INDONESIA INVESTMENT GUIDEBOOK

MINISTRY OF INVESTMENT/
INDONESIA INVESTMENT COORDINATING BOARD

Indonesia Investment Guidebook

2023

Index
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Foreword

The momentum of economic growth and high interest in investing in Indonesia must continue to be maintained. As of the third quarter of 2023, investment realization had reached IDR 374.4 trillion, or an increase of 7.0% compared to the previous period. Even if we look at the annual data, this realization reached double digits or 21.6% compared to the same period in 2022.

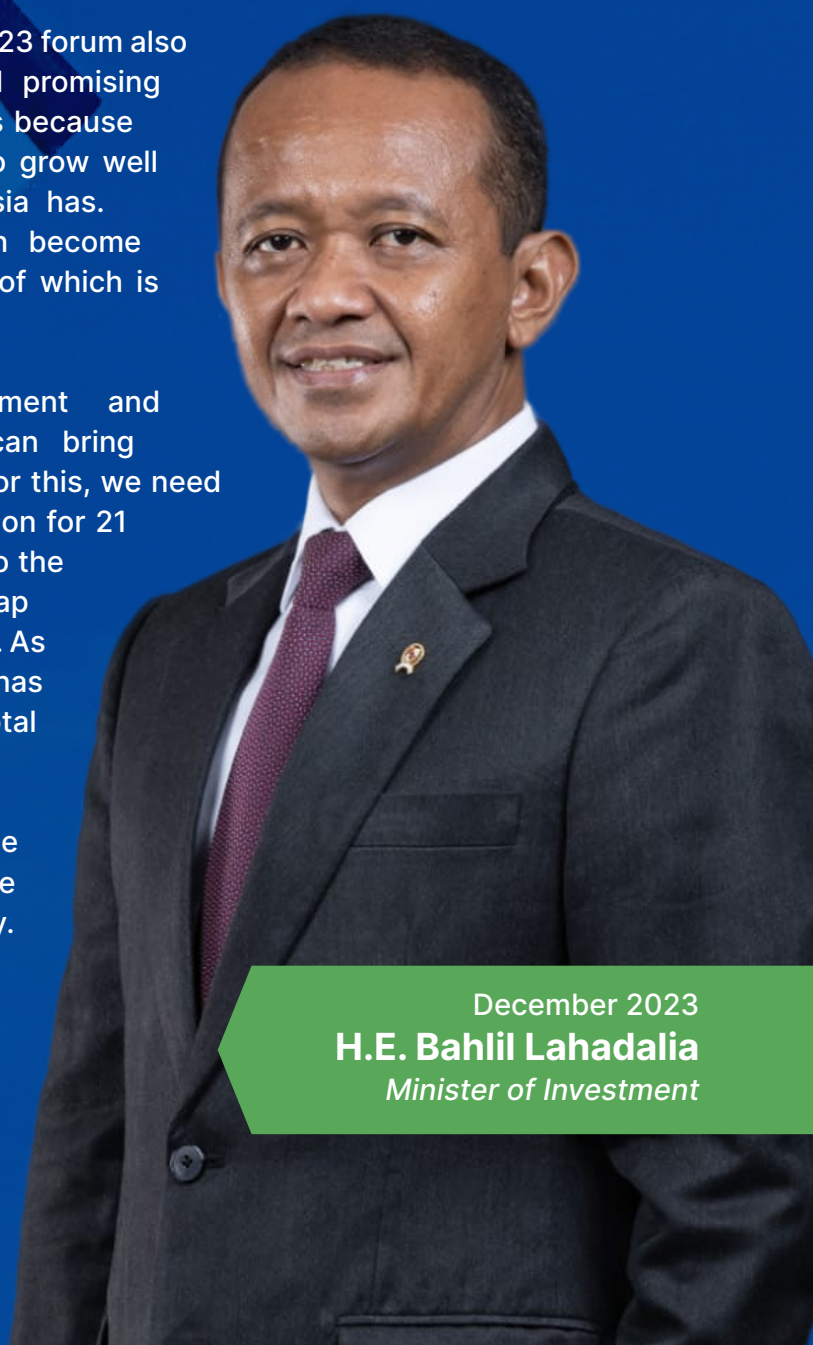
Cumulatively, investment realization data during the January – September 2023 period reached IDR 1,053.1 trillion, or an increase of 18.0% compared to the same period in 2022. This value has reached 75.2% of the 2023 target of IDR 1,400 trillion.

Realization of Foreign Direct Investment (PMA) in the above period grew 16.2% compared to the same period in the previous year and still dominates with a total achievement of IDR 196.2 trillion (52.4%) compared to Domestic Investment (PMDN).

President Jokowi at the APEC CEO Summit 2023 forum also underlined that Indonesia is the right and promising choice for investors to invest. One of them is because Indonesia's economic growth is predicted to grow well and the number of potentials that Indonesia has. Several of Indonesia's priority sectors can become investment opportunities for investors, one of which is the industrial downstream sector.

The government believes that investment and downstream are important factors that can bring Indonesia to become a developed country. For this, we need downstream investment worth US$545.3 billion for 21 commodities in 8 priority sectors according to the Strategic Investment Downstream Roadmap prepared by the Ministry of Investment/BKPM. As of September 2023, downstream investment has reached IDR 266 trillion, or 25.3% of the total investment realization value.

We hope that in the coming years, the achievement of this investment will exceed the targets set both in terms of value and quality. Furthermore, it is more important that investment that enters and develops in Indonesia can create jobs, increase prosperity, and bring this country to a higher level on par with other developed countries.



December 2023

H.E. Bahlil Lahadalia

Minister of Investment

Disclaimer

This guide book is prepared according to the latest data, information and regulations available at the time of writing. If there is any update regarding the data, information and regulations, please email to the Directorate of Investment Promotion Development, Ministry of Investment at:

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Chapter 1

Indonesia at A Glance

01 Economic and Political Overview

The relatively high and sustainable economic growth has encouraged Indonesia to be included in the G20 group or countries with the world's largest Gross Domestic Product (GDP) and join an international cooperation forum. Indonesia's economic contribution to the world has also increased in the last 20 years. In the early 2000s, Indonesia's economic contribution reached 2.7 percent and in 2021 it increased to 3 percent. By 2045, it is predicted that Indonesia, China, and India will become the world's largest economies.

Table 1.1 - Economic Share of G20 Countries (Nominal GDP, Current PPPs)

Country	2000	2005	2010	2015	2020	2021
Argentina	1.2	1,0	1,0	1,0	0,9	0,9
Australia	1.3	1.3	1.3	1.2	1.3	1.3
Brazil	4.0	3.8	3.9	3.4	3.0	3.0
Canada	2.3	2.2	1.9	1.8	1.7	1.7
China	9.2	12.4	17.3	19.9	22.6	23.2
France	4.0	3.6	3.3	3.0	3.0	2.9
Germany	5.6	4.9	4.5	4.4	4.4	4.1
India	5.4	6.1	7.0	7.8	8.1	8.3
Italy	3.9	3.3	2.9	2.5	2.4	2.3
Japan	8.7	7.7	6.3	5.8	4.9	4.5
Korea	2.2	2.3	2.2	2.2	2.2	2.1
Mexico	2.7	2.5	2.4	2.5	2.2	2.1
Russian Federation						
Saudi Arabia	0.0	2.1	2.0	1.8	1.6	1.5
South Africa	1.0	1.0	0.9	0.9	0.7	0.7
Turkey	2.5	1.5	1.8	2.3	2.2	2.2
United Kingdom	3.9	3.9	3.7	3.2	2.9	2.8
United States	25.7	24.5	21.1	20.4	19.6	19.7
European Union	23.7	21.9	20.3	19.0	19.1	18.5

*Note: The Russian Federation is included in the G20 estimates, butit is not shown separately.

The Indonesian economy is predicted to grow in size with the size of its GDP and Indonesia's economic contribution will increase in line with the growing market size supported by the middle class. In 2023, Indonesia's economic position is estimated to be at number 15 in the world, then by 2028 it is estimated to have occupied the 13th position in the world. By 2045, the Indonesian economy is believed to be in the top 5 positions in the world.

Table 1.2 - GDP, current prices (Billions of U.S. dollars)

Country	2023	2024	2025	2026	2027	2028
Argentina	641	639	636	650	681	712
Australia	1,708	1,720	1,787	1,854	1,930	2,005
Brazil	2,081	2,211	2,322	2,449	2,588	2,759
Canada	2,090	2,179	2,281	2,385	2,492	2,605
China, People's Republic of	19,374	20,881	22,408	24,036	25,722	27,493
France	2,923	3,019	3,133	3,233	3,322	3,391
Germany	4,309	4,446	4,635	4,822	4,947	5,044
India	3,737	4,062	4,403	4,766	5,153	5,575
Indonesia	1,392	1,509	1,632	1,761	1,899	2,049
Italy	2,170	2,218	2,285	2,347	2,407	2,450
Japan	4,410	4,526	4,731	4,923	5,077	5,344
Korea, Republic of	1,722	1,793	1,871	1,950	2,033	2,123
Mexico	1,663	1,733	1,797	1,860	1,929	2,003
Russian Federation	2,063	2,118	2,159	2,206	2,235	2,266
Saudi Arabia	1,062	1,082	1,120	1,162	1,208	1,257
South Africa	399	415	430	444	457	469
Türkiye, Republic of	1,029	1,087	1,146	1,210	1,273	1,335
United Kingdom	3,159	3,375	3,574	3,793	4,016	4,245
United States	26,855	27,741	28,766	29,903	31,092	32,350
Advanced economies	**60,469**	**62,643**	**65,153**	**67,753**	**70,310**	**72,992**
Emerging markets and developing economies	**45,100**	**48,121**	**51,297**	**54,673**	**58,195**	**61,959**
World	**105,569**	**110,764**	**116,450**	**122,426**	**128,505**	**134,950**

Source: International Monetary Fund, 2023

Indonesia's economic growth in the next 5 years is targeted to be more than 5.6 percent. It will continue to increase to more than 6 percent by 2030-3035. This is to support the Indonesian economy to become an economically advanced country in 2045. One of the indicators that shows Indonesia's economic progress is the GDP per capita. Indonesia's GDP per capita in 2023 is estimated to be US$ 5,017 per capita. Then it will continue to increase and will amount to US$7,073 by 2028.

Table 1.3 - GDP per capita, current prices (U.S. dollars per capita)

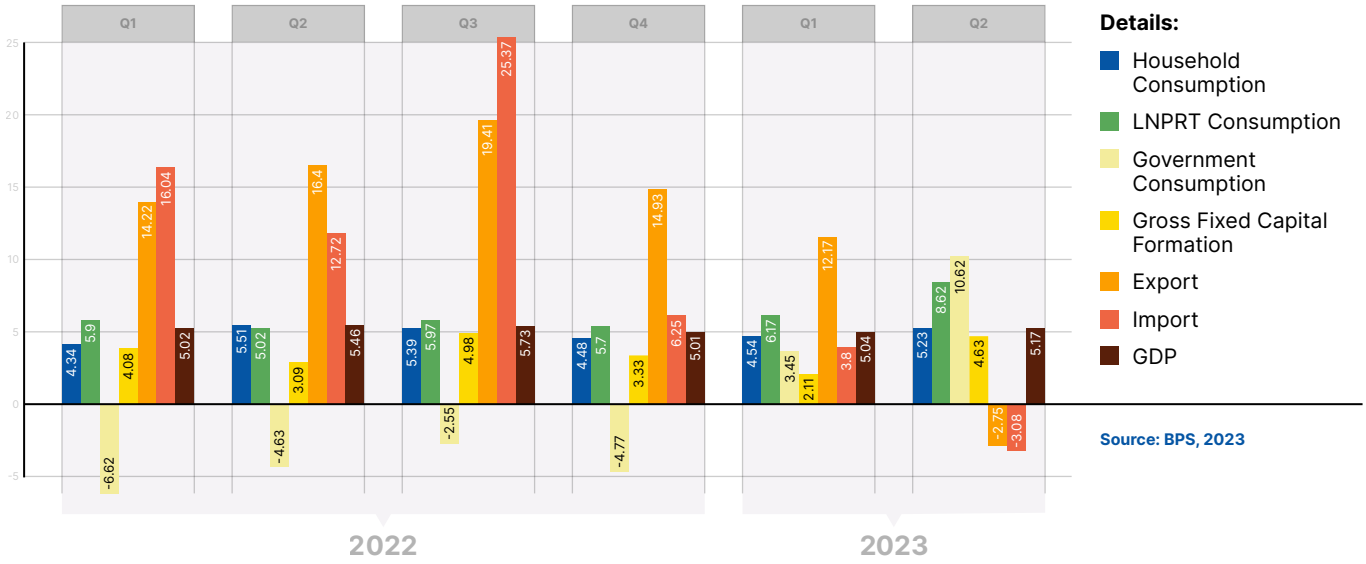
Country	2023	2024	2025	2026	2027	2028
Argentina	13,709	13,520	13,326	13,494	13,984	14,490
Australia	64,964	64,603	66,303	67,970	70,251	72,142
Brazil	9,673	10,218	10,676	11,202	11,658	12,124
Canada	52,722	54,234	56,047	57,888	59,762	61,749
China, People's Republic of	13,721	14,801	15,901	17,083	18,317	19,623
France	44,408	45,729	47,331	48,695	49,896	50,793
Germany	51,384	53,007	55,262	57,520	59,053	60,260
India	2,601	2,803	3,012	3,232	3,466	3,720
Indonesia	5,017	5,388	5,777	6,179	6,610	7,073
Italy	36,812	37,645	38,803	39,872	40,899	41,660
Japan	35,385	36,492	38,333	40,095	41,569	44,000
Korea, Republic of	33,393	34,807	36,355	37,930	39,594	41,381
Mexico	12,674	13,098	13,473	13,846	14,252	14,694
Russian Federation	14,404	14,821	15,140	15,508	15,752	16,022
Saudi Arabia	29,922	29,893	30,337	30,854	31,434	32,075
South Africa	6,485	6,648	6,780	6,889	6,987	7,060
Türkiye, Republic of	11,932	12,461	12,997	13,574	14,136	14,679
United Kingdom	46,371	49,321	52,001	54,978	58,009	61,130
United States	80,035	82,132	84,601	87,361	90,231	93,259
Advanced economies	**55,538**	**57,338**	**59,437**	**61,610**	**63,742**	**65,968**
Emerging markets and developing economies	**6,666**	**7,039**	**7,426**	**7,833**	**8,250**	**8,689**
World	**13,440**	**13,969**	**14,549**	**15,153**	**15,755**	**16,384**

Source: International Monetary Fund, 2023

Furthermore, from a macroeconomic perspective, amid the current global dynamics, the Indonesian economy in the second quarter of 2023 was able to grow by 5.17 percent, higher than its achievement in the first quarter of 2023, which was able to grow by 5.04 percent. Economic growth in the second quarter of 2023 was supported by the household consumption rate of 5.23 percent. The next driving force for economic growth is government consumption, which can grow by 10.62 percent.

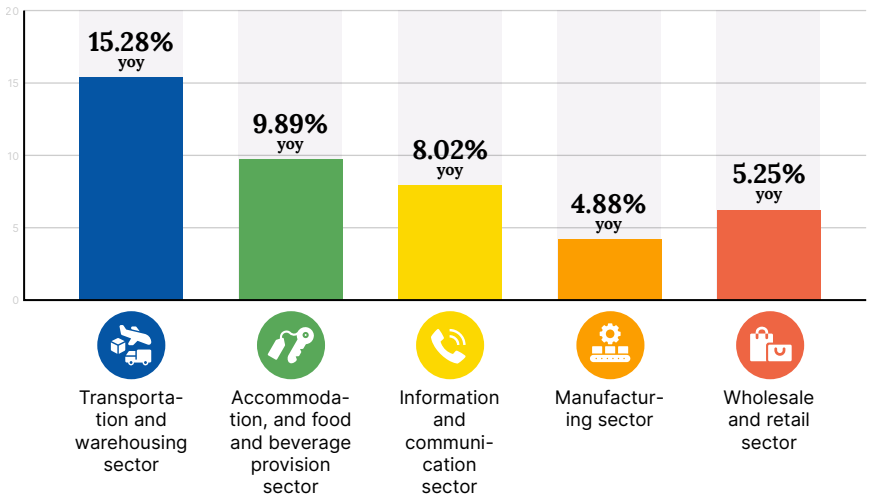
Economic growth in the second quarter of 2023 was supported by the household consumption rate of 5.23 percent. The next driving force for economic growth is government consumption, which can grow by 10.62 percent. The investment rate grew at 4.63 percent, up from Quarter II. In the second quarter of 2023, the import rate grew by -3.08 percent, reflecting the slowdown in import activities. In line with imports, the export rate in Quarter I grew by 11.68 percent and was the highest compared to other components, however, in Quarter II it grew by -2.75 percent. Although the export and import components appear to have undergone corrections, they do not have a significant effect on the achievement of economic growth, this is due to the strength of the domestic market and the purchasing power of the people who become the driving force of the economy.

Figure 1.1 - Indonesia's Economic Growth on the Expenditure Side (%, yoy)



The performance of GDP from the expenditure side is interesting to be explored further in relation to the strengthening of household consumption, as indicated by its dominant share which reached 53.31 percent in the second quarter of 2023.

From a sectoral perspective, Indonesia's economic growth in the second quarter of 2023 was driven by, among others :



The implication of the moderate growth of the sectors which are the main pillars of economic growth is that in the first and second quarters of 2023, the Indonesian economy will still grow stably and should maintain the momentum of economic recovery. In the 2023 state budget, economic growth is expected to reach 5.3 percent or equivalent to the achievement of 2022 economic growth in which Indonesia's economic growth is 5.31 percent.

Furthermore, Indonesia will hold elections in 2024. The political year can be used as a moment to spur potential sectors. One of the potential sectors is the textile, paper, printing, and media industries. These industries will have a great opportunity to exist in the country due to the momentum of the elections, especially since the elections in 2024 will be simultaneous. In addition to this sector, other potential sectors that will experience high demand are hotels, restaurants, and transportation. Several sectors, in my opinion, will become the engines of the domestic economy in 2023 and 2024.

Image source: voi.id (Angga Nugraha)

The economy itself is predicted to grow positively amidst global uncertainty considering that the current government's policy is to focus on maintaining economic stability during the political year. In addition, the pandemic situation has ended and will provide a breath of fresh air that encourages public consumption. This will provide a positive signal, especially for the upper middle class who are starting to increase their consumption. From the capital market perspective, the Jakarta Composite Index (JCI) will show a positive trend during the election period. During the month and year of the General Election, the IHSG always shows an upward trend. This is also followed by an increase in the money supply in the community, which can come from various programs such as Direct Cash Assistance (*Bantuan Langsung Tunai/BLT*) or the Family Hope Program (*Program Keluarga Harapan/PKH*). With this condition, the shares that are encouraged are the consumer sector and the financial sector (finance). The hope is that with the right strategies and investments in the right sectors, the performance of the economy during the political year will improve.

02 Investment Climate

The rating agency Standard and Poor's (S&P) has maintained the Sovereign Credit Rating of the Republic of Indonesia at BBB with a stable outlook on 4 July 2023. This decision takes into account the prospect of solid economic growth, a good track record of policies, and fiscal consolidation which is faster than the initial target. On the other hand, the stable outlook reflects S&P's confidence in the sustainability of Indonesia's economic recovery for the next two years, which will support fiscal performance and debt stabilization.

S&P is of the view that easing inflationary pressures along with increases in Government spending leading up to the general election is expected to boost private consumption during the second half of 2023. This will support Indonesia's economic performance amidst the challenges of slowing global demand, thus the Indonesian economy in 2023 is estimated to grow by 4.8%. S&P also believes that the ongoing policy reforms with the support of favourable demographic structures will positively impact the Indonesian economy. This is also reinforced by the implementation of the Job Creation Law, which was recently revised by the Government and is expected to improve the business climate to encourage investment and potential economic growth.

From an external perspective, the S&P views that the improvement in the performance of Indonesia's external sector is expected to be able to withstand the impact of the slowdown in commodity prices. The implementation of downstream policies and the improvement of processing capacity in the mining sector to increase the added value of mining products is considered to be able to help increase export revenues. The S&P also views its foreign-exchange reserve level as re-elevating, after briefly declining in the second half of 2022, supported by the current account surplus and foreign capital inflows.

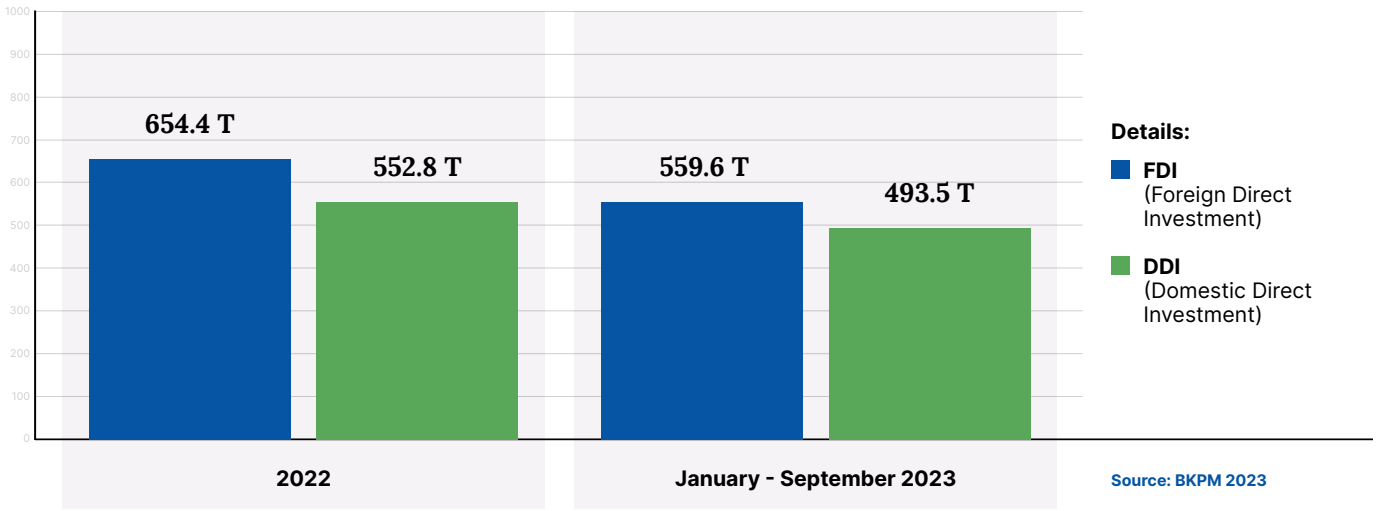
From a fiscal perspective, S&P views that any more rapid fiscal consolidation will result in the reduction of Indonesia's fiscal deficit to under 3% of GDP one year ahead of the target. The fiscal deficit was recorded at 2.4% of GDP in 2022, far lower than in 2021 which reached 4.7% of GDP. The S&P forecasts that the fiscal deficit will fall again in 2023 to around 2.3% of GDP, supported by higher revenues and controlled Government spending. It is believed that the reduced fiscal deficit will reduce the Government's debt and interest expense. However, it should be noted that the limited revenue base of the Government remains a challenge for Indonesia's rating development going forward. In addition to the S&P, other rating agencies also gave good assessments, such as Fitch Rating which granted Indonesia BBB status, Japan Credit Rating Agency, and Rating and Investment Information Inc give BBB+.

