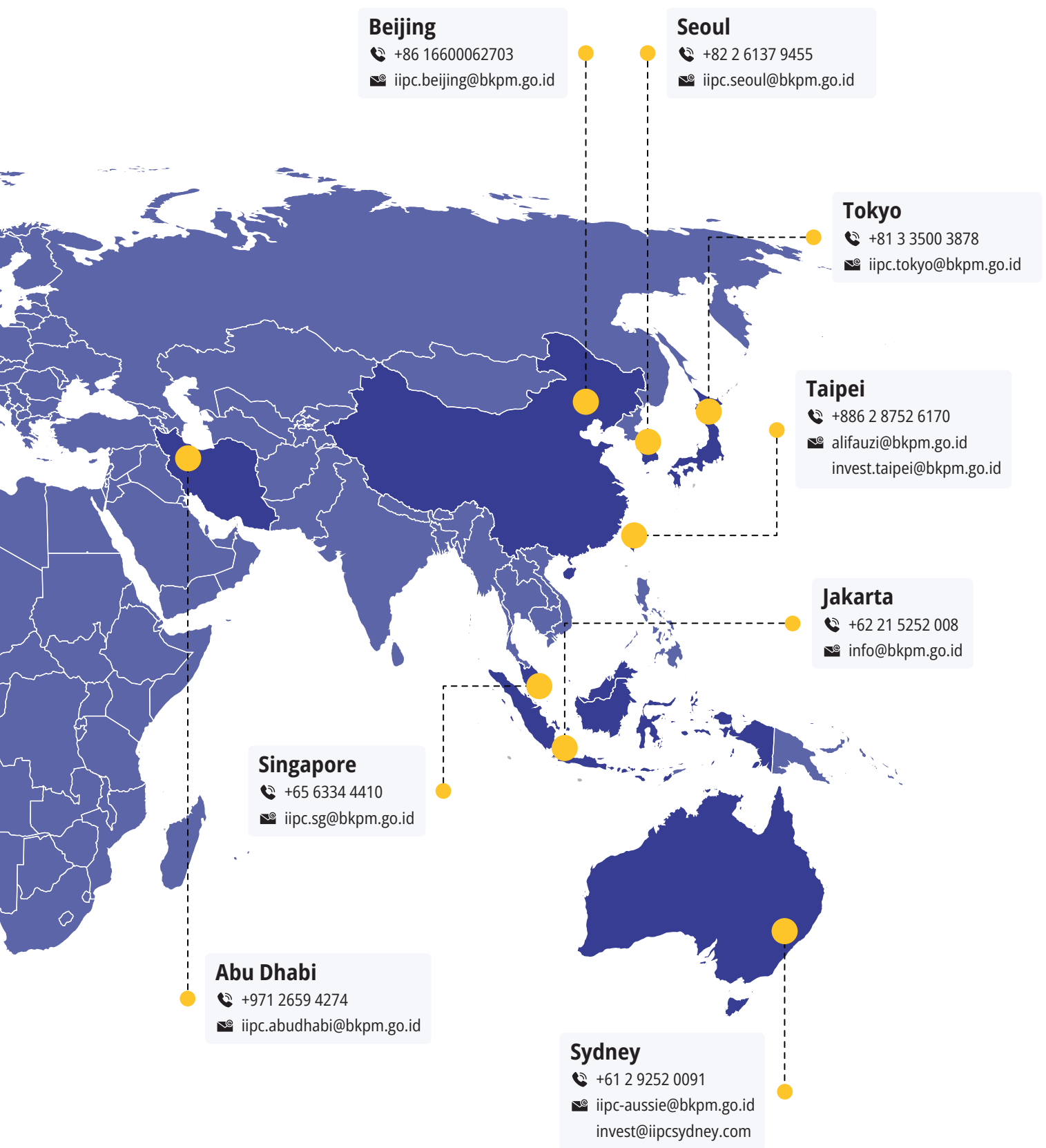
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