Table 1.4 - Updates on Indonesia Sovereign Credit Rating

Rating Agency	Outlook	Credit Rating	Last Update
Standard & Poor's	Stable	BBB	10-Jul-23
Fitch Ratings	Stable	BBB	14-Dec-22
Moody's Investor Service	Stable	Baa2	10-Feb-22
Japan Credit Rating Agency	Stable	BBB+	27-Jul-22
Rating and Investment Information Inc.	Positive	BBB+	25-Jul-23

Source: OJK 2023

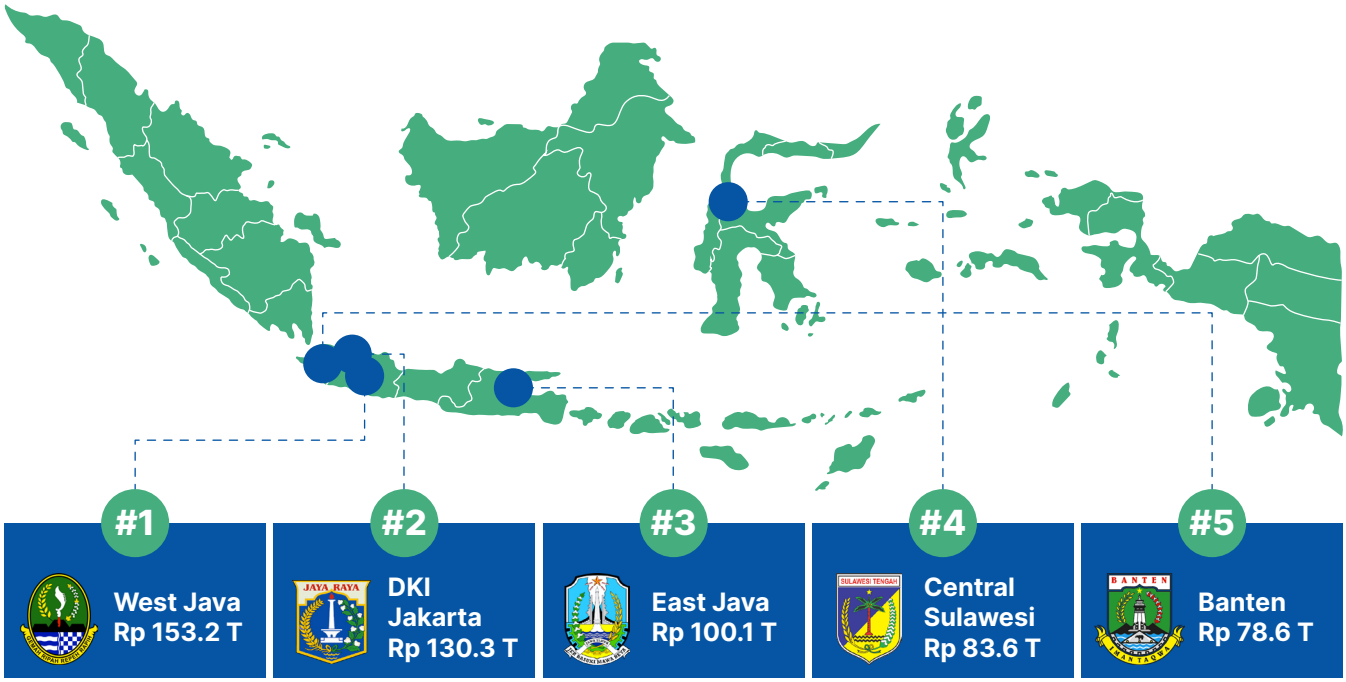
In line with assessments from various rating agencies, Indonesia's investment realization has also shown an impressive achievement:



Source: BKPM 2023

Investment realization is based on region, therefore West Java is the province with the largest investment realization which reached IDR174,6 Trillion. In the second and third positions are the Province of DKI Jakarta and the Province of Central Sulawesi. The downstream development of the nickel mining industry in Central Sulawesi Province has proven that there is an acceleration of the growth of investment realization and economic growth in the region.

Figure 1.2 - Top 5 Investment Locations (FDI and DDI) in January - September 2023



Source: BKPM 2023

03 Investment Opportunities

Indonesia has various programs, policies, and regulations to improve the quality of investment to encourage inclusive and sustainable economic growth. The government shall establish a basic investment policy to encourage the creation of a conducive business climate for investment to strengthen the competitiveness of the national economy and accelerate the increase of investment. Guarantee legal certainty, business certainty, and business security for investors from the licensing process until the end of investment activities in accordance with the provisions of the laws and regulations.

Direction of Investment Policy: Quality Investment 2020-2024

Optimizing the use of natural resources and domestic production	Encouraging downstream products and increased use of domestic products
Environmental and social Equality (ESG)	Encouraging increased investment in business sectors categorized as green investment and having a large positive social impact and equitable investment throughout indonesia
Export Oriented and Import Substitution	Encouraging investment in export-oriented industries and industries that substitute imports
Improve Competitiveness and Market Access	Encouraging increased perceptions and opening up a wider market for national companies and MSMEs through business partnerships
Transfer of Knowledge and Technology	Encouraging human resource development and increasing R&D in an effort to master technology
Increase Productivity	Encourage increased company efficiency (i.e industry 4.0) and improvements to the Incremental Capital Output Ratio (ICOR)
Job Creation/ Labour Intensive	Encouraging investment in labor-intensive business fields and developing business fields that involve the community by utilizing existing human resources

3.1. Investment Opportunity Map

The list of investment projects is spread across various regions of Indonesia, from Sumatra to Papua. Estimated investment needs by region can be seen below.

Island	No	Province	Regional Investment Sector
Sumatera	1.	Nanggroe Aceh Darussalam	Aceh Ladong Industrial Estate
	2.	North Sumatera	DPPP Toba Lake
			Alumunium Extrusion
			Orange
			Medical Equipment from Natural Rubber
	3.	West Sumatera	Gambir (textile dye)
	4.	Riau	Palm Oil Downstream
	5.	Riau Islands	Alumunium Smelter Refinery
			Alumunium Wire Rod
			Wing in Ground
	6.	Jambi	Kemingking Industrial Estate
	7.	Bangka Belitung	DPP Bangka Belitung
	8.	South Sumatera	Coal based MEG
			Sugarcane
	9.	Lampung	Pesawaran Industrial Estate
Java	10	Banten	KEK Tanjung Lesung
			Power Plant from NRE
			Solar Panel
	11.	DKI Jakarta	Integrated Charging Station
	12.	West Java	Automotive Component
			Pharmaceutical
			Airplane Tires
			Electric Motorcycle
	13.	Central Java	DPP Borobudur

Island	No	Province	Regional Investment Sector
Java	14.	East Java	DPP Bromo Tengger Semeru
			Hazardous Waste Processing Facility
			Integrated Soda ash
			Banana
			Pharmaceutical Salt
			Bioethanol
			Copper
			Agriculture Equipment and Machinery
			Tin Downstream Industry
	15.	Special Region of Yogyakarta	Airport Cargo Village
Bali and Nusa Tenggara	16.	Bali	LNG Terminal and Regasification
	17.	West Nusa Tenggara	DPP Lombok Mandalika
			Cattle Farm
			Shrimp Cultivation
	18.	East Nusa Tenggara	DPP Labuan Bajo
			Cattle Farm
Kalimantan	19.	West Kalimantan	Fatty Alcohol
			Material of Electronic Component
			Bauxite Downstream Industry
	20.	Central Kalimantan	Smelter Sponge Iron
	21.	North Kalimantan	Palm Oil Downstream
	22.	East Kalimantan	Integrated Shrimp Farming
			Fatty Amine Industry
			Renewable Energy Infrastructure
			Water Supply and Management Infrastructure
			Logistic and Integrated Warehousing
			Nusantara Convention Center
			Integrated Horticulture Farming
			Buluminung Insutrial Eastate
			Integrated Poultry Farming
			Property
			Solar Polar Plant
			Palm Oil Downstream
	23.	South Kalimantan	Smelter Slab Billet Steel
			Smeter Iron Ore
Sulawesi	24.	North Sulawesi	DPP Manado
			Bitung Port

Island	No	Province	Regional Investment Sector
Sulawesi	25.	Gorontalo	Animal Feed (Corn)
			Coconut
	26.	Central Sulawesi	Ferro Nickel Stainless Smelter
			Cocoa
	27.	West Sulawesi	Cocoa
	28.	South Sulawesi	Copper Recycling
			Soybean
			Seaweed
	29.	Southeast Sulawesi	DPP Wakatobi
			Nickel Smelter
Maluku and Papua	30.	North Maluku	DPP Morotai
			Nickel Sulfate Smelter
	31.	Maluku	KSPN Banda
			Fisheries
	32.	Southwest Papua	DPP Raja Ampat
			Sorong Port
			Fish Canning
	33.	West Papua	Nugmeg Plantation
	34.	Papua	Sago Food Estate
			Coffee Bean

Note:

- Agro Industry
- Tourism
- Infrastructure
- Economic Zone & Real Estate
- Industry
- Renewable Energy

3.2. Strategic Priority Projects (Major Projects)

Based on the policy direction and medium-term development strategy, there are 12 (twelve) Strategic Priority Projects (MP) in the National Priority/ Development Agenda and the Twelve Major Projects on the Development Agenda in the 2020-2024 RPJMN.

Table 1.5 - Development Agenda (AP) / Major Project (MP)

AP 1: Strengthening Economic Resilience for Quality and Fair Growth	
MP1	Industry 4.0 in 5 Priority Sub Sectors: Food and Beverages, Textiles and Apparel, Automotive, Electronics, Chemicals and Pharmacy
MP2	9 industrial areas outside Java and 31 smelters
MP3	Food Estate (Food Production Center Area)
AP 2: Developing Regions to Reduce Gaps and Ensure Equity	
MP4	Development of the Batam Bintan Region
MP5	National Capital (IKN)
AP 3: Increasing Quality and Competitive Human Resources	
MP6	Accelerated Reduction of Maternal Mortality and Stunting
MP7	Integration of Social Assistance Towards a Comprehensive Social Protection Scheme
AP 4 : Mental Revolution and Cultural Development	
AP 5: Strengthening Infrastructure to Support Economic Development and Basic Services	
MP8	Integrated Main Port Network
MP9	ICT Infrastructure to Support Digital Transformation
MP10	Access to Piped Drinking Water (10 Million House Connections)
AP 6: Building the Living Environment, Increasing Disaster Resilience, and Climate Change	
MP11	Strengthening the Disaster Early Warning System
AP 7: Strengthening the Stability of Political, Legal, and Security Affairs and Transforming Public Services	
MP12	Strengthening NSOC SOC and Establishment of 121 CSIRT

Source: Bappenas, 2022

3.3. Priority Sectors

Based on the policy direction and medium-term development strategy, there are 12 (twelve) Strategic Priority Projects (MP) in the National Priority/Development Agenda and the Twelve Major Projects on the Development Agenda in the 2020-2024 RPJMN.

In its development, there are comparative and competitive advantages, and then the center of industrial growth will be spread and evenly distributed according to its potential and strength.

3.4. Economic Zone as Strategic Investment Location

The Indonesian government will ensure the continuity of the production process and/or industrial development. Central and regional governments will provide facilities for obtaining raw materials and/or auxiliary materials. This is as addressed under Regulation of the Government Number 28 of 2021 on the Organization of the Industrial Sector (Regulation of the Government 28/2021). The regulation will also regulate procedures for the supervision and control of industrial business activities and industrial zone business activities.

Under this Regulation, it is also mentioned that every company that engages in industrial activities must be domiciled in an industrial area or designated industrial area. The government will ensure the availability of infrastructure as well as facilities and infrastructure to support activities in industrial areas.

Indonesia is listed as having 20 Special Economic Zones, each of which has its specialization based on its comparative advantage in the Industry and Tourism sectors. In addition, Indonesia also has 138 Industrial areas, 4 Free Trade Zones (FTZ), 1,360 Bonded Zones, and 91 Bonded Logistic Centres across 131 Locations.

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

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

141 IEs
(Industrial Estate) large scale
Total Area: 63,161.12 Ha

1,360 BZs
(Bonded Zones)

91 BLCs
(Bonded Logistic Centers)

10 New Bali
(Priority Tourism Destinations)

Click link below for more information!

https://regionalinvestment.bkpm.go.id/pir/kawasan-industri-kek

List of Indonesia Industrial Estates

1 Nangroe Aceh Darussalam

- Aceh Ladong Industrial Estate

2 North Sumatera

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

3 West Sumatera

- Padang Industrial Park

4 Riau

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

5 Riau Islands

- Bintan Inti Industrial Estate
- Karimun Maritime Industrial Complex
- Batamindo Industrial Park
- Panbil Industrial Estate
- Bintang Industrial Park
- Puri Industrial Park 2000
- Tunas Industrial Estate
- Union Industrial Park
- Kabil Integrated Industrial Park
- Executive Industrial Park
- Sarana Industrial Point
- Sekupang Makmur Abadi Industrial Estate
- Hijrah Industrial Park
- Indah Industrial Park
- Kabil Integrated Industrial Park

6 South Sumatera

- Tanjung Enim Industrial Estate

7 Bangka Belitung

- Sadai Industrial Estate

8 Lampung

- Lampung Industrial Estate
- Waylaga Bizpark

9 Banten

- Modern Cikande Industrial Estate
- Modern Cikande Industrial Estate
- Nikomas Gemilang Industrial Estate
- Modern Cikande Industrial Estate
- SBS Industrial Estate
- Wilmar Integrated Industrial Estate
- Millenium Industrial Estate
- Pasar Kemis Industrial Estate
- Cikupamas Industrial Estate and Warehouse
- Royal Kosambi Industrial Estate
- Kosambi Permai Industrial Estate and Warehouse
- Griya Idola Industrial Park
- Sumber Rezeki Industrial Estate
- Laksana Business Park
- Krakatau Industrial Estate Cilegon
- Pancapuri Industrial Estate
- Kawasan Industri dan Pergudangan Taman Tekno BSD

10 DKI Jakarta

- Jakarta Industrial Estate Pulogadung
- Berikat Nusantar Industrial Estate

11 West java

- Jababeka Industrial Estate
- Hacaca Business Park
- 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 Jababeka Industrial Estate
- Marunda Center Industrial Estate
- Greenland International Industrial Center (GIIC)
- Jababeka Industrial Estate
- Lippo Cikarang Industrial Estate
- Karawang International Industrial City
- MM2100 Industrial Town BFIE
- MM2100 Industrial Town BFIE
- Marunda Center Industrial Estate
- Greenland International Industrial Center 2 (GIIC 2)
- Jababeka Industrial Estate
- Karawang International Industrial City
- 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
- Mandalapratama Permai Industrial Estate
- Suryacipta Subang Smartpolitan
- Artha Industrial Hill Industrial Estate
- Niaga Karawang Prima Park (GT Tech Park)
- Sinar Primera Industrial Karawang Eco City (SPIKE)
- Karawang New Industrial City
- Pertiwi Lestari Indutsrial Estate
- Suryacipta Subang Smartpolitan
- Karawang Jabar Industrial Estate
- Suryacipta Subang Smartpolitan
- Artha Industrial Hill Industrial Estate
- Suryacipta Subang Smartpolitan
- Kertajati Industrial Estate Majalengka

- Kota Bukit Indah Industrial City
- Lion Industrial Estate
- Cikaopark Integrated Industrial Estate
- SKI Industrial Estate
- Jatiluhur Industrial Smart City
- Suryacipta Subang Smartpolitan
- Taifa Industrial Estate
- Cikembar Industrial Estate
- Dwipapuri Abadi Industrial Estate

12 Central Java

- Batang Industrial Park
- Batang Industrial Park
- Jawa Tengah Land Industrial Park Sayung
- Kendal Industrial Estate
- Wijayakusuma Industrial Estate
- Aviarna Industrial Estate
- BSB Industrial Park
- Terboyo Semarang Industrial Estate

13 Special Region of Yogyakarta

- Piyungan Creative Economy Park Industrial Estate

14 East Java

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

15 West Kalimantan

- Ketapang Ecology and Agriculture Forestery Industrial Park
- KBS Industrial Estate
- Landak Industrial Estate

16 Central Kalimantan

- Surya Borneo Industrial Estate

17 South Kalimantan

- Batulicin Industrial Estate (TSB)
- Batulicin Industrial Estate (WCS)
- Batulicin Industrial Estate (SCL)
- Batulicin Industrial Estate (APP)
- Batulicin Industrial Estate (BCK)

18 East Kalimantan

- Batuta Industrial Estate (BCIP)
- Kariangau Industrial Estate
- Kaltim Industrial Estate

19 North Kalimantan

- KIPI

20 North Sulawesi

- Bolaang Mongondow (KIMONG) Industrial Estate

21 Central Sulawesi

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

22 South Sulawesi

- Makasar Industrial Estate

23 Southeast Sulawesi

- Konawe Industrial Estate
- Motui Industrial Estate

24 North Maluku

- Pulau Obi Industrial Estate
- Teluk Weda Industrial Estate
- EFI Industrial Estate

Special Economic Zones (SEZ)

A total of 20 SEZs spread from the west to the east of Indonesia are supported by the organization of infrastructure, provision of facilities and incentives as well as ease of investment.

One-Stop-Service
Administrator is appointed for all business licensing service

Thematic
Developer may choose one or more from designated themes

Multi Sectors
Developer may select more than one sector

Incentives and Facilities
Fiscal Incentives from Central and Local Government

The development of Special Economic Zones is a priority policy of the Indonesian government to determine allotment areas and sectoral themes that provide a favourable business environment complemented by the advantage of providing benefits in the form of both fiscal and non-fiscal incentives.

Sectors Opportunity in Indonesia SEZ

Petrochemical Industry	Base Metal Industry	Electronic Industry	Healthcare	Education	Automotive Industry	MRO Industry
Digital Technology Industry	Bauxite Industry	Nickel Smelter Industry	Energy	Logistics	Tourism	Food & Beverage Industry
Furniture & Toys Industry	Textile & Clothing Industry	Fishery Industry	Palm Oli Processing Industry	Rubber Industry	Forestry (Sago) Industry	Coconut Processing Industry

SEZ is developed through the preparation of areas that have geo-economic and geo-strategic advantages and which function to accommodate industrial activities, exports, imports, and other economic activities that have high economic value and international competitiveness. The presence of SEZ is expected to build the ability and competitiveness of the economy at the national level through value-added and value-chained industries and tourism. Until 2023, there are 20 SEZs in Indonesia.

Business Model in Indonesia SEZ

a

Investment Opportunity as A Tenant

- Invest in SEZ business sectors (Industry: palm oil, rubber, petrochemical, agro, fishery, manufacturing, logistics, tourism, etc)
- Joint venture with the SEZ developer as an investor

b

Investment Opportunity as A Developer

- Joint venture with the SEZ developer in operating and managing SEZ

c

Investment Opportunity as Infrastructure Provider Invest to Provide SEZ Infrastructures

- On-site infrastructure (power plant, water treatment plant, wastewater treatment
- Regional infrastructure or supporting infrastructure in the surrounding SEZ (road, port, airport, railway, electricity, water supply, gas, etc)

Fiscal Incentive

Corporate Income Tax (PPh) Deduction

- Tax Holiday
- Tax Allowance

Value Added Tax (PPn)

- Not Collected

Sales Tax On Luxury Goods

Delivery of Taxable Goods and/or Taxable services not collected

Custom & Excise

Exemption of import duty and import tax not collected for capital goods

Deferred Import Duty

and import tax for raw materials

Excise

Exempt from excise for raw materials or auxiliary materials

Local Tax

Reduction of local tax and/or retribution by 50%-100%

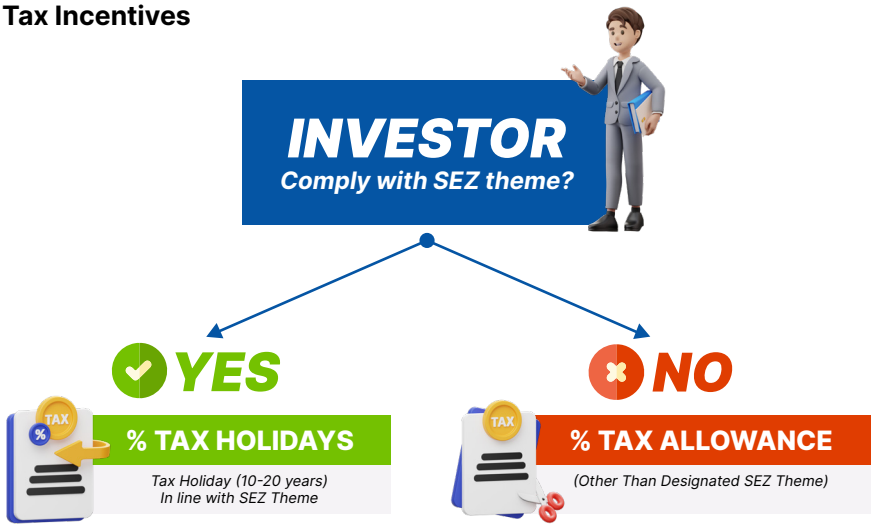
Good Traffic

Restricted item: Imports of goods to SEZ have not been subject to restrictions

Special Facilities Tourism SEZs

- VAT refund scheme
- Exemption for sale Tax on luxury

Corporate Income Tax Incentives



10 Years

Zero Tax for **minimum investment** of **IDR 100 Billion (USD 6,9M)** For developers & For Tenants (designated sectors)

15 Years

Zero Tax for **minimum** of **IDR 500 Billion (USD 34,5M)** For Tenants (designated sectors)

20 Years

Zero Tax for **minimum of IDR 1 Trillion (USD 67M)** For Tenants (designated sectors)

Applied for other than designated Sectors

- Reduction in net income of 30% of the amount invested, prorated at 5% for six years
- Losses carried forward for 10 years
- Accelerated depreciation and amortization
- Tax on dividends 10% or lower

Incentive on Import

VAT not collected
Luxury not collected
Import Income Tax not collected

Capital Goods (during construc-tion)	Raw Materials (during Operation)	Exemption of import duty	Deferred import duty and import tax for raw material

Incentive on Value Added Tax & Luxury Tax

Domestic Purchase VAT & Luxury Tax Not collected for :

Taxable Goods (capital goods & raw materials)	Delivery of selected Taxable service : Construction, contract manufacturing, and repairs

3.5. SDGs, ESG, Green Economy, Blue Economy, and Carbon Trading

One of the objectives of the state as stated in the Preamble to the 1945 Constitution is to realize the welfare of the people so that all forms of poverty must be eradicated. The increase of equitable welfare is the capital for sustainable economic growth. As one of the countries that have agreed to the Sustainable Development Goals (SDGs), Indonesia and 200 other countries in the world have agreed: Global Goals/Sustainable Development Goals.

Indonesia strives to eradicate extreme poverty by 2030. Based on the World Bank's poverty measurement with the Purchasing Power Parity approach, in 2015 approximately 8.8 percent of Indonesia's population lived below USD 1.25. Meanwhile, according to the National Poverty Line, 9.54 percent of the population is poor by 2022. By encouraging equitable growth across all expenditure groups, extreme poverty will no longer be found in Indonesia starting in 2040. In 2045, Indonesia's poverty rate will remain at 0.02 percent or around 63 thousand people who are still living below the poverty line.

One of the technical indicators that show the size of sustainable Development is ESG (Environmental, Social, Governance). ESG is one of the most widely used indicators to measure the sustainability and ethical impact of investments in businesses or companies.

Indonesia has a BGK Foundation which has prepared the Sustainability Composite Price Index (IHSGK) based on company disclosures in a Sustainability Report. The IHSGK is selected from companies that have prepared Sustainability Reports based on the standards of the Global Reporting Initiative (GRI), which in the same year, the BGK Foundation also developed the Climate and Climate 30 indices, based on the transparency assessment in the Sustainability Report, especially on the ESG factor of climate change. According to the report, Indonesia has experienced a significant movement toward ESG disclosure every year. In addition to BGKF, this study also uses Refinitiv and Sustainalytics as a reference for the ESG rating agency. The Refinitiv-LSE Group has summarized 100 publicly-traded and BEI-listed companies since 2019 which, when viewed from the mining industry category, private companies dominate the rankings, which are better than government-owned companies.

Sustainalytics has also issued an ESG indicator that can be used by investors, which is known as the ESG risk rating. These indicators measure a company's ESG risk, which is divided into several specific industries, and how well the company manages this risk. This indicator divides the severity of ESG risk into five categories, which may affect company values, namely **Negligible, Low, Medium, High, and Severe**.

3.6. Downstream Policy

Downstreaming of Natural Resources (SDA) has become one of the important pillars in strengthening the structure of the national economy. There are **three** main reasons for the downstreaming of SDA which is an important part of strengthening the structure of the national economy.

First	Second	Third
Through the downstream of natural resources, a stronger industrial structure will be established due to the establishment of a higher value-added downstream industry.	The creation of higher value-added industries also supports industrial capacities and capabilities to fulfil the demand for downstream natural resources that are still being imported.	The development of higher value-added industries will establish local value chains with supporting industries from other regions so that growth becomes more inclusive.

Indonesia already has a national downstream investment roadmap which is prepared with the principles and criteria that become the pillars in the planning and development of downstream investment so that the roadmap is directed and in accordance with the initial objectives. The national downstream investment roadmap is prepared based on the innovative, collaborative, inclusive, and sustainable pillars. The national natural resource downstream investment roadmap is prepared as the basis for policy directions and the development of investments that can encourage efforts to increase the added value of national strategic sectors. Indonesia has abundant natural resources so efforts to encourage downstreaming are important to achieve quality economic growth.

Downstreaming Roadmap

Roadmap of Natural Resources Downstreaming Project. In the investment roadmap to support downstreaming projects until 2040, there are **8 priority sectors and 21 industrial products**. The selection of said sectors and products is based on Indonesia's potential and advantages over these natural resources, as well as the potential for large market demands in the future. The total required investment value is **USD 545.3 Billion**.

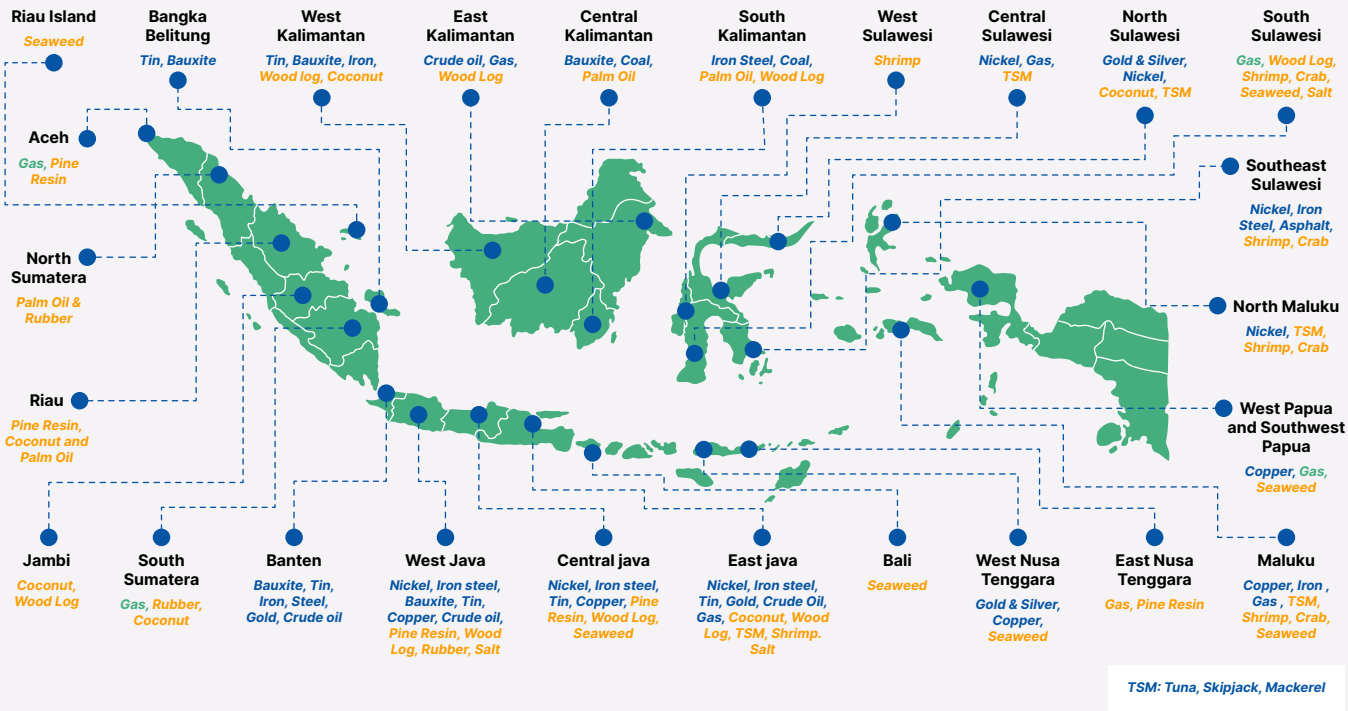
Mineral and Coal USD 431.6 Billion	1 Mineral	1-7: Nickel, Tin, Copper, Bauxite, Iron Steel, Gold & Silver, Asphalt	Plantation 5	11-14: Palm, Coconut, Rubber, Biofuel
	2 Coal	8: Coal	Marine 6	15-16: Seaweed, Salt
Oil and Natural Gas USD 68.3 Billion	3 Crude Oil	9: Crude Oil	Fishery 7	17-19: Tuna, Skipjack, Mackarel, Shrimp, Crab
	4 Natural Gas	10: Natural gas	Forestry 8	20-21: Wood Log, Pine Resin

Plantation, Marine, Fishery and Forestry

USD 45.4 Billion

Potential commodities for downstream projects are spread across various regions of Indonesia. Each region has a relatively different potential advantage, and this will become the downstream competence of each region.

Figure 1.3 - Investment Potential for Downstream Industry in Indonesia



Downstream Plan for Selected Commodities

Nickel
- EV Battery pack : Global Demand 2045 : USD 5,91 trillion
- Stainless HRC/CRC : Global Demand 2045 : USD 365 Billion

Iron Steel
- Construction : Global Demand 2045 : USD 566 billion
- Steel HRC : Global Demand 2045 : USD 148 trillion
- Automotive : Global Demand 2045 : USD 575 billion

Tin
- Electronic parts : Global Demand 2045 : USD 321 billion
- Food Packaging : Global Demand 2045 : USD 6,47 billion
- PVC : Global Demand 2045 : USD 135 billion

Gold and Silver
- Jewelry : Global Demand 2045 : USD 1.66 trillion
- Chip/Semiconductor : Global Demand 2045 : USD 8.36 trillion

Copper
- Cable industry : Global Demand 2045 : USD 300 trillion
- Electric Motor : Global Demand 2045 : USD 197 billion

Asphalt Buton
- Asphalt Extraction : Global Demand 2045 : USD 1,2 billion
- B 5/20 B 5/30 CPHMA

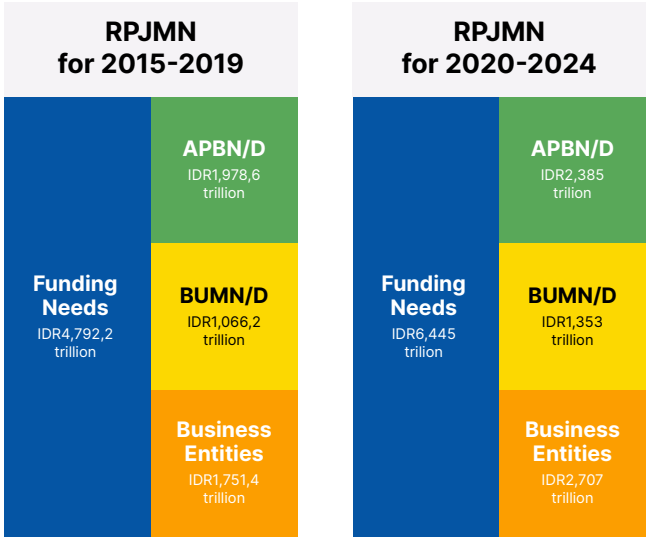
Bauxite
- Solar Panel : Global Demand 2045 : USD 4,4 trillion
- Food Packaging : Global Demand 2045 : USD 1,25 trillion
- Automotive Component : Global Demand 2045 : USD 425 billion
- Construction Materials : Global Demand 2045 : USD 245 billion

Coal
- Coke/Semi coke : Global Demand 2045 : USD 432 billion
- DME : Global Demand 2045 : USD 460 trillion
- Methanol : Global Demand 2045 : USD 221 billion

3.7. Project Financing Scheme

The Government's commitment to the provision of infrastructure funding is embodied in an RPJMN document, which is established through Regulation of the President Number 18 of 2020 on the 2020-2024 National Medium-Term Development Plan (Regulation of the President 18/2020). In the 2020-2024 RPJMN, the value is IDR. 6.445 trillion. From the value of said funding requirements, the central government and regional governments in their APBN/D are only able to provide funds amounting to IDR1,978.6 trillion in the 2015-2019 RPJMN and amounting to IDR2,385 trillion in the 2020-2024 RPJMN. As for BUMN/D, to fulfil the infrastructure provision, can provide funds amounting to IDR1,066,2 trillion in the 2015-2019 RPJMN and IDR1.353 trillion in the 2020-2024 RPJMN. Meanwhile, the rest is expected to be fulfilled from private business entities amounting to IDR1,751.4 trillion and IDR2.707 trillion.

Source of Funds for the Provision of Infrastructure



Source: Ministry of Finance

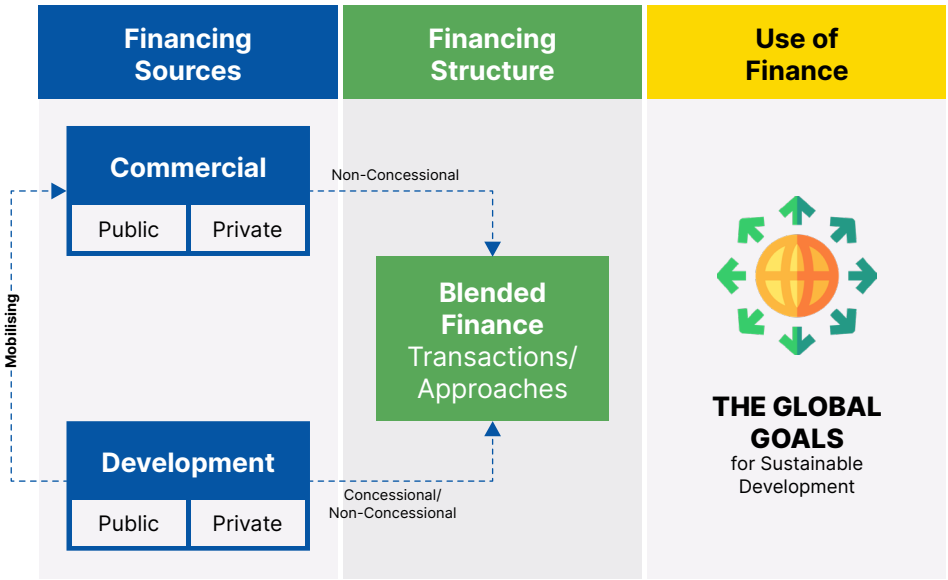
Under the 2020-2024 RPJMN, infrastructure development is prioritized for infrastructure to support basic services, economic development, and urban areas. Prioritized infrastructure development will be supported by developments in the energy and electricity sectors, as well as the implementation of digital transformation by taking into account several mainstreaming such as sustainable development goals, digital transformation as well and social and cultural capital. To achieve the GDP growth target in the 2020-2024 RPJMN, innovative efforts are needed to encourage the participation of public and business investment through the Public-Private Partnership (PPP) scheme and other creative financing schemes. This is in accordance with the new paradigm of infrastructure funding, which uses APBN/APBD as the last alternative source of funding.

In terms of funding needs that come from the government's commitment to meet funding needs for infrastructure provision, as seen in the figure above, apart from tax, excise, or PNBP revenues, one of the sources of funds in question comes from foreign loans.

Indonesia has also actively contributed to the development of blended finance mechanisms, which utilize development funds to help catalyse private sector finance through various risk mitigation instruments. The OECD defines blended finance as the strategic use of development financing for the mobilization of additional financing towards sustainable development in developing countries, wherein the additional financing refers to commercial financing that does not target development results in developing countries, even though the public and private development financing that is carried out has Development mandate.

Indonesia supports joint action to provide the necessary financing to achieve the SDGs. The development of this mixed-financing mechanism is being led by the OJK and the financial regulator is actively cooperating with the DFI and commercial banks in creating suitable structures and establishing guidelines for the utilization of mixed finance to achieve the SDGs, including for clean energy projects. The Coordinating Ministry for Maritime Affairs and Investment acts as the coordinator of the Blended Finance Program in Indonesia.

Blended Financing Mechanism



Source: OECD

The Indonesia One SDG Fund is designed to utilize strategic development financing to attract private sector capital. One notable example for renewable energy includes the use of grants from AFD to establish a first-loss mechanism that covers a maximum amount of 15% of the value of a loan for a mini-hydro power plant which helps to mitigate risk and encourage other commercial banks to fund projects. PT SMI in cooperation with the Ministry of Energy and Mineral Resources supports the development of renewable energy as well as energy efficiency projects with this funding support including street lighting projects by combining solar panels and light-emitting diodes (LED), various renewable energy power plants and setting minimum energy performance standards (SKEM) for various electronic equipment.

04 Regions in Indonesia

Indonesia is one of the largest archipelagic countries in the world. There are 17,000 islands scattered across a 1,905 km2 country. Indonesia has 83,763 villages/sub-districts, and 7,177 sub-districts spread across 514 Cities/Regencies. Since July 2022, Indonesia in terms of administrative has 38 province. Four new provinces come from expansion of Papua Province and West Papua Province. The four provinces are Southwest Papua with Sorong as the capital, Central Papua with Nabire as the capital, Highland Papua with Jayawijaya as the capital and South Papua with Merauke as the capital. The 38 provinces in Indonesia according to their distribution areas as of July 2022 are as follows:

Figure 1.4 - Regions in Indonesia

Island	No	Province	Capital City
Sumatra	1.	Nanggroe Aceh Darussalam	Water Supply and Management Infrastructure
	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
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

Judging from the economic distribution of the provinces in Indonesia, it seems that there has been an effort to equalize the economy between Java and Outside Java. Several provinces in Central and East Indonesia experienced an increase in the share of the economy to the national GDP.

Table 1.6 - Contribution to Gross Regional Domestic Product (GRDP) of Each Province (percent)

Province	2017	2018	2019	2020	2021	2022
DKI Jakarta	17.21	17.31	17.55	17.55	17.18	16.64
East Java	14.65	14.61	14.62	14.59	14.48	14.26
West Java	13.01	13.09	13.24	13.21	13.01	12.65
Central Java	8.53	8.47	8.48	8.55	8.38	8.15
Riau	5.13	5.02	4.74	4.62	4.95	5.18
North Sumatera	4.98	4.95	4.99	5.15	5.07	4.99
East Kalimantan	4.31	4.24	4.07	3.86	4.11	4.81
Banten	4.1	4.1	4.12	3.97	3.93	3.9
South Sulawesi	3.02	3.08	3.14	3.2	3.22	3.16
South Sumatera	2.79	2.8	2.83	2.88	2.91	3.09
Lampung	2.23	2.22	2.22	2.24	2.19	2.16
Central Sulawesi	0.97	1.12	1.16	1.25	1.46	1.69
Riau Islands	1.66	1.66	1.67	1.61	1.63	1.61
West Sumatera	1.56	1.54	1.53	1.53	1.49	1.49
Jambi	1.38	1.39	1.35	1.3	1.37	1.44
Papua	1.37	1.41	1.18	1.26	1.39	1.37
West Kalimantan	1.29	1.3	1.32	1.36	1.36	1.34
South Kalimantan	1.16	1.15	1.13	1.14	1.17	1.31
Bali	1.55	1.56	1.57	1.42	1.3	1.28
Aceh	1.06	1.04	1.02	1.06	1.09	1.11
Central Kalimantan	0.92	0.93	0.94	0.97	1	1.04
DI Yogyakarta	0.87	0.87	0.88	0.88	0.88	0.87
Southeast Sulawesi	0.78	0.79	0.81	0.83	0.82	0.83
West Nusa Tenggara	0.9	0.83	0.83	0.85	0.83	0.82
North Sulawesi	0.8	0.8	0.81	0.84	0.84	0.82
North Kalimantan	0.56	0.57	0.6	0.64	0.65	0.72
East Nusa tenggara	0.66	0.66	0.67	0.68	0.65	0.62
Bangka Belitung Islands	0.51	0.49	0.47	0.48	0.51	0.5
West Papua	0.52	0.53	0.53	0.53	0.5	0.48
Bengkulu	0.44	0.44	0.45	0.47	0.47	0.47
North Maluku	0.23	0.24	0.25	0.27	0.31	0.37
South Sulawesi	0.29	0.29	0.29	0.29	0.3	0.28
Maluku	0.29	0.29	0.29	0.29	0.29	0.28
Gorontalo	0.25	0.25	0.26	0.26	0.26	0.25

Source: Statistics Indonesia (BPS)

05 Demography

By 2045, the world's population is estimated to be 9.45 billion, an increase of 2.1 billion from 2015. Global demographic trends are driving urbanization, migration flows, and an elderly population. In 2045, it is estimated that Indonesia's population will reach 324.5 million people, or about 3.5 percent of the world's population. By 2050, the number of middle- and upper-income classes is estimated to be more than 84 percent or around 8.1 billion people. Asia and Latin America will have the largest numbers of middle and upper-income classes. This indicates that the potential of the world market will increase further and that business and investment prospects will provide more and more opportunities. Indonesia will of course take the opportunity and become part of the production centre in the world. With a wealth of natural resources and abundant manpower, as well as policies and strategic planning, Indonesia is believed to be able to increase its contribution to the world export market.

Table 1.8 - Indonesian Demographic Projections

	Total Population	Total Fertility Rate	Infant Mortality Rate	Life Expectancy	Number of Elderly	Dependency Ratio
2020	269.58 million	2,18	16,85	73.37 years	16.59 million	44,33%
2045	324.05 million	1,97	7,91	76.37 years	47.33 million	52,01%

Source: Sensus Penduduk 2020

The rate of population growth in Indonesia is quite under control. The population growth rate as shown in Table 1.8 is expected to improve the quality of people's lives due to the increase in per capita income. If the growth in income per capita is greater than the population growth, then Indonesia will reach a high-income economy.

Figure 1.5 - Indonesia's Population Growth Rate

Source: BPS, 2023

In the period 2025 - 2045, the Indonesian economy is expected to be able to grow at an average of 6 percent per year. This is supported by the acceleration of structural transformation, utilizing demographic bonuses and technological advances, as well as improving economic competitiveness. Indonesia is expected to become a high-income country by 2036 and the world's fifth-largest GDP by 2045. High and inclusive economic growth will increase the number of middle-income classes to approximately 70 percent of Indonesia's population by 2045. Lower economic growth (baseline), 5.1 percent per annum, may occur if the structural reforms proceed business as usual and the world economic growth is relatively low.

Looking at the distribution of Indonesia's population density by province, Java is the most densely populated area. Thus, with the development of IKN and various new economic centres outside Java, it is estimated that there will be a shift in population densities spreading outside Java.

Table 1.9 - Population Density (People/Km2)

Rank	Province	2019	2020	2021
1	DKI Jakarta	15900	15907	15978
2	West Java	1394	1365	1379
3	Banten	1338	1232	1248
4	Special 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 Sumatera	200	203	205
12	South Sulawesi	189	194	196
13	North Sulawesi	181	189	190
14	Indonesia	140	141	142
15	West Sumatera	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 Sumatera	92	92	93
21	Aceh	93	91	92
22	Bangka Belitung	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
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

06 Living in Indonesia

6.1. Business Culture

In Indonesia, having connections and building good relationships is very important in business. So, when initiating a business partnership, take the time to first understand the manners and establish relationships, then talk business.

Indonesian society, like many other Asian cultures, places a high value on harmony and social consensus. Maintaining a "face" in public situations is the most important aspect of business culture in Indonesia. All parties expect to be treated with respect. Open displays of aggression or rudeness are considered unacceptable. In situations that require negotiation or decision-making, it is important to reach a consensus that preserves the honour of all parties.

Religion is an important part of daily life in Indonesia. About 85% of the population is Muslim,but there are also large Christian and Hindu populations. The diversity of religions that exist in the archipelago has given birth to a culture of religious tolerance which is reflected in the state motto which is translated as ***"Bhinneka Tunggal Ika"*** (Unity in Diversity). However, Javanese culture has long dominated the archipelago and has become the standard of business culture in Indonesia today.

6.2 Housing and Living Costs

Regulation of the Government in Lieu of Law Number 2 of 2022 on Job Creation ("Regulation 2/2022") as referred to in Article 144 paragraph (1) stipulates that the ownership of multi-story housing 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 are represented in Indonesia; or representatives of foreign countries and international institutions which are domiciled or have representatives in Indonesia. By mid-2023, Indonesia was ranked as the 26th most affordable country out of 137 countries, with a cost-of-living index of 30.8.

According to a Bank Indonesia survey, the average propensity to consume ratio in May 2023 was recorded at 75.4 percent. This achievement was relatively stable compared to the previous month which amounted to 75.2 percent. The average debt-to-income ratio of 8.8 percent was also relatively stable compared to the proportion in the previous month. Meanwhile, in May 2023, the proportion of consumers' saved incomes fell to 15.7 percent. In line with this, the share of debt to income increased to 7.6 percent from the previous 6.7 percent. However, this expenditure group convinced consumers to purchase durable goods and it was observed to strengthen.
Furthermore, BI also noted that the Job Availability Index for the IDR 1-2 million expenditure group also fell by 6.7 to 110.1 from the previous 116.8. The Employment Availability Expectation Index for this expenditure group also fell from 129 to 124.5. This decrease also occurred in the current income index. The figure fell from 110 to 108.3.

6.3. Health and Education

International standard Health and Education facilities are available in urban areas, specifically in large cities such as Jakarta, Surabaya, and Bali. Government-owned hospitals and clinics reach remote rural areas. The health insurance system is divided into private insurance and basic insurance which is provided by the state for all citizens who live in Indonesia, including foreign citizens. Mandatory health insurance has been around since January 2014. This mandatory health insurance scheme is known as the National Health Insurance (Jaminan Kesehatan Nasional/JKN), which provides basic health care and facilities for all citizens.
Foreign workers who work in Indonesia for at least 6 months must be registered under the BPJS scheme with their families. Entrepreneurs must do this. BPJS cards can be used in all government-owned public hospitals, clinics, or public health centres, and almost all private health facilities. 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 throughout Indonesia, both in urban areas and in 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.

Various international schools in Indonesia offer national curricula from several countries, including the UK, America, France, Germany, India, Japan, South Korea, New Zealand, Russia and Singapore. These schools also offer International Baccalaureate (IB) programs.

07 The State Capital City of Nusantara (*Ibukota Negara Nusantara/IKN*)

The Indonesian economy will be among the top 5 in the world by 2045. In that year it is estimated that a GDP per capita of US$ 23,119 is estimated. In 2036, it is estimated that Indonesia will get out of the middle-income trap. Therefore, an economic transformation is needed to achieve Indonesia's Vision 2045. The economic transformation is supported by the downstream of the industry by utilizing human resources, infrastructure, simplification of regulations, and bureaucratic reformation starting from 2020-2024. Therefore, IKN that supports and encourages the transformation of the economy is needed. IKN must encourage inclusive and equitable economic growth, including in the Eastern Region of Indonesia. So far, Jakarta and its surroundings are known as the centre of everything (government, politics, industry, trade, investment, technology, culture, and others).

The National Capital will be built to achieve Indonesia's target as a developed country, in accordance with the Indonesia Vision 2045. Built with a national identity, IKN will change the orientation of development to be Indonesia-centric, as well as accelerate the Transformation of the Indonesian Economy. With the construction of the new IKN, of course, in the future, a large number of workers will be required to prepare and realize the transfer of said IKN. There will be economic clusters as well as new industrial areas in IKN which of course require educated and trained workers. The relocation of the new state capital is expected to have a positive impact on the local community, especially in terms of employment. It is hoped that the transfer of IKN to East Kalimantan can absorb workers in the local area.

Furthermore, IKN is predicted to become a super-hub of the national economy. This target is a long-term target after the relocation of the capital to East Kalimantan. The investment created in IKN Nusantara will be the driving force behind this goal. Through the 6 determined economic clusters, it is predicted that it will accelerate the development of IKN by prioritizing a strong, competitive, and sustainable economy, as follows:

1. Clean Technology Industrial Cluster
2. Integrated Pharmaceutical Cluster
3. Sustainable Agriculture Industry Cluster
4. Ecotourism and Health Tourism Cluster
5. Cluster of Chemicals and Chemical Derivative Products
6. Low-Carbon Energy Clusters

Source: www.ikn.go.id

Opportunities and Benefits of Investing in IKN

IKN Nusantara is the new capital city of Indonesia, which has been established and regulated by Law Number 3 of 2022. It is located on the east coast of Kalimantan Island with an area of almost four times that of Jakarta, which is 256,142 hectares, and a sea area of 68,189 hectares. The Capital City of Nusantara (IKN) is not just a project, but a massive investment opportunity that opens the door for investors, both domestic and international, to contribute to creating a modern and efficient infrastructure.

Various investment and financing opportunities are available to realize IKN to improve connectivity and economic growth across the Indonesian archipelago. With the abundance of investment opportunities in IKN, as well as the commitment of the Government to advance infrastructure, IKN has great potential to support Indonesia's economic growth and favorable business prospects. IKN is not only an opportunity for the national economy, but also a global opportunity. This is because the relocation of the nation's capital from one island to another has only recently occurred in Indonesia.

The government has formulated various competitive incentives to support investment in IKN, to facilitate business activities.

- Ownership of land without BPHTB fees, as well as competitive ownership or use rights, such as HGU for 95 years, HGB for 80 years, and HPL for 80 years
- Exemption of compensation fees to business owners or investors in relation to foreign workers
- Provide primary housing support for business owners or investors and their employees
- Fiscal incentives in the form of tax holidays, PPN and luxury goods tax, super-deductions, up to customs exemptions for 4-6 years
- The Public-Business Partnership Scheme will have a shorter settlement period of 6 months for projects that are initiated by the private
- In addition, various incentives will be provided to investors, including tax incentives

The IKN Authority has prepared 12 priority investment packages for the development of the IKN area:

Top Priority Sectors (Short-term Focus)			High Priority Sectors (Longer-term Focus)		
Renewal Energy	Telecom	Transportation	Township	Technology	Medical facility
Housing	Water treatment	Waste management	Commercial infrastructure	Education	Industrial area

So far, the IKN Authority has received 284 letters of intent (LoI) from private investors to be involved in the development of IKN Nusantara. The LoI for the construction of said IKN is still dominated by ASEAN countries.

Overall, the Government plans to rely on the development of IKN on four main funding sources, namely the State Revenue and Expenditure Budget (APBN), budget allocations from regional governments, Government-business partnerships (PPP), as well as direct private investment. Nevertheless, the Government will give priority to the utilization of the PPP scheme in the development of IKN infrastructure as this scheme can increase the involvement of the private sector in said infrastructure projects.

300 long list investment Packages in Nusantara have been identified based on letter of intent

	Identified Investment Project	Est.Investment (Mn USD)	Remarks
Housing	130	66601.089	Project related to housing development Total project covering ~452Ha
Commercial	71	194-314	Project related to mixed use infrastructure Total projects covering ~130Ha
Education	63	67-110	Projects related to development of school infrastructure Total projects covering ~45Ha
Transport	22	635	Project related to Road & MUT development Total projects covering ~79Km
Medical Facilities	8	13-21	Project related to Hospital infrastructure Total projects covering ~8,5Ha
Telecom	3	~321	Project related to development of Fiber optic network Total projects covering ~207Km
Energy Infra-structure	2	~68	Project related to development of electricity & gas infrastructure Total projects covering ~95Km gas line and 73Km electricity line
Township	1	22-37	Project related to development of City Park Total projects covering ~15,4Ha
Energy Power-plant	1	15-30	Project related to development of Floating Solar PV Total projects covering ~334Ha

The government is committed to creating a conducive investment climate for the development of IKN. The government will also guarantee legal certainty and consistency in the implementation of IKN development.

For further information of investment opportunities please contact:

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Chapter 2

Investment Procedures

01 Electronically Integrated Business Licensing or Online Single Submission (OSS)

1.1. Risk-Based Approach (RBA) Concept

The RBA was first mentioned under Law No. 11 of 2020 on Job Creation Law 11/2020. Article 6 of Job Creation Law 11/2020 states the improvement of the investment ecosystem and business activities, one of which is through risk-based business licensing. Risk-based business licensing is conducted based on the determination of risk level and business activity scale. The risk level is divided into 4, namely low, medium-low, medium-high high, and high. This level of risk determines the type of business licensing. Meanwhile, the scale of business activity rankings consists of micro, small, and medium enterprises (UMK-M) and/or large businesses.

Risk Analysis	Description	Classification of Business Activity
Level of danger	Conducted on the following aspects: 1. Health 2. Safety 3. Environment, and/or 4. Utilization and management of resources	From the results of the risk analysis, the classification of business activities is divided into: 1. Low 2. Medium Low 3. Medium High 4. High
Potential for danger	Consist of: 1. Almost impossible to happen 2. unlikely to happen 3. Possible occurrence, or 4. Almost certainly will happen	
Business activity scale	1. Micro 2. Small 3. Intermediate 4. Big	

Classification of Business Activities	Business Licensing
Low	Business Identification Number (NIB)
Medium-Low	NIB Standard Certificate and Statement to fulfil standards (Self Declare)
Medium-High	NIB Standard Certificate issued based on verification (Self Declare and Verification)
High	NIB Business License Required Standard Certificate

Furthermore, Regulation of the Government 5/2021 on the Organization of Risk-Based Licensing which is one of the implementing rules of Law No. 11 of 2020 states that risk-based business licensing is business licensing based on the level of risk of business activities.

- Regulations of Risk-Based Business Licensing
- Norms, standards, procedures and criteria for Risk-Based Business Licensing
- Risk-Based Business Licensing through the OSS System service
- Procedures for the Supervision of Risk-Based Business Licensing
- Valuation and reformation of Risk-Based Business Licensing policies
- Funding of Risk-Based Business Licensing
- Settlement of Risk-Based Business Licensing issues and obstacles
- Sanctions

1.2. OSS RBA (Online Single Submission Risk-Based Approach)

OSS System is an integrated electronic system which is managed and organized by the OSS Agency for PBBR which can be accessed through the website **www.oss.go.id**. OSS system in the form of web-based software as information gateway and organization of Risk-Based Business Licensing. OSS management and organizing agency is a government agency that organizes government affairs in the field of investment coordination, namely the BKPM as a government agency reporting directly to the President.
Based on Article 193 of Regulation of the Government 5/2021, the OSS Agency shall issue a Business Identification Number (NIB) through the OSS system based on:

- Risk level
- Examination of the terms of a business field
- Minimum investment provisions
- Capital provisions

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 Information Subsystem | **The Business Licensing Subsystem** | **The Supervison Subsystem**

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:

- Relevant Ministries/Agencies;
- Provincial governments;
- Regency/city-level government;
- Administrators of KEK;
- Concession boards of KPBPB; and
- Business actors.

This obligation is implemented to ensure that the submission, processing, and supervision of business licenses can only be carried out through the OSS system, which is strengthened by Regulation of the Government 5/2021 which states that 16 sectors are included in the organization of risk-based company licensing, including:

- Maritime affairs and fisheries
- Agriculture
- Environment and forestry
- Energy and mineral resources
- Nuclear power
- Industry
- Trade
- Public works and public housing
- Transportation
- Health, medicine and food
- Education and culture
- Tourism
- Religious
- Post, telecommunications, broadcasting, and electronic systems and transactions
- Defense and security
- Employment

In addition, based on the Circular of the Minister of Investment/BKPM No.18/2021 on the Amendment to the Circular of the Minister of Investment/head of the Investment Coordinating Board Number 17 of 2021 on the Transition of the Organization of Business Licensing to the Organization of Risk-Based Business Licensing through the OSS System (Circular of the Investment Coordinating Board 18/2021), there are 5 additional sectors for which the organization of business licensing is risk-based, namely:

- **Finance**
- **Insurance**
- **Banking**
- **Financing**
- **Financial technology**

Furthermore, Regulation of the Investment Coordinating Board Number 3 of 2021 on the Electronically Integrated Risk-Based Business Licensing System (Regulation of the Investment Coordinating Board 3/2021) affirms that the OSS system is to be established and managed by the 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 as an electronic-based system, has interconnection for the fulfilment of basic requirements and data validation of Businesses with the relevant Ministries/Agencies, and allows for the exchange of data in the context of Risk-Based Licensing and Supervision with Relevant Ministries/Agencies electronically in accordance with the feasibility requirements of electronic transactions as well as data storage facilities or electronic document filling.

a. Information Subsystem

Regulation of the Government 5/2021 states that the information provided and accessible in the information subsystem is related to the organization of Risk-Based Business Licensing including:

- 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.

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 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.

From the examinations conducted by the OSS system to the business sectors and other Investment provisions, the incentives and/or Investment facilities which are available for the business players will be determined. Furthermore, the OSS system also inspects business locations which include land, sea, and/or forested areas.

c. Supervision Subsytem

Supervision of Risk-Based Business Licensing shall be implemented by the Central Government, Regional Governments, SEZ Administrators, and/or the KPBPB Concession Agency in accordance with their respective authorities. In addition to being regulated under Regulation of the Government 5/2021, the supervision of business licensing is also regulated through the Investment Coordinating Board Regulation Number 5 of 2021 on Guidelines and Procedures for the Supervision of Risk-Based Business Licensing (Regulation of the Investment Coordinating Board 5/2021).

Supervision shall be carried out by taking the compliance level of businesses into account, with indicators under supervision encompassing:

Spatial planning and building standards

Health, safety and/or environ-mental standards

Standards for the implementation of business activities

Requirements and obligations which are regulated under the norms, standards, procedures and criteria as set out in Appendix II

Obligation for the submission of reports and/or utilization of Investment incentives and facilities

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

Supervision of business licensing consists of:

- Routine supervision shall be carried out through business reports and field inspections.
- Incidental supervision is the supervision carried out by the ministry, provincial government, regency/city government, KEK Administrator, and/or KPBPB Concession Agency at a certain time.

02 Starting Business

As mentioned earlier, there are criteria for business actors that may submit business licensing applications through the OSS system. The submission for business licensing application through the OSS system is free. Furthermore, the OSS Agency will issue an NIB as the identity of a business actor for proof of registration of a business actor in business activities. One of the aspects that must be considered by business actors when they are going to establish business entities and obtain business licenses is the aspect of capital. As well as the level of risk, the capital aspect will determine business licensing in accordance with the business activities 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 the Regulation of the Investment Coordinating Board Number 4 of 2021 on Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities (Regulation of the Investment Coordinating Board 4/2021), the business scale of legal entities in Indonesia is 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 own capital and loan capital to run business activities (elucidation of Regulation of the Government Number 7 of 2021 on the Ease, Protection, and Empowerment of Cooperatives and Micro-, Small- and Medium-Enterprises) (Regulation of the Government 7/2021).

For foreign investment business entities, based on Regulation 4/2021, they are categorized as large-scale business and must comply with the minimum investment value, unless otherwise stipulated by laws and regulations.

b. Paid-Up Capital of Foreign Investment Company

Regulation of the Investment Coordinating Board 4/2021 stipulates that the minimum paid-up capital for PMA is IDR10,000,000,000, unless otherwise determined by laws and regulations. For example, the capital requirement for construction works under Regulation of the Government 5/2021 is a minimum of IDR25,000,000,000.

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

c. Divestment Obligation

Before the issuance of the Job Creation Law, there are regulations that were issued that mandated the divestment of shares from PMA business entities to Indonesian parties for certain sectors, namely the mineral and coal mining sector under Law Number 3 of 2020 on the Amendment to Law Number 4 of 2009 on Mineral and Coal Mining Law 3/2020, it is stated that business entities that hold IUP (Mining Business License) or IUPK (Special Mining Business License) at the Production Operation activity stage are required to divest 51% (fifty-one) percent of shares in stages to the Central Government, Regional Governments, BUMN, regionally-owned enterprises, and/or national private Business Entities.

Furthermore, under Regulation of the Investment Coordinating Board 4/2021, the obligation to divest shares of PMA business entities remains binding on the parties and must be carried out in accordance with a predetermined timeframe. The said divestment of shares may be carried out to individual citizens or domestic investment entities (Penanaman Modal Dalam Negeri/PMDN) through a direct ownership in accordance with the agreement of the parties and/or the domestic capital market. Direct share ownership for Indonesian citizens or PMDN business entities is determined to be at least IDR10,000,000 for each shareholder. Meanwhile, ownership in the domestic capital market shall be regulated in accordance with provisions of laws and regulations in the capital market sector.

2.2. Form of Business Entity for Investment

The following forms of business entities can be used for Domestic Investment (PMDN) and Foreign Investment (*Penanaman Modal Asing/PMA*). Several forms of business entity may be utilized by PMDN and PMA.

a. Foreign Investment Company

In accordance with the provisions of Law Number 25 of 2007 on Investment Law 25/2007, it is regulated that Foreign Investment (PMA) is an investment activity to conduct business in the territory of the Republic of Indonesia which is conducted by foreign investors either individual foreign citizens, foreign business entities, and/or foreign governments that fully utilize foreign capital or joint ventures with domestic investors.

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

Based on Regulation of the Investment Coordinating Board 4/2021, Representative Offices of Foreign Companies (Kantor Perwakilan Perusahaan Asing/KPPA) are Indonesian citizens 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 Unitary State of the Republic of Indonesia as well limitation provisions shall apply as:

a. Supervisor, liaison officer, coordinator, and manage the interests of the company or its affiliated companies;
b. Prepare the establishment and business development of PMA companies in Indonesia or other countries and Indonesia;
c. Located in an office building in the provincial capital.
d. Not seeking any income from sources in Indonesia, including not being allowed to carry out any activities or engage in any engagements/transactions for the sale and purchase of commercial goods or services with domestic companies or individuals;
e. Must not participate in any form in the management of any company, subsidiary, or branch of a company in Indonesia.

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)

Trade Representative Offices of Foreign Companies (*Kantor Perwakilan Perdagangan Perusahaan Asing/KP3A*) are described in Regulation of the Minister of Trade of the Republic of Indonesia no. 10/M-DAG/PER/3/2006 (Regulation of the Minister of Trade 10/M-DAG/PER/3/2006) is a representative of foreign trading companies that may perform activities including:

- 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 Trading Companies in Indonesia may take the form of selling agents and/or manufacturers' agents and/or buying agents.

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

Representative Office of Foreign Electricity Support Service is a foreign representative office established by a business entity or individual of foreign electricity support service as regulated in Regulation of the Government Number 25 of 2021 on Organization of Energy and Mineral Resources Sector (Regulation of the Government 25/2021). Business licensing for foreign electricity support services shall be granted for the type of consultancy business in the field of:

a. Electricity Installation
b. construction and installation of Electricity Installation
c. Maintenance of Electricity Installations

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

Other representative offices, as regulated under Regulation of the Government 5/2021, are representative offices of Foreign Construction Service Business Entities (Badan Usaha Jasa Konstruksi Asing/BUJKA) which are representative offices in the form of legal entities from abroad with approval for the establishment of offices within 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, however, must meet the requirements of large qualifications.

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

Through Regulation of the Minister of Trade Number 31 of 2023 on Business Licensing, Advertising, Development and Supervision of Business Actors in Trading through Electronic Systems (Regulation of the Minister of Trade 31/2023), it has been clarified that a Representative Office of Foreign Trading Company in the field of trade through Electronic Systems (KP3A for the E-Commerce sector)) is an office led by 1 (one) or more persons of individuals WNI or WNA who are appointed by an Organizer of Trade through Electronic Systems (*Penyelenggara Perdagangan Melalui Sistem Elektronik/PPMSE*) abroad as their representatives in Indonesia who may act as and on behalf of foreign PPMSE.

g. Permanent Establishments

A permanent Establishment is a foreign individual or 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 established to conduct business activities in the oil and gas sector.

2.3. Investment Limitation

Currently, all commercial business sectors are open to investment, except business sectors that are declared closed to investment or business sectors that may only be conducted by the central government which are of a service nature or for strategic defence and security purposes and cannot be conducted or cooperated with any other parties.

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

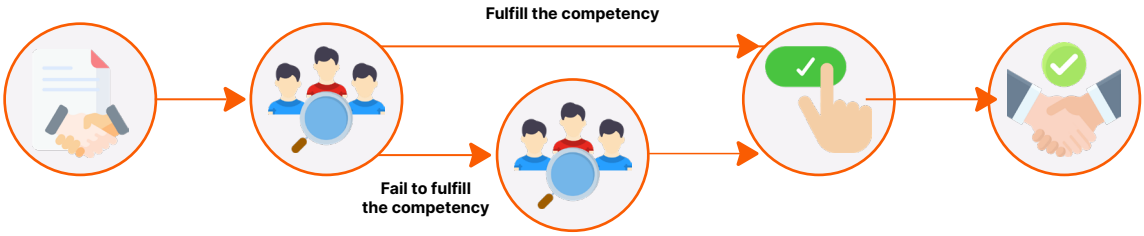
a. Open Business Fields

Based on Regulation of the President Number 10 of 2021 on the Investment Business Sector (Regulation of the President 10/2021) and Regulation of the President Number 49 of 2021 on the Amendment to Regulation of the President Number 10 of 2021 (Regulation of the President 49/2021), business fields that are open to investment (foreign investment and domestic investment) shall consists of:

1. Prioritized business sectors are business sectors that meet the following criteria:
National strategic programs/projects; Capital-intensive; Labor-intensive; High-tech; Pioneer industry; Export orientation and/or; Orientation in research, development, and innovation.
Investors who invest their capital in the list of priority business sectors will be granted fiscal incentives and/or non-fiscal incentives.

Business fields allocated to cooperatives and MSMEs	Business fields open to large businesses in partnership with cooperatives and MSMEs
Have the following criteria: a. Business activities that do not use technology or that use simple technology b. Business activities that have specific processes, are labor intensive, and have a cultural heritage that is special and passed down from generation to generation and/or c. Business capital for activities does not exceed IDR10,000,000,000 (ten billion rupiah) excluding the value of land and buildings	Have the following criteria: a. Business fields that are often pursued by Cooperatives and MSMEs and/or b. Business fields that are encouraged to enter the supply chain of large businesses

Implementation of Partnership



Large Enterprises prepare a Partnership Commitment Statement letter by including:	Prospective Partner	Prospective Partner	Selected Partner	Large Enterprises and MSME sign a partnership agreement document
• **Type of work;** • **estimated value of work; and** • **time of implementation of the Partnership**	**Ministries/agencies, local governments and business associations** prepare lists of potential partners	**Large Enterprises** propose **a list of potential partners who have no affiliation in terms of share ownership or management with Large Enterprises**	Partnership agreement document (contract): • Identity of the parties; • Business activities; • Rights and obligations of the parties • Development form • Partnership Term • Payment term and mechanism; and • Dispute resolution.	

For detailed features of Investment Business Sectors (Bidang Usaha Penanaman Modal/BUPM) that are allocated through partnership scheme with MSME can be accessed here:

Bidang Usaha Penanaman Modal

OSS
KEMENTERIAN INVESTASI/BKPM

ID DAFTAR MASUK

OSS

BERANDA | INFORMASI | REGULASI | PANDUAN | KONTAK

BERANDA > BIDANG USAHA PENANAMAN MODAL (BUPM)

BIDANG USAHA PENANAMAN MODAL (BUPM)

Berdasarkan Peraturan Menteri Keuangan Republik Indonesia Nomor 130/PMK.010/2020 tentang Pemberian Fasilitas Pengurangan Pajak Penghasilan Badan dan Peraturan Badan Koordinasi Penanaman Modal Nomor 7 Tahun 2020 tentang Rincian Bidang Usaha Dan Jenis Produksi Industri Pionir Serta Tata Cara Pemberian Fasilitas Pengurangan Pajak Penghasilan Badan, Wajib Pajak badan yang melakukan penanaman modal baru pada Industri Pionir dapat memperoleh pengurangan Pajak Penghasilan badan atas penghasilan yang diterima atau diperoleh dari Kegiatan Usaha Utama yang dilakukan.

BIDANG USAHA PRIORITAS | BIDANG USAHA DIALOKASIKAN DAN KEMITRAAN DENGAN KOPERASI DAN UMKM | BIDANG USAHA PERSYARATAN TERTENTU | BIDANG USAHA TERTUTUP

Lampiran I merupakan Bidang Usaha prioritas yang memiliki kriteria:

a. program/proyek strategis nasional;
b. padat modal;
c. padat karya;
d. teknologi tinggi;
e. industri pionir;
f. orientasi ekspor; dan/atau
g. orientasi dalam kegiatan penelitian, pengembangan, dan inovasi.

Tax Holiday | Tax Allowance | Investment Allowance

Pencarian...

No	Bidang Usaha	KBLI	Cakupan Produk	Persyaratan
1	Industri pembuatan komponen robotik yang mendukung industri pembuatan mesin-mesin manufaktur	28299	Industri pembuatan komponen robotik	-
2	Industri pembuatan kendaraan bermotor dan komponen utama kendaraan bermotor	30912	Industri baterai untuk kendaraan bermotor listrik roda dua atau roda tiga	-
3	Industri logam dasar hulu (besi baja atau bukan besi baja) tanpa atau beserta turunannya yang terintegrasi	24203	Industri logam dasar yang menghasilkan aluminium dalam bentuk pelat yang berasal dari bahan baku selain scrap yang terintegrasi dengan industri pembuatan ingot aluminium (KBLI 24202A2)	-
4	Industri kimia dasar organik yang bersumber dari minyak bumi, gas alam, dan/atau batubara tanpa atau beserta turunannya yang terintegrasi	20117	Industri kimia yang menghasilkan ethyl acetat yang terintegrasi dengan acetic acid (KBLI 20117H1)	-
5	Industri kimia dasar organik yang bersumber dari minyak bumi, gas alam, dan/atau batubara tanpa atau beserta turunannya yang terintegrasi	20117	Industri kimia dasar organik yang menghasilkan marine fuel oil	-
6	Industri kimia dasar organik yang bersumber dari hasil pertanian, perkebunan, atau kehutanan tanpa atau beserta turunannya yang terintegrasi	20302	Industri yang menghasilkan serat stapel buatan selulosa asetat	-
7	Industri bahan baku utama farmasi tanpa atau beserta turunannya yang terintegrasi	21011	Industri bahan baku utama pembuatan vaksin	-
8	Industri kimia dasar organik yang bersumber dari hasil pertanian, perkebunan, atau kehutanan tanpa atau beserta turunannya yang terintegrasi	20115	Industri kimia dasar organik yang menghasilkan tocotrienol	-
9	Industri pembuatan kendaraan bermotor dan komponen utama kendaraan bermotor	29300	Industri baterai untuk kendaraan bermotor listrik roda empat atau lebih	-
10	Industri kimia dasar organik yang bersumber dari hasil pertanian, perkebunan, atau kehutanan tanpa atau beserta turunannya yang terintegrasi	20301	Industri pembuatan serat (tow), benang (yarn), strip filamen buatan rayon viscose	-

Halaman 1 Dari 19

Display of Bidang Usaha Penanaman Modal (BUPM)

3. Business fields with certain requirements that can be pursued by all investors including cooperatives and MSMEs that meet the following requirements:

Domestic Investment	Investment with Restrictions on Foreign Capital Ownership	investment with special permits	other capital investments
Requirements that can be set: a. Investment value b. Permitted business fields for certain business fields c. Business fields that require certain deposit capital/wealth	a. This provision does not apply to investment that has been approved in certain business fields before Decree of the President No. 10 of 2021 is promulgated b. Investment that obtains special rights based on an agreement between Indonesia and the country of origin of the investor, except for the provisions in Decree of the President No. 10 of 2021 is more profitable for investment c. Restrictions on foreign capital ownership also apply to companies that receive mergers, acquisition, or new companies resulting from consolidation in accordance with provisions of laws and regulations in the same business sector.		Business fields that are limited and strictly supervised and regulated in separate laws and regulations in the field of control and supervision of alcoholic beverages. These business fields shall include: a. Wholesale trade in liquor/alcohol (importers, distributors, and sub-distributors (KBLI 46333); b. Retail trade in liquor or alcoholic beverages (KBLI 47221) c. Street retail trade in liquor or alcoholic beverages (KBLI 47826)

4. Business fields that can be pursued by all investors are business fields that are not included in number 1,2,3 above.

b. Business fields that are closed to investment

This business sector is a business field that cannot be carried out by either domestic investors or foreign investors. The business sectors which are closed to investment based on Investment Law 25/2007 are:

a. cultivation and industry of narcotics class I;
b. any form of gambling and/or casino;
c. catching of fish species listed under Appendix I to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
d. utilization or retrieval of corals 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;
e. chemical weapons manufacturing industry;
f. chemical industry and ozone-depleting substances.

c. Special Business Fields (Single Purpose and Single Majority)

Special business sectors are certain business sectors which based on regulations on said business sectors cannot be merged with other business sectors. Several business sectors 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.

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

2.4. Establishment Process of PMA Company

a. Provisions on Paid-Up Capital

As mentioned earlier, the minimum paid-up capital for PT PMA is IDR10,000,000,000 (ten billion Rupiah), however, there are several provisions for foreign shareholders who have a recommendation for the transfer of visitor stay permit status and limited stay permit, must meet the criteria of capital deposit as set out under Regulation of the Investment Coordinating Board 4/2021as follows:

Provision	Shareholders with limited stay permits	Shareholders with permanent residence permits
Criteria	As a shareholder and serving as a director or commissioner of a company provided that share ownership of at least IDR1,000,000,000 (one billion Rupiah) or the equivalent in United States dollars as stated in the deed	As a shareholder and serving as a director or commissioner of a company provided that share ownership of at least IDR1,000,000,000 (one billion Rupiah) or the equivalent in United States dollars as stated in the deed
	As a shareholder and not as a director or commissioner of a company provided that share ownership of at least IDR1,125,000,000 (one billion one hundred twenty-five million Rupiah) or the equivalent in United States dollars as stated in the deed	As a shareholder and not as a director or commissioner of a company with the provision of share ownership of at least IDR10,000,000,000 (ten billion rupiah) or the equivalent in United States dollars as stated in the deed

b. Capital for Certain Business Fields

Several business sectors have certain capital requirements, one of which is the construction business sector (BUJK Foreign Investment) which follows a large qualification. In relation to capital, the application of the qualification of Foreign Investment BUJK for general classification is as follows:

Classification Determination	Construction Consulting Services	Construction Work	Integrated Construction
A. Annual sales	of at least IDR2,500,000,000 (two billion five hundred million Rupiah)	at least IDR50,000,000,000 (fifty billion Rupiah)	at least IDR50,000,000,000 (fifty billion Rupiah)
B. Assessment of financial capabilities	at least IDR500,000,000 (five hundred million Rupiah)	at least IDR25,000,000,000 (twenty-five billion Rupiah)	at least IDR25,000,000,000 (twenty-five billion Rupiah)

Other regulations, that address the ownership of foreign capital, are the Regulation of the Financial Services Authority Number 12/POJK.03/2021 of 2021 on Commercial Banks (Regulation of the Financial Services Authority No.12/POJK.03/2021) as stated in Article 13 paragraph 2 that the ownership by foreign citizens and/or foreign legal entities (in partnership with Indonesian parties) up to a maximum of 99% of the paid-up capital of a Bank incorporated in an Indonesian Legal Entity.

c. Formulation of Deed of Establishment Through a Notary

In order to able to establish a company in the form of Perseroan Terbatas or PT, it must be done by drawing up a Deed of Establishment at a Notary, and said deed must be ratified by the Minister of Law and Human Rights.

Matters that must be considered in drawing up the deed of establishment are the domicile, line of business, paid-up capital, term of office of the board of directors and board of commissioners, name of the shareholders, percentage of shares of the shareholders, name and composition of the board of directors and the board of commissioners.

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

After the deed of establishment process is completed, business actors will automatically obtain a Taxpayer Identification Number (*Nomor Pokok Wajib Pajak/NPWP*) or if they do not obtain an NPWP automatically, business actors may register NPWP through electronic registration (e-reg). Furthermore, to obtain physical NPWP card, business actors must re-register at a Tax Service Office (*Kantor Pajak Pratama/KPP*) in the area of the relevant PT address.

e. Business Licensing

The next process is after PT PMA has obtained the deed, SK for the validation of the establishment of legal entity and NPWP, the business actor must have legality to be able to conduct operational activities. The government is currently undertaking a simplification and facilitation of business licensing applications. The simplification of business licensing through the implementation of risk-based business licensing is a method created to determine the type of licensing in which business actors 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.

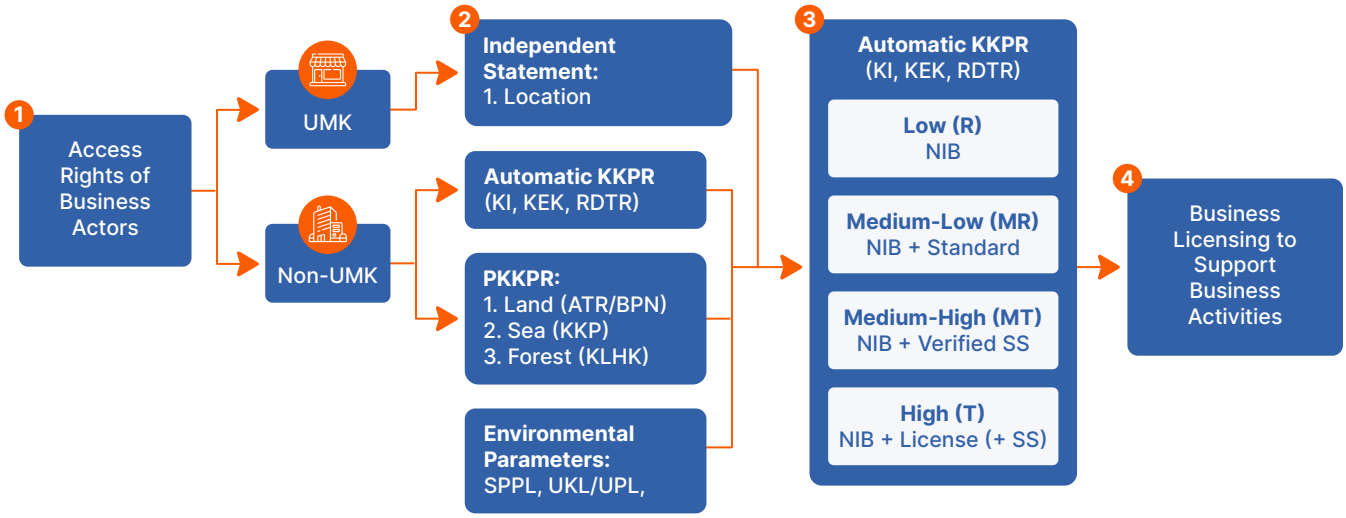
03 Obtaining Licensing

3.1. OSS RBA Access Right

The OSS RBA Access Right shall be granted to both UMK and non-UMK business actors by registering an account, for business actors that are incorporated in a business entity must prepare document consisting of email address of the company, mobile number of the director/company; Decree of the Ministry of Law and Human Rights on the validation of the establishment of legal entity; Company NPWP; and KTP/passport of the director.

3.2. Process Performed at the OSS RBA System

Understand the process carried out in the OSS system based on the level of risk, starting with the OSS system issuing a NIB as an identity and legality for business preparation automatically and equipped with an electronic signature. NIB is issued based on the data entry of business actors and general business plan, the result 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 is also carried out.



LOW RISK

For low-risk business activities, the NIB shall prevail as legality to carry out the preparation of business, operational, and/or commercial activities. The process begins with the submission of a statement of commitment to environmental management and monitoring. NIB which also becomes an SPPL based on a statement of ability to manage and monitor the environment. For low-risk business activities, the NIB shall apply as legality to carry out the preparation of business activities, as well as operational and/or commercial.

MEDIUM-LOW RISK

For the issuance of a medium-low-risk business license, the OSS system process begins by filling out a statement of ability to meet business activity standards. The next process is to ensure whether business activities are mandatory or not mandatory to meet the UKL-UPL standards. Same as low-risk, for medium-low risk, the NIB shall apply as legality to carry out the preparation of business activities, as well as operational and/or commercial.

MEDIUM-HIGH RISK

The issuance of medium-high-risk business licensing is initiated by filling out a statement of ability to fulfil business activity standards in the OSS system. For medium-high-risk business activities that must comply with the UKL-UPL standards, in addition to submitting a statement of ability to meet the business activity standards, the business actor shall fill out a UKL-UPL form accompanied by a statement of environmental management ability that is available in the OSS System to obtain an NIB and a Standard Certificate which includes unverified mark. If business activities are not UKL-UPL mandatory, in addition to filling out a statement of ability to fulfil business activity standards, business actors must fill out an SPPL form to obtain NIB and Standard Certificate which include an unverified mark.

HIGH RISK

For high-risk business activities, other than the NIB, a business actor must first secure a license. License is an approval of the Central Government or Regional Governments for the implementation of business activities which must be fulfilled by Business Activities before carrying out their business activities. Before applying for license for business activities for which Amdal is mandatory, business actors must secure environmental approval in the form of decree of environmental feasibility. This decree will serve as a condition for the issuance of license. However, if their business activities fall into the UKL-UPL mandatory category, then at the time of issuance of the NIB, Business Actors shall fill out the UKL-UPL form accompanied by a statement of commitment to environmental management which is available in the OSS System.

3.3. Indonesia Standard Industrial Classificati (*Klasifikasi Baku Lapangan Usaha Indonesia/KBLI*)

KBLI is a code to classify Indonesia's economic activities/activities that produce products/outputs, either in the form of goods or services, based on the field of business used as a reference standard and a means of coordination, integration, and synchronization of the organization of statistics in Indonesia. This code is regulated by a non-ministerial government agency that organizes government affairs in the field of statistics (*Badan Pusat Statistik*). The OSS RBA is currently using the 2020 KBLI to process business licenses that are operated by business actors. 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 this information can be found on the oss.go.id website.

3.4. Basic Requirements for Risk-Based Business Licensing

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

- Conformity of Spatial Utilization Activities (*Kesesuaian Kegiatan Pemanfaatan Ruang/KKPR*)
- Environmental approval
- Building Approval (*Persetujuan Bangunan Gedung/PBG*) and Certificate of Occupany (*Sertifikat Laik Fungsi/SLF*)

Chapter 3

Legal Overview for Foreign Investor

01 Manpower

1.1. Utilization of Foreign Workers

In order to implement Regulation of the Government Number 34 of 2021 on the Employment of Foreign Workers (Regulation of the Government 34/2021), the Minister of Manpower has issued Regulation of the Minister of Manpower Number 8 of 2021 on the Implementing Regulation of the Government Number 34 of 2021 on the Utilization of Foreign Workers (Regulation of the Minister of Manpower 8/2021). That way, the implementation of the use of foreign workers can be carried out measurably to achieve maximum results.

Before employing foreign workers, employers are required to secure a Validation of Foreign Workers Recruitment Plan (*Rencana Penggunaan Tenaga Kerja Asing/RPTKA*) from the Ministry of Manpower which is valid as a work permit for foreign workers.

Application Stage for the Validation of RPTKA

1. Application Submission

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

2. Feasibility Assessment

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

3. Issuance of Validation

Based on the results of the Feasibility Assessment, employers of foreign workers must provide certain data regarding foreign workers and upload certain documents related to foreign workers and employers. These data and documents may be submitted in advance along with the submission of 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.

Table 3.1 - Type of RPTKA Validation and Its 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

Amendment to RPTKA Validation

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

1.2. Fixed-Term Workers

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

PKWT is an Employment Agreement between a Worker/Labour and an Employer to establish an Employment Relationship for a certain period or 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 is still 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.

PKWT consists of 2 types, namely:

PKWT based on timeframe

PKWT based on the period made for certain work which is estimated to be completed in not too long time; seasonal; or related to new products, new activities, or additional products which are still under a trial or an assessment;

PKWT based on the completion of certain works

PKWT based on the completion of certain works: made for work that is completed once and for temporary work.

Provision of Compensation

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

12mo

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

<12mo

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

>12mo

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

1.3. Outsourcing

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

1.4. Working Hours

Regulation of the Government Number 35 of 2021 on Work Agreement for Certain Period, Outsourcing, Working Time and Rest Period, and Termination of Employment (Regulation of the Government 35/2021) regulates the working hours that must be implemented by every employer. The implementation of working hours for workers/labourers in companies shall be determined in Work Agreement, Company Regulation, or Collective Labour 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 above mentioned rules are exempted for Companies in certain business sectors or work so that they may implement fewer or more working hours than the provisions. Companies in certain business or work sectors that implement working hours of less than the provisions must have the following characteristics:

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

Meanwhile, companies in certain business or work sectors that implement working hours over the provisions, the implementation of which is in accordance with the provisions of working hours which have been determined by the Minister of Manpower.

1.5. Termination of Employment

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

The following are some of the reasons for PHK and the Rights received by Workers/Labourers as a result of PHK in accordance with the provisions of Regulation of the Government 35/2021:

Reasons for layoffs	Rights resulting from layoffs
Acquisition of a Company which results in changes to work conditions and workers/labourers are unwilling to continue their employment relationship	severance pay of 0.5 times the provisions, tenure rewards of 1 times the provisions, compensation for rights according to the provisions
Company carried out efficiency which caused the company to experience losses	
Company closes because the company experiences continuous losses for 2 years or experiences non-continuous losses for 2 years	
Company closes due to force majeure	
Company is in a state of suspension of debt payment obligation due to the Company is experiencing losses	
Company is bankrupt	
Workers/Labourers violate the provisions stipulated in the Employment Agreement, Company Regulations, or Collective Labor Agreement and have previously been given the first, second, and third reprimand letters respectively.	severance pay of 1.75 times the provisions, tenure rewards of 1 times the provisions, compensation for rights according to the provisions
Workers/Labourers are entering the retirement age	
Workers/Labourers experience prolonged illness or disability due to work accidents and are unable to carry out their work after exceeding the 12-month limit	severance pay amounting to 2 times the provisions, service gratuity payment amounting to 1 times the provisions, compensation for rights according to the provisions
Worker/Labourer passes away	

1.6. Regional Minimum Wage

Policy on wages, starting from the structure and scale of wages to the forms and methods of payment of wages, are regulated under Regulation of the Government Number 36 of 2021 on Wages (Regulation of the Government 36/2021). Through these provisions, the reference that is used to provide wages to workers/labourers is the provincial minimum wage. However, Governors may determine the regency/city minimum wage if the average economic growth of the regency/city for the last 3 years is higher than the average economic growth of the province or the value of economic growth deducted by the inflation of the regency/city for the last 3 years has always been positive and higher than the provincial value.

Calculation of Minimum Wage Value

Minimum wages shall be determined by Regional Governments based on economic and employment conditions, which include purchasing power parity, labour absorption rates, and median wages. Meanwhile, the calculation of the monthly minimum wage is conducted by the Provincial or Regency/City Wage Council.

The minimum wage shall apply to Workers/Labourers with less than 1 year of service at said Companies. Meanwhile, wages for Workers/Labourers with tenures of 1 year or more shall be guided by the structure and scale of the wage. In addition, employers may conduct periodic wage reviews by taking into account the Company's capabilities and productivity. Furthermore, the review of said wages shall be outlined in an Employment Agreement, Company Regulation, or Collective Labor Agreement.

Table 3.2 - Provincial Minimum Wages in 2023 Throughout Indonesia

Province	Amout of UMP	Province	Amout of UMP
Aceh	IDR3.413.666	West Nusa Tenggara	IDR2.371.407
North Sumatera	IDR2.710.493	East Nusa Tenggara	IDR2.123.994
West Sumatera	IDR2.742.476	West Kalimantan	IDR2.608.601
Riau	IDR3.191.662	Central Kalimantan	IDR3.181.013
Jambi	IDR2.943.000	South Kalimantan	IDR3.149.977
South Sumatera	IDR3.404.177	East Kalimantan	IDR3.201.396
Bengkulu	IDR2.418.280	North Kalimantan	IDR3.251.702
Lampung	IDR2.633.284	North Sulawesi	IDR3.485.000
Bangka Belitung	IDR3.498.479	Central Sulawesi	IDR2.599.546
Riau Islands	IDR3.279.194	South Sulawesi	IDR3.385.145
DKI Jakarta	IDR4.901.798	Southeast Sulawesi	IDR2.758.948
Banten	IDR2.661.280	Gorontalo	IDR2.989.350
West Java	IDR1.986.670	West Sulawesi	IDR2.871.794
Central Java	IDR1.958.169	Maluku	IDR2.812.827
DI Yogyakarta	IDR1.981.782	North Maluku	IDR2.976.720
East Java	IDR2.040.244	West Papua	IDR3.282.000
Bali	IDR2.713.672	Papua	IDR3.864.696

1.7. Social Security Program

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

02 Visa and Immigration

In order to encourage increased investment to strengthen the economy, the government provides various business facilities, one of which is by issuing Regulation of the Government Number 40 of 2023 on the Fourth Amendment to Regulation of the Government Number 31 of 2013 on the Implementing Regulation of Law Number 6 of 2011 on Immigration (Regulation of the Government 40/2023).

2.1. Types of Visa

a. Visitor Visa

Visitor visa shall be granted to Foreigners who will travel to Indonesian Territory for a visit in the framework of government duties, education, socio-culture, tourism, pre-investment, business, family, journalism, or stopping to continue the trip to other countries and join the existing Transportation Equipment in Indonesian territory.

Based on Regulation of the Government 40/2023, a visitor visa consists of 1 (one) visitor visa and a multiple-trip visa. Furthermore, the Minister of Law and Human Rights will determine the classification of the visitor visa along with information on:

a. Visa index;
b. a description of the activities that can be carried out by Foreigners while in the Indonesian Territory;
c. Prohibitions, rights, and obligations while in the Indonesian Territory; and
d. other matters required to clarify the purpose/objective of the activity.

b. Limited-Stay Visa

Limited-stay visa shall be granted to foreigners who will travel to the Indonesian territory to work and/or not to work as clergy, experts, workers, researchers, students, as well as in the context of foreign investment, second house, and their families, family union, and repatriation, which will travel to the Indonesian Territory for a limited period of residence; or for the purpose of joining to work on ships, floating equipment, or installations operating in the archipelago waters, the territorial sea, the continental shelf, and/or the Indonesian Exclusive Economic Zone.

Furthermore, the Minister of Law and Human Rights will determine the classification of the limited-stay visa along with information on:

a. Visa index;
b. a description of the activities that can be carried out by Foreigners while in the Indonesian Territory;
c. Prohibitions, rights, and obligations while in Indonesian Territory; and
d. other matters required to clarify the purpose/objective of the activity. In the form of the granting of facilities, Regulation of the Government 40/2023 sets out new requirements for applying for a limited-stay Visa, as follows:

- Nationality Passport which is valid and remains valid for at least 6 (six) months;
- proof of guarantee from a Guarantor or an Immigration Guarantee;
- Proof of having living expenses for themselves and/or their family during their stay in the Indonesian Territory;
- Color passport photos; and
- other documents to explain the purpose of the Foreigners' arrival.

In addition, certain foreigners who will apply for visitor visa or limited-stay visa are required to have a Guarantor (individuals or corporations) who are responsible for the existence and activities of the guaranteed Foreigners during their stay in the Indonesian Territory as well as obliged to report any changes in their civil status, Immigration status, and change of address.

However, this obligation does not apply to the following classifications of foreigners:

a. Foreigners who are legally married to Indonesian citizens;
b. Business Actors with foreign nationalities who undertake investments in Indonesia in accordance with the prevailing laws and regulations in the investment sector. However, these Businesses may use their Corporations which are domiciled within the Indonesian territory to act as a Guarantor; and
c. Citizens of a country that reciprocally grants a guarantee exemption.

2.2. Stay Permit

Although Regulation of the Government 40/2023 amends several important provisions, the main provisions regarding the presence of foreigners in the Indonesian territory still apply.

Visitor Stay Permit

- Holders of Visa for 1 trip and Visa for multiple trips shall be granted for a maximum period of 180 days from the date of issuance of Entry Stamp and may be extended provided that the overall Residency Permit in the Indonesian Territory is no longer than 12 (twelve) months.
- Visitor Residency Permit for holders of visitor Visa upon arrival shall be granted for a maximum period of 30 days from the date of issuance of Entry Stamp and may be extended provided that the overall Residency Permit in the Indonesian Territory is no longer than 60 (sixty) days.

Limited Stay Permit

- Limited Stay Permit shall be granted for a maximum period of 10 years
- If the limited Stay Permit is granted for less than 10 (ten) years, the limited Stay Permit applicant may apply for a limited Stay Permit extension provided that the overall Limited Stay Permit is no more than 10 (ten) years.
- Application for transfer of status of limited Residency Permit to Permanent Residency Permit may be submitted by Foreigners (clerics, workers, investors, holders of second-home facility) or Guarantor to the Head of the Immigration Office whose working area covers the Foreigners' residence. However, submissions may be made if said foreigners have been in the Indonesian Territory for at least 3 consecutive years from the date of the granting of the limited Stay Permit.

2.3. Golden Visa

Golden Visa is a grouping of limited Residency Visa, Limited Stay Permit, Permanent Residency Permit and Re-entry Permit for a certain period. The Golden Visa shall be granted for investment, family integration, repatriation and second house activities. The Golden Visa shall be granted for a maximum period of 5 years or 10 years.

Golden Visa in relation to investment activities shall be granted to:

a. Foreigners as individual investors who intend to establish a company in Indonesia;
b. Foreigners as individual investors who do not intend to establish a company in Indonesia; and
c. Foreigners who will serve as members of the board of directors or members of the board of commissioners in a company that will be established in Indonesia which is a branch or a subsidiary of a company outside the Indonesian Territory (maximum 10 persons per company).

Holders of Golden Visa shall be granted the following facilities at least:

a. a priority checkpoint at the Immigration Checkpoint stipulated by the Minister of Law and Human Rights;
b. priority services at the Immigration Office; or
c. priority services from the relevant agencies, ministries/agencies, based on a cooperation agreement.

03 Land and Environment

3.1. Land Rights

The main principle regarding regulations of land ownership is contained in Law Number 5 of 1960 on the Basic Provisions of Agrarian Affairs (Basic Agrarian Affairs Law 5/1960). However, the issuance of Regulation of the Government Number 18 of 2021 on Right-to-Manage, Land Rights, Strata Title, and Land Registration (Regulation of the Government 18/2021) as an implementation of the Job Creation Law has given a new dimension to the provisions in the land sector, among others, the rules on the implementation of Right-to-Manage (*Hak Pengelolaan/HPL*), implementation of various land rights, rules on multi-storey housing, land rights or HPL on aboveground and underground space, and land registration electronically.

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 of the Government 18/2021, 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	a. Indonesian Citizen b. Legal entities which are established under Indonesian law and domiciled in Indonesia c. Foreign legal entities which has representatives in Indonesia d. Religious and social agencies e. Foreigners	a. Central Government agencies b. Regional Governments c. Village governments d. Representatives of foreign countries and representatives of international agencies
Land which Can be Granted with Right-to-Use	a. State Land b. Freehold land c. Right-to-Manage Land	a. State Land b. Right-to-Management Land
Period of Right-to-Use	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. 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 b. Right-to-Use on the Freehold Land.	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 implementation authority is partially delegated to holders of Right-to-Manage. This right may originate from State Land and Communal Land. Right-to-Manage that derives from State Land shall be granted to Central Government agencies, Regional Governments, state-owned enterprises/regionally owned enterprises, Land Bank, and legal entities appointed by the Central Government. Meanwhile, Right-to-Manage that originates from Communal Land shall be assigned to customary law communities.

Holders of Right-to-Manage shall be granted the authority to:

- Formulate a plan for the allotment, use, and utilization of Land in accordance with the spatial plan;
- Use and utilize all or part of the Right-to-Management Land for its use or in cooperation with other parties;
- Determine annual tariffs and/or mandatory fees from other parties in accordance with the agreement.

Priority for Ex-Holder 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 utilizes State Land, the said Land shall return to Land Controlled Directly by the State. Thus the realignment of use, utilization, and ownership becomes the authority of the Minister in the agrarian sector, however, the Government shall give priority to the former holders of said land rights to reclaim it by taking into account certain requirements.

Land Registration

Under Regulation of the Government 18/2021, administrative procedures and the implementation of land registrations can now be conducted electronically, and electronic data and information that derive from said land registration procedures can now be considered as valid legal evidence in accordance with the applicable procedural law in Indonesia.

In addition, to accelerate Land Registration, the implementation of Land Registration for the first time which is conducted simultaneously (systematic Land Registration) must be followed by the owner of the Land parcel. If the owner of the 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 requires 14 calendar days for systematic land registration and 30 calendar days for sporadic land registration. This announcement may be made through the website of the Ministry of Agrarian Affairs/Land and Spatial Planning.

3.2. Conformity of Spatial Utilization Activities

Before being able to apply for Business Licensing, business actors are required to obtain a Spatial Conformity Activity (*Kesesuaian Kegiatan Pemanfaatan Ruang/KKPR*) through the OSS system. Based on Regulation of the Government Number 21 of 2021 on the Organization of Spatial Planning (Regulation of the Government 21/2021), KKPR for medium- and large-scale businesses may be in the form of KKPR Confirmation or KKPR Approval. Meanwhile, the implementation of KKPR for business activities located in coastal waters, territorial waters, and jurisdictions shall be conducted through the Marine KKPR Approval. KKPR has a validity period of 3 years from the date of issuance.

3.3. Building

Building Approval

Since the issuance of the Job Creation Law, Building Approval (*Persetujuan Bangunan Gedung/PBG*) has emerged to replace the function of Building Permit (Izin Mendirikan Bangunan/IMB). Based on the Regulation of the Government Number 16 of 2021 on the Implementing Regulation of Law Number 28 of 2002 on Buildings (Regulation of the Government 16/2021), PBG is a license that is given to an owner of a Building to construct new, change, expand, reduce and/or maintain the Building in accordance with the technical standards of the Building.

Certificate of Occupancy (*Sertifikat Laik Fungsi/SLF*)

SLF is a certificate that is granted by a Regional Government to state the functional worthiness of a Building before it can be utilized. Technical agency will issue SLF through the SIMBG after a statement of function feasibility is issued by a construction supervisory service provider or a construction management or a supervisor after the completion of inspection and testing of a building.

3.4. Environment

Environmental Approval

Environmental Approval is an Environmental Feasibility Decree or Environmental Management Ability 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.

In accordance with Regulation of the Government Number 22 of 2021 on the Implementation of Environmental Protection and Management (Regulation of the Government 22/2021), Every Business and/or Activity plan must own:

Environmental Impact Analysis *(Analisis Mengenai Dampak Lingkungan Hidup/AMDAL)*	Environmental Management Efforts and Environmental Monitoring Efforts *(Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup/UKL-UPL)*	Environmental Management and Monitoring Statement Letter *(Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup/SPPL)*
AMDAL is mandatory for any business and/or activity plans that have a significant impact on the Environment. The criteria are that said business and/or activity plan must have an Amdal scale and/or its location is located within and/or directly adjacent to a protected area.	UKL-UPL is a series of environmental management and monitoring processes that 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 that are required to have UKL-UPL shall include types of business and/or activity plans that do not have any significant impacts; types of business and/or activity plans that are located outside of and/or not directly adjacent to a protected area; and include types of business and/or activity plans that are exempted from mandatory Amdal.	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.

Regarding the list of businesses and/or activities that are required to have Amdal, UKL-UPL, and SPPL, it may be seen in Regulation of the Minister of Environment and Forestry Number 4 of 2021 on the List of Business and/or Activity Required to Have Environmental Impact Analysis, Environmental Management Efforts and Environmental Monitoring Efforts Or Environmental Management and Monitoring Statement Letter.

04 Logistics

4.1. National Logistic Ecosystem (NLE) Collaborative Platform

To improve the performance of national logistics, improve the investment climate, and increase the competitiveness of the national economy, President Joko Widodo has issued Directive of the President Number 5 of 2020 on the Structuring of the National Logistics Ecosystem ("Directive 5/2020") which becomes the milestone for the birth of the NLE collaboration platform located in Indonesia under the Ministry of Finance. The NLE collaboration platform integrates services in the logistics sector from upstream to downstream to simplify the business processes of government services in the logistics sector based on information technology to eliminate repetition and duplication, collaborate logistics service systems both internationally and domestically between logistics activities in the government sector and private sector, as well as provide ease of transaction of state revenue payment and facilitation of payment between business actors related to logistic process.

To support the NLE, several regulations relating to import and export activities were issued , so that the NLE can run optimally, for example, Regulation of the Minister of Finance Number 97/PMK.04/2020 of 2020 on the Amendment to Regulation of the Minister of Finance Number 158/PMK.04/2017 on Governance for the Submission of Notification of Planned Arrival of Transportation Facilities, Manifest of Arrivals of Transportation Facilities and Manifest of Departures of Transportation Facilities (Regulation of the Minister of Finance 97/PMK.04/2020) which requires freight companies to connect their systems to the NLE and provide online delivery orders. In addition, Regulation of the Minister of Finance Number 108/PMK.04/2020 of 2020 on the Unloading and Stockpiling of Imported Goods (Regulation of the Minister of Finance 108/PMK.04/2020) stipulates that the submission of application and approval for the licensing of the unloading of imported goods outside of Customs Areas may be carried out via the NLE.

4.2. Seaports in Indonesia

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

Figure 3.1 - Hub Ports in Indonesia

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

05 Infrastructure

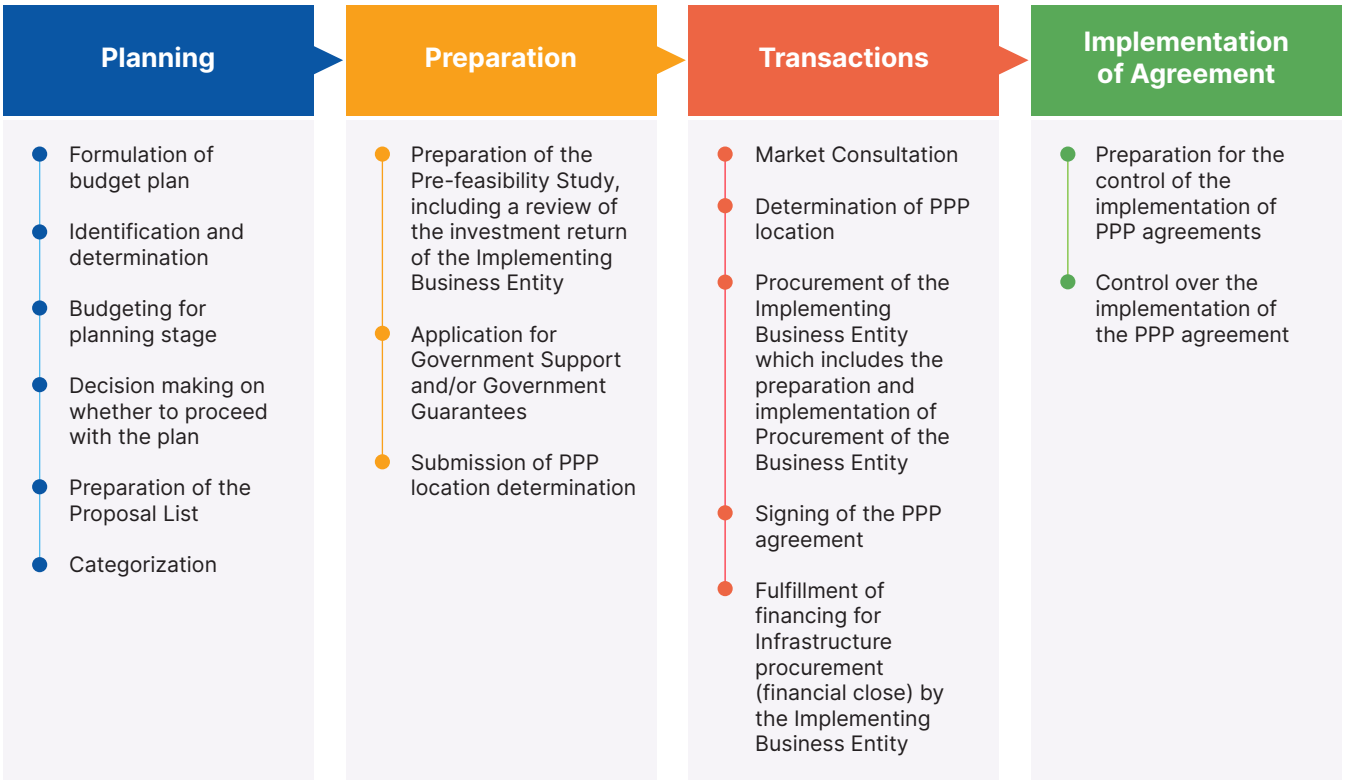
In accordance with the 2020-2024 National Medium-Term Development Plan, the government targets an average GDP growth of 5.7-6.0 percent per year and allocates IDR6,445 trillion of GDP for infrastructure spending. Meanwhile, the government's ability to fund only amounted to IDR2,385 trillion (only 37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

Public Private Partnership (KPBU)

KPBU is conducted to fulfill the funding needs sustainably in the provision of infrastructure for the community through the mobilization of private funds. In addition, KPBU 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 Regulation of the President Number 38 of 2015 on Public-Private Partnership for the Provision of Infrastructure (Regulation of the President 38/2015), the types of economic infrastructure and social infrastructure that may be cooperated through KPBU 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



KPBU may be initiated by a Business Entity on condition that it is technically integrated with the relevant sector master plan; economically and financially feasible; and that the Business Entity that submits the initiative have sufficient financial capacity to finance the implementation of Infrastructure Provision.

06 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 is also implementing the ASEAN Free Trade Area (AFTA) policy, which regulates intra-regional trade through the Common Effective Preferential Tariff (CEPT) scheme, with tariff rates of 0-5% 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-South Korea (IK-CEPA), Indonesia-Pakistan (IPPTA), Indonesia-Mozambique (IMPTA), Indonesia-EFTA (IE - CEPA), Indonesia-Japan (IJEPA), Indonesia-Chile (IC-CEPA), Indonesia-Australia (IA-CEPA).

6.2. Exports and Imports

Based on Regulation of the Government Number 29 of 2021 on the Organization of the Trade Sector (Regulation of the Government 29/2021), Exporters and Importers are required to have a Business Identification Number submitted through the OSS system. Specifically for Importers, Business Identification Number shall be valid as General Importer Identification Numbers (*Angka Pengenal Importir Umum/API-U*) and Producer Importer Identification Numbers (*Angka Pengenal Importir Produsen/API-P*).

Exporters and importers are prohibited from exporting or importing goods which are prohibited from being 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 License from the Minister of Trade consisting of Registered Exporter and/or Export Approval. Meanwhile, toward certain Import activities, Importers are required to have Business License from the Minister of Trade consisting of Registered Importer, Producer Importer (for their use as capital goods, Raw Materials, Auxiliary Materials, and/or materials to support the production process), and/or Import Approval.

Export and Import activities are supported by the 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, which are related 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.

6.3. Distribution of Goods

Indirect Distribution of Goods

Indirect distribution of Goods is carried out by distribution business actors through engagements that can be proven through a written agreement, appointment, and/or transaction receipt. Indirect distribution of goods is carried out by distribution business actors using general distribution chains, namely Distributors and their networks (Distributors, Wholesalers, Retailers); Agents and their networks (Agents, Wholesalers, Retailers); or Franchises.

Distributors

To carry out its business activities, they are required to have a Business Identification Number and other supporting licenses. In addition to controlling a place of business with a clear address, Distributors must also control warehouses that have been registered. If a Distributor has been appointed by a Producer to circulate Goods in a certain area as the Sole Distributor, then another Distributor may not be appointed by the Producer to distribute the Goods of the same type and brand. The validity period for the appointment of sole Distributor is at least 5 years and must be extended once. In terms of engagements for the distribution of goods by distributors or agents, the provisions are set out under Regulation of the Minister of Trade Number 24 of 2021 on Engagements for the Distribution of Goods by Distributors or Agents (Regulation of the Minister of Trade 24/2021). Under this regulation, Distribution business actors are comprised of Distributor, Sole Distributor, Agent, and Sole Agent. Each of the abovementioned Distribution business actor may appoint a Sub-Distributor or Sub-Agent.

Agents

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 parties and are prohibited from transferring rights to physical Goods that are owned/controlled by the Producers, suppliers, and/or Importers who appoint them. If an Agent has been appointed by a Producer to circulate the Goods in a certain area as the Sole Agent, then another Agent may not be appointed by the Producer to distribute the Goods of the same type and brand.

Wholesalers/Small-shops

To carry out its business activities, they are required to have a Business Identification Number and other supporting licenses. In addition to cooperation with Producers, Distributors, or Importers of Goods based on an agreement, Wholesalers 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.

Direct Distribution of Goods

Direct Distribution of Goods is conducted by using special distribution through the Direct Selling system, either in single-level or multi-level form. The Direct Selling System is developed by Direct Sellers who work based on Commissions and/or Bonuses based on the sale proceeds 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 with 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

07 Utilization of Domestic Products

7.1. Increasing the Use of Domestic Products

Based on Regulation of the Government Number 29 of 2018 on Industrial Empowerment (Regulation of the Government 29/2018), the increased utilization of Domestic Products aims to empower domestic Industries and strengthen Industrial structure. Domestic Products must be used by users of Domestic Products, including state institutions, ministries, non-ministerial government agencies, other government agencies, and regional work units; and BUMN, other state-owned legal entities, regionally owned enterprises, and private business entities in the procurement of Goods/Services. Furthermore, the procurement of Domestic Products consists of the procurement of goods, procurement of services, and 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%. The TKDN value and the 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 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 direct materials, direct labour, and factory overhead. For service TKDN, the assessment is calculated based on costs which include manpower, work equipment/facilities, and general services. Meanwhile, the combined TKDN of goods and services is calculated based on the assessment of TKDN of goods and TKDN of services. In addition, the value of intellectual ability (brain ware) can be calculated as a cost in the calculation of TKDN value.

7.3. Company Benefit Weight (BMP)

BMP is the reward value given to Industrial Companies that invest and produce in Indonesia. The amount of BMP achievement is calculated based on the determining factors, namely the empowerment of Micro- and Small-Enterprises, including Small Cooperatives through partnerships; possession of occupational health and safety certificate as well as environmental management certificate; community development; and the availability of after-sales service facilities.

08 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. To achieve this objective, Law No. 25 of 2007 on Investment ("Law 25/2007"), which serves as the main reference for investment in all sectors in Indonesia, regulates provisions that protect investors, among others, providing 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; guarantee legal certainty, business certainty, and business security for investors from the licensing process until the end of investment activities; and the Government will not conduct nationalization or takeover of investors' ownership rights, except by law.

In addition, in the event of nationalization, 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 redress; investors are granted the right to conduct transfer and repatriation in foreign currencies; and prioritizing deliberation and consensus before resorting to arbitration or alternative dispute resolution in the event of any dispute in the investment sector between the government and investors.

Chapter 4

Taxation

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

Individual Taxpayers are individual Taxpayers who are not 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 the country.

Corporate Taxpayers are in the form of companies or incorporated in legal entities. The subject of corporate taxpayers is divided into 2, namely:

a. Domestic tax subjects and foreign tax subjects. Domestic corporate
b. tax subjects are taxpayers who are either established or domiciled in Indonesia.
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 conduct business or conduct business activities in Indonesia. Foreign companies conducting business activities in Indonesia through BUT shall be subject to the same tax rates as domestic taxpayers with the additional obligation of Branch Profits Tax.

The prevailing Taxation System in Indonesia is a self-assessment system, which is a tax collection system that gives confidence 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 draw up Taxpayer Identification Numbers (*Nomor Pokok Wajib Pajak/NPWP*), which is a number that is given to Taxpayers as a facility in tax administration and is used as a self-identification or Taxpayers' 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 Corporate Taxpayers. Registration of NPWP can be done through a Tax Office, or through the application of **ereg.pajak.go.id**. Corporate Taxpayers will obtain NPWP automatically at the time of 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 from 2024, for Individual Taxpayers, provisions on the use of Citizenship Identification Number (*Nomor Induk Kependudukan/NIK*) as NPWP will apply. However, this does not automatically make every Indonesian citizen who has an NIK automatically become a Taxpayer. To make an NIK as an NPWP, every Individual Taxpayer must first undergo an activation process.

01 Corporate Income Tax (CIT)

1.1. Financial Statement

In accordance with Law No.7 of 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:

1. Foreign Investment Taxpayers
2. Taxpayers of Contract of Work that operate under a contract with the Government
3. Taxpayers of Cooperation Contract Contractors
4. Permanent Establish-ments
5. Taxpayers who register their shares in foreign stock exchanges
6. Collective Investment Contract (*Kontrak Investasi Kolektif/KIK*)
7. Subsidiary companies which are owned or controlled directly by the parent company abroad.

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 7/2021 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 Regulation of the Government Number 23 of 2018 on Income Tax for Business Incomes Received or Obtained by Taxpayers with Certain Gross Turnovers (Regulation of the Government 23/2018) 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 Regulation of the Government 23/2018, Taxpayers with certain gross turnovers which are subject to final tax are:

1. Individual Taxpayers
2. 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 exemption import duty. Business actors can choose to apply for a tax holiday or tax allowance as long as it meets the criteria for the selected income tax facility. Details of facility coverage, objects receiving facilities, conditions for providing facilities, and procedures, are regulated in Chapter V Regulation of the Investment Coordinating Board Number 4 of 2021 concerning Guidelines and Procedures for Licensing Services Risk-Based Business and Capital Investment Facilities (Regulation of the Investment Coordinating Board 4/2021).

Tax Incentive		Definition	Legal Basis
	Tax Holiday	Tax holiday is a form of tax incentive to attract foreign investment. Companies that make new investments in Pioneer Industries may obtain a Corporate Income-Tax deduction for any income generated by their Primary Business Activities.	Regulation No. 130/PMK.010/2020
	Tax Allowance	Tax allowance is an income tax facility provided for domestic corporate taxpayers who make investments in certain business sectors and/or in certain regions.	Regulation of the Government No. 78 of 2019 on Income Tax Facilities.
	Tax Facilities	Tax Facilities are tax facilities that are granted to Indonesian companies to: (i) encourage investment in labour-intensive industries; (ii) support the creation of jobs and employment opportunities in Indonesia; (iii) encourage the involvement of business and industry to develop quality human resources; (iv) increase competitiveness; and (v) encourage businesses to undertake research and development (R&D) activities.	Regulation of the Government No. 45 of 2019 on the Amendment to Regulation of the Government Number 94 of 2010 on the Calculation of Taxable Income and Settlement of Income Tax in the Current Year (Regulation 45/2019).

Import Duty Exemption	Import Duty Exemption is the granting of import duty exemption facility for imports of certain goods.	a) Regulation of the Minister of Finance Number 176/PMK.011/2009 on the Exemption of Import Duty on Imports of Machinery as well as Goods and Materials for the Development of Industry for Investment b) Regulation of the Minister of Finance Number 66/PMK.010/2015 on Exemption of Import Duty on Imports of Capital Goods in the Framework of Development or Development of Electricity Generation Industry for Public Interests c) Regulation of the Minister of Finance Number 116/PMK.04/2019 on Exemption of Import Duty or Reduction and/or Exemption of Value Added Tax for Imports of Goods in the Framework of Contract of Work or Coal Mining Concession Work Agreement.

a. Tax Holiday (Regulation No.130/PMK.010/2020)

Benefit:

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%

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

1. Are a Pioneer Industry
2. Have a status as an Indonesian legal entity
3. 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
4. Have a new investment plan with a minimum value of IDR100 billion;
5. 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)
6. Commit to the realization of its investment plan within one year of the issuance of the Tax Holiday approval
7. 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 have fulfilled the five criteria to obtain Tax Holiday incentives as referred to in numbers 2 to 6 above;
2. Achieving a minimum score of 80 on the Pioneer Industry quantitative criteria (as can be seen in Appendix A to the Regulation of the Minister of Finance No.130/PMK.010/2020); and
3. Must meet the requirements of Tax-Exemption Certificate (*Surat Izin Pajak/SKF*) for domestic taxpayer shareholders.

How to apply:

Tax holiday application may be submitted through the OSS system at the time of taxpayer registration or within 1 year at the latest after the issuance of business licensing by the OSS system.

b. Tax Allowance

Benefit:

1. Deduction of net income of 30% from the actual amount invested in fixed assets, tangible assets including land, which are charged over 6 years of 5% each;
2. Accelerated depreciation and/or amortization of eligible fixed and intangible assets
3. 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
4. Compensation for losses which are longer than 5 years but not longer than 10 years under certain conditions.

Requirements/Criteria:

1. Have high investment value or export-oriented
2. Have a large workforce
3. High in local content

How to apply:

Tax holiday application may be submitted through the OSS system at the time of taxpayer registration or within 1 year at the latest after the issuance of business licensing from the OSS system.

c. R&D, Vocational Tax Facilities & Labor Intensive Tax Facilities (Regulation of the Government Number 45 of 2019)

1. Research and Development

Benefit:

A reduction in gross income of up to 300% is available on expenditure incurred for certain R&D activities in Indonesia

Requirements/Criteria:

The Facility is eligible for domestic taxpayers, who are involved in R&D activities, and hold R&D proposals. The focus themes of R&D activities are as follows:

1. Food
2. Pharmacy, cosmetics, and medical devices
3. Textile, leather, footwear, and anything
4. Transporta-tion
5. Information and communi-cation technology
6. Energy
7. Capital goods, components, and auxiliary materials
8. Agroindustry
9. Base metals and non-metallic minerals
10. Oil & gas and coal base chemistry
11. Defence

How to apply:

Taxpayers may 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 Regulation of the Minister of Finance Number 153/PMK.010/2020 of 2020 on the Granting of Deduction of Gross Income for Certain Research and Development Activities in Indonesia (Regulation of the Minister of Finance No.153/PMK.010/2020)

2. Working Program and Vocational Internship

Regulation of the Minister of Finance Number 128/PMK.010/2019 of 2019 on the Granting of Deduction of Gross Income for the Organization of Apprenticeship, Internship, and/or Learning Activities for the Purpose of Coaching and Development of Human Resources Based on Certain Competence (Regulation of the Minister of Finance Number 128/PMK.010/2019).

Benefit:
A reduction in gross income of up to 200% is available on expenditure incurred for human development (apprenticeship, internship, and/or learning activities). A reduction in the gross income of 100% of the total costs incurred for human development and an additional reduction of 100% of these costs will be granted to companies that conduct human development activities concerning certain competencies listed in Appendix A of Regulation of the Minister of Finance No. 128/ PMK.010/2019.

Requirements/Criteria:
The Facility is eligible for domestic taxpayers, who are involved in practical work activities, apprenticeship, and/or specific competency-based learning, hold cooperation agreements, and are not in a condition of fiscal loss.

How to apply:

Taxpayers are required to submit notification through the OSS system by enclosing a valid Cooperation Agreement and Fiscal Certificate (SKF) in accordance with the provisions of Article 7 of Regulation of the Minister of Finance No. 128/ PMK.010/2019.

3. Labour Intensive Tax Facility

Regulation of the Minister Number 16/PMK.010/2020 of 2020 on the Granting of Facility in the Form of Deduction of Net Income for New Investment or Expansion of Business in Certain Business Sectors that Constitute as Labour Intensive Industry (Regulation of the Minister of Finance Number 16/PMK.010/2020).

Benefit:
A reduction in net income of 60% of investment in tangible fixed assets and land used for main business activities is available for labour-intensive industries, prorated over six years from the start of commercial production (at 10% per year)

Requirement/Criteria:
Domestic taxpayers with main business activities listed in Appendix A of Regulation of the Minister of Finance No.16/PMK.010/2020 and employing a minimum of 300 local employees are eligible for the super tax deduction for labour-intensive industries/ sectors (investment allowance). Listed labour-intensive industries in the Appendix A of **Regulation of the Minister of Finance Number 16/PMK.010/2020** are as follows:

1. Fisheries
2. Food
3. Textile and apparel
4. Leather goods
5. Footwear
6. Paper and tissue
7. Goods industry from rubber and plastic
8. Rubber asphalt
9. Tableware or kitchenware from metals
10. Nails, nuts, and bolts
11. Computer and electronics
12. Controlling equipment, electricity distribution, and household electricity appliances
13. Stove, refrigerator, compressor, air conditioner, and cold storage
14. Agricultural tractors assembly and rice milling unit
15. Wooden, rattan, and bamboo furniture
16. Jewellery from precious metal
17. Kid toys

How to apply:

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

1. Requirements for plans to employ Indonesian workers
2. A digital copy of the details of the fixed assets under the Investment Value plan
3. Digital copy of shareholders' fiscal certificate

d. Import Duty Exemption

This facility is valid for:

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.

How to apply:

This facility may be submitted via the OSS system by uploading a recommendation from the ministry that is in charge of industrial affairs.

2) Exemption from import duty on imports of raw materials for production

Benefit:

- For companies that have at least 30% of the capacity of Business License/Expansion License and/or Risk-Based Business License and industrial development that have been completed: shall obtain import duty exemption for 2 (two) years and may obtain one extension for 1 year.
- For companies with a minimum of 30% local content and which carry out construction and development: obtain import duty exemption facility for 4 (four) years and may obtain one extension for 1 year.

Requirements/Criteria:

a. Companies in the production stage (have obtained business licenses to operate).

b. Eligible sectors: Industries which produce goods.

How to apply:

This facility may be submitted through the OSS system no later than 1 (one) year from the date when Business Actors have started commercial production. The said period is to be determined based on an independent statement in the OSS System which states that the company has started commercial production.

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 interests

Benefit:
Obtain an import duty exemption facility for 2 years which can be extended once for 1 year.

Requirements/Criteria:

a) This facility is valid for PT PLN (State Electricity Company) Persero or/and holders of electricity supply business license.
b) The abovementioned Business actors are required to possess:
   - Business area;
   - Electricity Sales and Purchase Agreement (PPA) with PT PLN (Persero);
   - Finance lease agreement (FLA) with PT PLN (Persero); or
   - Electricity sales and purchase agreement with holders of power plant business license

How to apply:

This facility may be applied for through the OSS system and shall be granted in accordance with an import plan for project needs (Rencana Impor Barang/RIB) which has been approved and validated by the ministry that organizes government affairs in the energy and mineral resources sector.

4) Exemption or reduction of import duty and exemption or suspension of Value-Added Tax (*Pajak Pertambahan Nilai/PPN*) on imports of capital goods used by mining contract of work companies (KK/PKB2B)

Benefit:
This facility is granted until the expiry of a contract of work. The facility is granted annually and will expire on 31 December of each year. The extension period will require a recommendation from the Director-General of Mineral and Coal.

Requirements/Criteria:
This facility is valid for companies that hold mining contract of work with the government (KK/PKB2B).

How to apply:

This facility may be submitted through the OSS system 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.

1.4. Withholding Taxes

In addition to the self-assessment system, Indonesia has also implemented a tax withholding scheme, which applies to several types of Income Tax, namely:

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	- 5% (IDR 0 > IDR 60 million) - 15% (IDR 60 million > IDR 250 million) - 25% (IDR 250 million > IDR 500 million) - 30% (IDR 500 million > IDR 5 billion) - 35% (more than IDR 5 billion)
PPh Article 22	● Collected by the Director-General of Customs for Imports ● Collected by exporters for exports of mining commodities ● Collected by the State Treasurer and Budget User Proxy for the purchase of goods ● Collected by certain designated business entities for the purchase or sale of certain goods	- 2,5% - 7,5% - 1,5% - 1,5% - 0,1% - 1,5%
PPh Article 23	Deducted from domestic WP and PE income elicited from: ● Capital utilization : - Royalties - Interest payments to non-financial institutions - Lease payments other than land and buildings - Payment for Services ● Payment of prizes, awards, and bonuses received by Corporate WP	- 15% - 15% - 2% - 2% - 15%
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: ● Interest on deposits and savings/current account services, discounts on ● Bank Indonesia Certificates ● Transaction of sale of shares on the stock exchange ● Interest and discount bonds sold on the capital market ● Land or buildings rents ● Transfer of land or building rights ● Business income of construction services ● Lottery Prizes	- 20% - 20% - 0,1% - 15% - 10% - 2,5% - 1,7% - 6% - 25%
PPh Article 15	Deducted from rental income from: ● Domestic airlines and shipping companies ● Foreign shipping and airline companies which own BUT in Indonesia	- 1,2% and 1,8% - 2,64%

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

a. Regulation of the Minister of Finance Number 12/PMK.03/2017 on Income Tax Withholding and/or Collection (Regulation of the Minister of Finance Number 12/PMK,03/2017).
b. Regulation of the Director-General of Taxes Number PER-24/PJ/2021 on Forms and Procedures for the Preparation of Proof of Unification Withholding/Collection as well as Form, Content, Procedures for the Filling in and Submission of the Unification Periodic Income Tax Return ("Regulation of the Director-General of Taxes Number PER-24/PJ/2021").

1.5. Benefit in Kind

Provision of rewards in the form of benefit in kind and/or enjoyment in relation to work or services is an object of Income Tax for the recipient. Conversely, for companies that provide rewards in the form of benefit in kind and/or enjoyment, is a deduction of gross income.

If the recipient of rewards in the form of benefit in kind and/or enjoyment

1. Domestic taxpayers will be subject to withholding PPh Article 21
2. Overseas taxpayers will be subject to withholding PPh Article 26

The granting of rewards in the form of benefit in kind and/or enjoyment shall include, among others: gifts, work equipment, health services, sports facilities, vehicles, and housing.

Provision of rewards in the form of benefit in kind and/or enjoyment which is not an object of Income Tax for the recipient, among others:

1. Provision of food and/or beverages for all Employees;
2. Provision of facilities, infrastructure, and/or facilities in certain areas;
3. Facility, infrastructure, and/or facilities that must be provided by employers in the implementation of work in relation to the requirements regarding the security, health, and/or safety of employees required by the Ministry or Agency based on laws and regulations;
4. The granting of benefit in kind and/or enjoyment sourced or financed by the state revenue and expenditure budget, regional revenue and expenditure budget and/or village revenue and expenditure budget; or
5. The granting of benefit in kind and/or enjoyment of certain types and/or limitation as set out in Regulation of the Minister of Finance Number 66 of 2023 on Treatment of Income Tax for Reimbursement or Rewards in Relation to Works or Services Received or Obtained in the Form of Benefit in Kind and/or Enjoyment (Regulation of the Minister of Finance Number 66/2023)

1.6. 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 fulfils the Arm's Length Principle (ALP). This principle is based on the norm that transactions conducted with related parties reflect fair values.

The Arm's Length Principle shall be carried out by conducting a comparability analysis on transactions conducted with a related party by using comparison data, and the determination of the appropriate Transfer Price method as well as documenting it.

Based on Regulation of the Minister of Finance Number 213/PMK.03/2016 on Types of Additional Documents and/or Information that Must be Retained by Taxpayers Conducting Transactions with Parties with Special Relationships and Its Management Procedures, for companies whose gross revenue exceeded IDR50,000,000,000 (fifty billion rupiahs) in the previous year, or which conducted transactions with related parties amounting to more than IDR20,000,000,000 for the sale of tangible goods, or amounting to more than IDR 5,000,000,000 (five billion rupiah) for the sale of services, payment of interest, sale transaction of intangible goods, or transactions with related parties who are domiciled in the country with lower tax tariffs than Indonesia, must prepare Transfer Pricing Documentation (TP Doc).

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

1.7. Tax Administration

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

Deadline for monthly tax deposit for withholding:

1. Income Tax Article 21, Article 23, and Article 4 paragraph 2 by no later than the 10th day of the following month.
2. The deadline for monthly tax deposit for Article 25 Income Tax, 0.5% UMKM Tax, Article 4 paragraph 2 Income Tax, and PPN for Foreign Services which are paid by themselves by no later than the 15th day of the following month.
3. The deadline for monthly tax deposit for Value-Added Tax is no later than the end of the following month.

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

The deadline for reporting Periodic Income Tax Return is the 20th day of the following month. Any delay in reporting Periodic Income Tax Return will result in a fine of IDR100,000. The deadline for reporting Periodic Value-Added Tax Return is at the end of the following month. Any delay in the reporting of Periodic Value-Added Tax Return will be subject to a fine of IDR500,000. The deadline 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 of IDR100,000. The deadline for the reporting of annual corporate tax return is the end of April of the following fiscal year. Any delay in reporting Corporate Annual Tax Return will be subject to a fine of IDR1,000,000.

02 Individual Income Tax

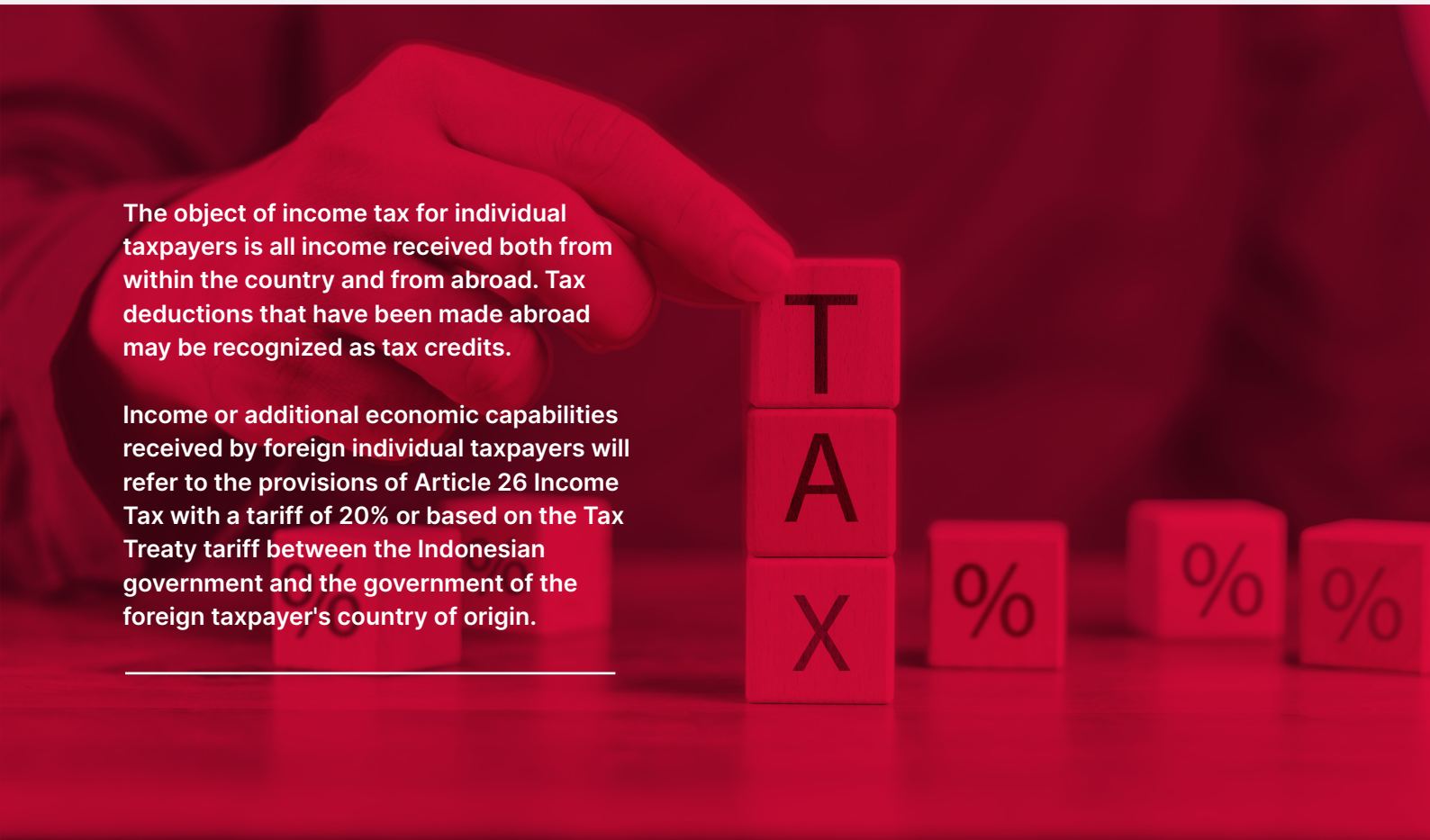
Any income or additional economic capacity received by individual taxpayers shall become an object of Income Tax. According to Law 7/2021, the Income Tax rates applicable to domestic individual taxpayers are as follows:

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

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, the PTKP status will follow to the men. Meanwhile, for married women, their PTKP status will always be Not Married (*Tidak Kawin*/TK).



The object of income tax for individual taxpayers is all income received both from within the country and from abroad. Tax deductions that have been made abroad may be recognized as tax credits.

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

03 Dividend

Based on Law No. 7 of 2021, dividend which is paid by domestic companies which are received by domestic individual taxpayers are not tax objects and tax withholding cannot be conducted at the time of the payment provided that said dividend is reinvested. Provisions on the form of reinvestment may be seen in Regulation of the Minister of Finance Number 18/PMK.03/2021 of 2021 on the Implementation of Law Number 11 of 2020 on Job Creation in the Sectors of Income Tax, Value-Added Tax and Sales Tax on Luxury Goods, and General Provisions and Taxation Procedures (Regulation of the Minister of Finance Number 18/PMK.03/2021).

- State securities and State sharia securities;
- State-Owned Enterprises Bonds or Sukuk;
- Bonds or sukuk of financing institutions owned by the government
- Financial investment in perception banks, including sharia banks;
- Bonds or sharia bonds of private companies whose trading is supervised by the Financial Services Authority;
- Infrastructure investment through public-private partnerships;
- Real sector investment based on priorities determined by the government;
- Equity participation in newly established companies in Indonesia
- Equity participation in established companies in Indonesia
- Cooperation with investment management institutions;
- Loans for micro- and small-enterprises
- Other legal forms of investment in accordance with laws and regulations.

Any such dividend must be reinvested by the end of the third month after said dividend has been paid by companies, for a minimum period of three years. Every year, taxpayers must report the realization of investment through the application djponline.pajak.go.id. If a taxpayer does not reinvest the dividend they receive, then said taxpayers are required to deposit an Income Tax of 10% of the value of the dividend received.

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

Dividend that is paid by domestic companies and are received by foreign individuals or entities shall refer to the provisions of Article 26 Income Tax with a tariff of 20% or based on the Tax Treaty tariff between the Indonesian government and the government of the foreign taxpayer's country of origin.

04 VAT and Luxury-Goods Sales Tax

4.1. Value-Added Tax

Value Added Tax or PPN is a levy imposed on the sale and purchase transaction of goods and services conducted by individual taxpayers or corporate taxpayers which is conducted within the Indonesian territory. In essence, PPN is levied on all Taxable Goods (*Barang Kena Pajak/BKP*) and Services (*Jasa Kena Pajak/JKP*). However, the government provides 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.

Every seller of BKP or JKP is required to issue proof of PPN collection or tax invoice, except retail merchant taxpayers who sell BKP or JKP to final consumers. Tax invoice can be used as PPN credits for BKP or JKP buyers.

Digital VAT

Since 1 July 2020, the Indonesian Government has been regulating the levy of VAT for the utilization of intangible goods and/or services originating from other countries through the electronic system or trading activity (Perdagangan Melalui Sistem Elektronik/PMSE).

The collection of PPN PMSE shall be conducted by an application providing company which is appointed by the government. Procedures for the appointment of application-providing company as PPN collector are regulated under Regulation of the Minister of Finance Number 60/PMK.03/2022 on Procedures for the Appointment of Collectors, Collection, Deposit and Reporting of Value-Added Tax for the Utilization of Intangible Taxable Goods and/or Taxable Services from Outside of Customs Area in Customs Area through Trading via Electronic Systems (Regulation of the Minister of Finance 60/PMK.03/2022). This policy is issued in response to the increasing use of intangible goods and/or services in digital form, such as streaming services and other digital product transactions. To date, 158 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, at the time of handover of goods by producers or at the time of importation of said goods. PPnBM tariffs vary from 10% to 200%, depending on the type of luxury goods. If entrepreneurs export Taxable Goods that are classified as luxury goods, then the PPnBM will be imposed at a tariff of 0%.

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

05 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, to control and obtain benefits over Land and/or Buildings. Land and Building Tax is not subject to tax if the land or building 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 of 2009 on Regional Taxes and Levies, clarifies that the basis for the imposition of PBB-P2 is the Sales Value of Tax Object (*Nilai Jual Objek Pajak/NJOP*), whose amount shall be determined by the Regional Head. Every Taxpayer is entitled to the Sales Value of Non-Taxable Objects (*Nilai Jual Objek Pajak Tidak Kena Pajak/NJOPTKP*) whose amount shall be determined by Regional Governments and is at a minimum of IDR10,000,000 (ten million rupiah). The PBB-P2 tariff is set by a Regional Regulation of a maximum of 0.3%.

Law No. 12 of 1994 on Land and Building Tax, explains that the basis for the imposition 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 (*Nilai Jual Objek Pajak/NJOP*). The NJKP PBB-P3 shall be stipulated by a Regulation of Government of a minimum of 20% and a maximum of 100% of the NJOP. The PBB-P3 tariff is 0.5%.

The registration of PBB-P2 may be conducted through the Regional Revenue Office at the location of the relevant Land and Buildings. As for the place of PBB-P3 registration, it can be done through the Tax Service Office where the location of the Land and Building are located.

5.2. Stamp Duty

Based on Law No. 10 of 2020 on Stamp Duty which comes into force on 1 January 2021, Stamp Duty is a tax on Documents. Documents shall be defined as handwritten, printed, or electronic documents.
Stamp Duty shall be imposed on:

Stamp Duty shall be imposed on:	Stamp Duty is not imposed on Documents in the form of:
1. Agreement, Certificate, Statement Letter Documents; 2. Notarial Deed 3. Deed of Land Deed Official 4. Securities and Futures Contracts Documents 5. Tender Documents 6. Documents stating the amount of money is more than IDR5,000,000 (Five Million Rupiah) 7. Documents used as evidence in court. 8. Documents for the purchase and sale of shares on the Indonesia Stock Exchange.	1. Documents relating to goods storage, bill of lading, passenger and goods transportation letter, proof of delivery and receipt of goods; 2. Diploma; 3. Receipt for the payment of salary, waiting fee, pension, allowance, and other payments relating to employment relationship; 4. Receipt of state money receipts from the state treasury, regional government treasury, banks, and other institutions appointed by the state; 5. Tax receipt 6. Receipt of money which is made for internal organization purposes; 7. Documents of deposit, securities, and payment of deposit to depositors by banks, cooperatives, and other entities that organize the deposit of money, 8. Issuance of securities by custodians to customers; 9. Pawnbrokers; 10. Sign of sharing profits, interest, or yields from securities,

In the 2021 edition, there are 3 (three) types of Stamp Duty, namely: **Post-Stamp, Electronic Stamp, and other forms of Stamp**. Stamps have the general characteristics of an image of Garuda Pancasila, the phrase "Stamp" and a nominal value. Post stamp also features specific designs, materials, and printing techniques as security elements. An Electronic Stamp is used for the granting of Stamp Duty on electronic documents. Electronic Stamp has a unique code and certain information. Other forms of stamp duty are manufactured through the use of digital stamping machine, computerized system, printing technology, and other technologies.

Image source: Sonora.id

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

06 Statute of Limitation

The amount of payable tax reported by Taxpayers through a Tax Return (SPT) becomes certain after 5 (five) years unless Taxpayers commit a criminal act in the taxation sector. Within 5 (five) years, the Directorate-General of Taxes 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 Assestment (*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).

Tax Facilities in the Capital of Nusantara

In order to realize the Capital City of Nusantara as a sustainable city in the world, as a driver of the future economy of Indonesia, and as a symbol of national identity, it is necessary to accelerate the development and development of the Capital City of Nusantara which is a high priority scale and has strategic value for the national economy. Based on these considerations, it is necessary to provide a special policy for the granting of business licensing, ease of doing business, and capital investment facilities to business actors that carry out investments and economic activities and/or finance the construction and development of the Capital City of Nusantara and/or partnering regions.

Through Regulation of the Government Number 12 of 2023 on the Granting of Business Licensing, Business Facilities, and Investment Facilities for Businesses in the Capital City of Nusantara (Regulation of the Government 12/2023), the government grants Income Tax facilities in the Capital City of Nusantara in the form of:

NUSANTARA

1. Corporate Income-Tax Deduction for Domestic Corporate Taxpayers

Benefit:

100% Corporate Income-Tax deduction from the payable Corporate Income-Tax under the following conditions:

a. For the Infrastructure and Public Services business sector, it shall be granted for:

- **30** (thirty) fiscal years, for Investments conducted from 2023 until 2030
- **25** (twenty-five) fiscal years, for Investments conducted from 2031 until 2035
- **20** (twenty) fiscal years, for Investments conducted from 2036 until 2045

b. For the Awakening of the Economy business sectors, it shall be granted for:

- **20** (twenty) fiscal years, for Investments conducted from 2023 until 2030
- **15** (fifteen) fiscal years, for Investments conducted from 2031 until 2035
- **10** (ten) fiscal years, for Investments conducted from 2036 until 2045

c. For Other business sectors, it shall be granted for:

- **10** (ten) fiscal years, for Investments conducted from 2023 until 2030
- **10** (ten) fiscal years, for Investments conducted from 2031 until 2045

Requirements:

Domestic corporate taxpayers who undertake Investment with a minimum value of IDR10,000,000,000 (ten billion rupiahs).

How to apply:

Application shall be submitted through the OSS System by no later than 30 (thirty) days after the establishment.

2. Income-Tax Facility for Financial Sector Activities at the Financial Center

Benefit:

a. Those who engage in business activities in the sector of Banking, Insurance, and Sharia Finance shall obtain a facility in the form of a Corporate Income Tax deduction of 100% of the amount payable Corporate Income Tax for the share of income from the Capital City of Nusantara and/or Partnering Regions under the following conditions:

- **25** (twenty-five) fiscal years, for Investments conducted from 2023 until 2035
- **20** (twenty) fiscal years, for Investments conducted from 2036 until 2045

b. Those who engage in business activities in the financial sector, other than the three sectors above shall enjoy a Corporate Income-Tax deduction of 85% of the payable Corporate Income-Tax for their share of income from the Capital City of Nusantara and/or Partnering Regions, under the following conditions:

- **25** (twenty-five) fiscal years, for Investments conducted from 2023 until 2035
- **20** (twenty) fiscal years, for Investments conducted from 2036 until 2045

c. Income deriving from Investments in the Financial Center in the Capital City of Nusantara received by foreign tax subjects shall be exempted from Income Tax withholding and/or collection for 10 (ten) years.

Requirements:

Domestic Taxpayers and Permanent Establishments (BUT) which conduct business activities in the financial sector at the Financial Center of the Capital City of Nusantara.

How to apply:

Application shall be submitted through the OSS System by no later than 30 (thirty) days after the establishment.

3. Deduction of corporate Income Tax for the Establishment and/or Transfer of Head Office and/or Regional Office

Benefit:

Corporate Income Tax deduction facility amounting to 100% of the payable Corporate Income Tax for 10 (ten) fiscal years. After the said period of 10 (ten) fiscal years has elapsed, 50% of the Corporate Income Tax deduction will be given back from the payable Corporate Income Tax for the next 10 (ten) fiscal years.

Requirements:
Business actors with foreign tax subjects who establish and/or move their headquarters and/or regional office to the Capital City of Nusantara. The foreign tax subject shall meet the following qualifications:

- Must have a minimum of 2 (two) affiliated units and/or related business entities outside of Indonesia.
- Have economic substance in the Capital City of Nusantara.
- Establish a legal entity in the form of a limited liability company in Indonesia.

How to apply:

Application shall be submitted through the OSS System by no later than 30 (thirty) days after the establishment.

4. Deduction of Gross Income for the Organization of Apprenticeship, Internship, and/or Learning Activities for Coaching and Developing Certain Competency-Based Human Resources

Benefit:
Gross-income deduction facility for a maximum of 250% of the total costs incurred for apprenticeship, internship, and/or learning activities until 2035.

Requirements:
Domestic corporate taxpayers who organize and/or involve human resources in education and/or training activities in the Capital City of Nusantara for apprenticeship, internships, and/or learning activities in the framework of coaching and development of human resources based on certain competencies.

How to apply:

Application shall be submitted via the OSS System.

5. Deductions in Gross Revenues for Certain Research and Development Activities

Benefit:
Gross income deduction facility for a maximum of 350% of the total costs incurred for certain research and development activities which are charged within a certain period. The deduction facility shall be granted until 2035.

Requirements:
Domestic corporate taxpayers who have their domiciles and/or places of business activities that carry out certain research and development activities in the Capital City of Nusantara to produce inventions, develop innovations, master new technologies, and/or transfer technology for industrial development to increase national industrial competitiveness.

How to apply:

Application shall be submitted via the OSS System.

6. Deduction of Gross Income from Donations and/or Costs for the Construction of Public Facilities, Social Facilities, and/or Other Non-Profit Facilities

Benefit:

The gross income deduction facility for the calculation of taxable income for Taxpayers is a maximum of 200% of the amount of donations and/or costs incurred for the construction of public facilities, social facilities, and/or other facilities of a non-profit nature. The deduction facility shall be granted until 2035.

Requirements:

Domestic Taxpayers who provide donations and/or costs for the construction of public facilities, social facilities, and/or other facilities of a non-profit nature within the Capital City of Nusantara. The said donations and/or costs shall be provided in the form of money, goods, and/or costs for the construction of public facilities, social facilities, and/or other non-profit facilities, provided that:

- Taxpayers have fiscal net income based on the annual income tax return for the previous fiscal year.
- The granting of donations and/or fees does not result in any loss in the tax year of the donations and/or fees.
- Supported by valid evidence.
- Obtain technical approvals and specifications from the Nusantara Capital City Authority.

How to apply:

Application shall be submitted via the OSS System.

7. Article 21 Income Tax Borne by the Government and Final

Benefit:

Income Tax Article 21 on income received by certain employees shall be granted a facility in the form of Income Tax borne by the government and is final. This facility shall be granted until 2035.

Requirements:

- Employees who receive or obtain income from certain employers.
- Employees who are domiciled in the Capital City of Nusantara.
- Employees who have a Taxpayer Identification Number registered with a tax office whose working area covers the Nusantara Capital City.
- Employers who meet the following conditions:
  - Domiciled, or domiciled in the territory of the Capital City of Nusantara.
  - Have a Taxpayer Identification Number which is registered with a tax office whose working area is in the Capital City of Nusantara or has a taxation identity at a place of business activity located in the Capital City of Nusantara.
  - Have submitted a notification on the utilization of the government-borne and final Article 21 Income Tax to the Director-General of Tax and has obtained validation by the Director-General of Tax.

How to apply:

Submit a notification for the utilization of government-borne and final Article 21 Income Tax to the Director-General of Tax.

8. 0% (zero percent) Final Income Tax on Income from the Gross Turnover of Certain Businesses in Micro-, Small- and Medium-Enterprises

Benefit:
Income Tax Facility which is final with a tariff of 0% (zero percent) within a certain period of income received or obtained at business locations located in the territory of the Capital City of Nusantara with a gross business turnover of up to IDR50,000,000.00 (fifty billion rupiahs) in 1 (one) fiscal year. This facility shall be granted until 2035.

Requirements:
Domestic Taxpayers excluding permanent establishments which undertake Capital Investment in the Capital City of Nusantara with a value of less than IDR10,000,000.00 (ten billion rupiahs) and fulfill the following requirements:

- Domiciled, and/or have a branch in the Capital City of Nusantara.
- Conduct business activities in the Capital City of Nusantara.
- Be registered as a Taxpayer in a tax office whose working area is the Capital City of Nusantara or have a taxation identity at a place of business activity located in the Capital City of Nusantara.
- Must have made an Investment in the Capital City of Nusantara, as well as have a micro-, small- and medium-scale enterprises qualification issued by the authorized agency.

How to apply:

Submit an application to utilize the final Income Tax facility within 3 (three) months at the latest since the Investment.

9. Income-Tax Deduction for Transfers of Land and/or Building Rights

Benefit:
Income Tax deduction facility for the transfer of land and/or building rights shall be granted in the amount of 100% (one hundred percent) of the amount of Income Tax on the transfer of payable land and/or building rights. This facility shall be granted until 2035.

Requirements:
Taxpayers who transfer land and/or building rights in the Capital City of Nusantara.

How to apply:

These facilities shall be submitted through the electronic channels available at the Ministry of Finance.

10. Domestic Corporate Taxpayers who Undertake Investment in Partnering Areas, which are Certain Areas on Kalimantan Island Established for the Construction and Development of the Economic Superhub of the Capital City of Nusantara

Benefit:

100% Corporate Income-Tax deduction from the payable Corporate Income-Tax under the following conditions:

- **25** (twenty-five) fiscal years, for Investments conducted from 2023 until 2030
- **20** (twenty) fiscal years, for Investments conducted from 2031 until 2035
- **15** (fifteen) fiscal years, for Investments conducted from 2036 until 2045

Requirements:

Domestic corporate taxpayers who undertake Investments in the Infrastructure and Public Services sector with a minimum value of IDR 10,000,000,000 (ten billion rupiahs).

How to apply:

Application shall be submitted through the OSS System by no later than 30 (thirty) days after the establishment.

11. Value-Added Tax and Luxury Goods Sales Tax Exemption

Benefit:

a. The Value Added Tax facility is not collected.
b. Exemption facility for the imposition of Luxury Goods Sales Tax upon the handover of taxable goods.

Both facilities will be granted until 2035.

Requirements:

a. Uncollected Value Added Tax shall be granted for:
   - Delivery of certain strategic taxable goods and/or taxable services;
   - Strategic imports of certain taxable goods.
b. Luxury Goods Sales Tax Exemption for the handover of taxable goods in the form of luxury occupancy to individuals, entities, and/or ministries/institutions, that conduct business activities, are on duty, or are domiciled in the Capital City of Nusantara.

How to apply:

Procedures for the application of the above facilities will be regulated by a Regulation of the Minister of Finance.

12. Custom Facilities

Benefit:

- Exemption from import duty and import-tax facilities (Pajak Dalam Rangka Impor – "PDRI") for imports of goods by the central government or regional governments aimed at the public interest in the Capital City of Nusantara and Partnering Areas.
- Exemption of import duty and PDRI facilities for imports of capital goods for industrial development and development in the Capital City of Nusantara and Partnering Areas for a maximum period of 2 (two) years and may be extended in accordance with the period of completion of the construction and development.
- Exemption from import duty on imports of goods and materials for the construction and development of industry in the Capital City of Nusantara and/or Partnering Areas for a maximum period of 4 (four) years and may be extended for 2 (two) years.

This facility shall be granted until 2045.

Requirements:

- Imports of goods by the central government or regional governments, third parties based on a contract or work agreement, and/or other parties, which are intended for the public interests in the Capital City of Nusantara and Partnering Regions.
- Imports of capital goods for industries that produce goods/services that will be imported into the Capital City of Nusantara and Partnering Areas with the aim of development in the Capital City of Nusantara.
- Import of goods and materials for industries that produce goods/services to be imported into the Capital City of Nusantara and Partnering Areas with the aim of development and development in the Capital City of Nusantara.

How to apply:

Application may be submitted via the OSS System.

Illustration of the view in the Pakuwon Nusantara Superblock at IKN (ISTIMEWA)

2019
2020
2021
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2023
2022
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16

FAQ

Can facilities related to capital investment only be provided by the BKPM?

There are many types of facilities related to investment and are provided by Ministries/Institutions according to their respective duties and functions and in accordance with prevailing provisions and regulation.

If a foreigner buys shares through a portfolio, is the company called PMA?

If PT PMA owns part of PT PMDN's shares through indirect portfolio investment, PT PMDN will not immediately change its status to PMA because to change PT PMDN's status to PT PMA, it must go through the status acquisition procedure.

Are PMA companies only required to report LKPM?

No. PMDN Business Actors are also required to submit LKPM, except for micro Business Actors and those engaged in upstream oil and gas business, banking, non-bank financial institutions, and insurance.

Apart from tax allowance and tax holiday facilities, are there any other facilities that can be provided for PMA/PMDN?

Based on the provisions in force at the BKPM, facilities are provided only for corporate income tax, vocational activities, and exemption from import duties on imports of machinery and goods and materials.

What is the procedure for changing from PMDN to PMA? or vice versa

To change the status of PMDN to PMA or vice versa, this can be done through amendment to a notarial deed, and specifically for PMA, must follow the provisions in Regulation of the President No. 49 2021.

Can a foreigner buy shares in a company with PMDN status without changing the company's status to PMA?

If there are foreign shares in the company, then the status is PMA.

If a foreigner only owns 1 percent of the shares, is the company called a PMA?

Yes, the company status is PMA.

For PMA, if there is a change in data, do they have to report it first to the BKPM?

No need, please make data changes directly via the OSS.

What will be the status of a subsidiary's investment if its parent company changes its status to PMA?

For the subsidiary, this means that there are shareholders of PT. PMA with status as a foreign investor. So, according to applicable regulations, if there are foreign investors, the company's status is PMA.

What facilities does a company get if it is located in a SEZ?

Chapter VI, Law No. 39 of 2009 on Special Economic Zones states that business actors who carry out business activities in SEZ shall be provided with facilities and conveniences, for example, Income Tax (PPh) facilities, goods import facilities, and ease of obtaining land rights. In more detail, tax, customs, and excise facilities are regulated in Regulation of the Minister of Finance No. 104/PMK.010/2016.

If there is a NIB, is the Investment Principle Permit that was previously issued by the BKPM for PMA and Regional Governments for PMDN still required?

Investment Principle Permit is no longer issued in risk-based business licensing. Therefore, if business activities are included in the low-risk level, the NIB can be used in carrying out business activities.

Glossary

A

APBN
(Anggaran Pendapatan dan Belanja Negara)

APBN translates to State Budget Revenue and Expenditure, the annual finances draft of state government which is approved by the House of Representative.

AMDAL
(Environmental Impact Analysis)

A study evaluating the significant environmental impacts of a planned business venture or activity.

ASN
(Aparatur Sipil Negara)

ASN is a civil/public servant who's employed in the public sector by the government.

B

Batik

Batik is a textile that uses wax and dyes to create dots widely arranged in stunning patterns and designs.

Bhinneka Tunggal Ika

The official national motto of Indonesia, that comes from the Old Javanese, translated to as "Unity in Diversity".

Bonded Logistic Center
(Pusat Logistik Berikat/PLB)

Bonded Logistics Center (PLB) is a multifunctional warehouse intended to store imported goods that have not been subject to import duties and import taxes.

Bonded Zone

Bonded Zone is a building, place or area with certain borders in which the industrial business activities of goods and substances/materials processing, architecture/building construction designing, engineering, sorting, initial inspection, final inspection, and packing of imported goods and materials or goods and materials coming from the Indonesia's other Customs Areas (DPIL), especially those for export, are undertaken.

Building Approval
(Persetujuan Bangunan Gedung/PBG)

A license that replaces the Building Permit (Izin Mendirikan Bangunan/IMB) and is mandatory for business actors engaged in activities such as constructing, altering, expanding, reducing, and maintaining buildings, all in compliance with the technical standards of buildings.

Building Worthiness Certificate
(Sertifikat Laik Fungsi)

A Certificate which is granted by regional governments to declare the functional worthiness of a building before it can be utilized.

BUMD
(Badan Usaha Milik Daerah)

BUMD is a regional-owned enterprise in which the government holds all or significant portion of the capital.

BUMN
(Badan Usaha Milik Negara)

BUMN is a state-owned enterprise in which the government holds all or significant portion of the capital in order to earn profit for the government.

Business Actor

A business actor refers to any individual or entity, whether incorporated or unincorporated in a legal entity, established and operating within the legal jurisdiction of the Republic of Indonesia, either independently or in partnership through an agreement, engaged in various economic activities within the business sector.

Business Licensing to Support Business Activities
(Perizinan Berusaha Untuk Menunjang Kegiatan Usaha/PB-UMKU)

The required permits for business activities or products during the operational or commercial phase.

BUT
(Badan Usaha Tetap)

Badan Usaha Tetap is Permanent Establishment, a form of business used by non-resident taxpayers, either natural persons or legal persons, to operate businesses or conduct business activities in Indonesia.

C

Company Benefit Weight
(Bobot Manfaat Perusahaan)

The value of the reward given to Industrial Companies that invest and produce in Indonesia.

Conformity of Spatial Utilization Activity
(Kesesuaian Kegiatan Pemanfaatan Ruang/KKPR)

Conformity between spatial utilization activity plan for a business activity with the Spatial Plan of a region.

D

Domestic Component Level
(Tingkat Komponen Dalam Negeri/TKDN)

The amount of domestic content in goods, services, and combination of goods and services.

E

Environmental Approval

Mandatory requirement for every business plan or activity that impacts the environment to possess specific environmental documents, including AMDAL (Environmental Impact Analysis), UKL-UPL (Environmental Management Efforts and Environmental Monitoring Efforts), or SPPL (Environmental Management and Monitoring Statement Letter).

Expenditure per capita

Expenditure per capita is the average amount of money spent per person on a specific item or service, allowing for a more detailed understanding of how individuals contribute to

F

Free Trade Areas and Free Ports
(KPBPB)

KPBPB refers to areas within the territory of the Republic of Indonesia that are considered outside the customs territory, and therefore, are exempt from import duties, value-added tax, luxury goods sales tax, and excise.

Free Trade Zone

A designated area within a country where goods can be imported, processed, and exported without the interference of customs duties and taxes.

G

GDP
(Gross Domestic Product)

The standard measure of the value added created through the production of goods and services in a country during a certain period.

I

IKN
(Ibu Kota Negara Nusantara)

The State Capital City of Nusantara which will be located in East Kalimantan.

Income Tax
(PPH)

The tax imposed on individuals or entities on the income they receive in a tax year.

Industrial Estate

An area designated for the concentration of industrial activities, equipped with supporting facilities and infrastructure, developed and managed by an Industrial Estate Company.

J

Job Creation Law

Job Creation Law seeks to boost job opportunities and attract foreign and domestic investments by streamlining regulatory requirements for business permits and land acquisition processes.

K

KBLI
(Klasifikasi Baku Lapangan Usaha Indonesia)

KBLI, also known as Standard Classification Of Indonesian Business Field, is a classification system that standardizes and categorizes business activities in Indonesia.

KEK
(Kawasan Ekonomi Khusus)

KEK or Special Economic Zone is a specially designated zone with distinct geo-economic and geo-strategic benefits that offer special facilities and incentives to attract investments.

L

Land and Building Tax
(Pajak Bumi dan Bangunan)

A tax on property chargeable on all land and/or buildings, unless exempted.

M

MICE

MICE, an acronym for Meetings, Incentives, Conferences, and Exhibitions, represents a specialized sector within the tourism and hospitality industry. It encompasses the planning and execution of various events, from small meetings to large-scale conferences and exhibitions.

Mining Business License
(Izin Usaha Pertambangan (IUP)

License to conduct mining business.

N

National Economic Recovery
(Program Pemulihan Ekonomi Nasional/ Program PEN)

A series of activities for the national economic recovery, which is part of the state financial policy implemented by the Government to expedite the mitigation of COVID-19 pandemic and/or to face threats that endanger the national economy, or the stability of the financial system, as well as the salvation of the national economy.

National Logistic ecosystem

A logistics ecosystem that synchronizes the flow of goods and international documents from the arrival of the carrier to the arrival of goods at the warehouse.

NIB
(Nomor Induk Berusaha)

NIB refers to Business Identification Number. It is the identity of a company issued by OSS or business licensing institution to legally conduct

NPWP
(Nomor Pokok Wajib Pajak)

NPWP is Taxpayer Identification Number, a tax administration tool provided to taxpayers as an identifier, enabling them to fulfill their rights and responsibilities related to taxation.

O

OSS

The OSS management and organization agency is a government agency that organizes government affairs in the investment coordination sector

OSS System
(Online Single Submission)

OSS System or Electronically Integrated Business Licensing System is a system managed by the OSS Institution that integrates permits at both the regional and central levels to facilitate domestic business activities in Indonesia.

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)

P

Penanaman Modal Asing

The activity of investing capital to carry out business within the territory of the Republic of Indonesia, conducted by foreign investors, either using entirely foreign capital or in partnership with domestic investors.

PHK
(Pemutusan Hubungan Kerja)

PHK or termination of work, is a termination of employment relationship due to a certain matter which resulted in the termination of the rights and obligations between a worker/labor and employer.

PKWT
(Perjanjian Kerja Waktu Tertentu)

PKWT is an employment agreement between a worker/laborer and an employer to establish an employment relationship within a certain period or for a certain work.

Population Density

The number of people living in each unit area. Value Added Tax (Pajak Pertambahan Nilai/PPN) Value Added Tax or VAT is a levy imposed on the buying and selling of goods and services carried out by individual taxpayers or corporate taxpayers who have become Taxable Entrepreneurs (PKP).

Production Forest

A forest area with the primary function of producing forest products, with sub-categories including Permanent Production Forest, Limited Production Forest, and Convertible Production Forest.

Productive Age Group

People within the age bracket of 15 to 64 who are both economically productive and biologically reproductive.

Public Private Partnership
(PPP)

A long-term contract between a private agent (or a private economic operator) and a public agent (also referred as government authority or public authority), for the development and/or management of a public asset or service, in which the private agent bears significant risk and management responsibility through the life of the contract, and remuneration is significantly linked to performance, maintenance and/or the demand or use of the asset or service.

R

RDTR

A comprehensive plan outlining the spatial layout of a rgency/city, complete with zoning regulations for each regency/city.

RPTKA
(Rancangan Penggunaan Tenaga Kerja Asing)

RPTKA or Validation of Foreign Workers Utilization Plan is a document regarding the planning of foreign labor utilization that must be possessed by investors before employing foreign workers in Indonesia.

S

Special Economic Zone

An area with specific boundaries within the legal jurisdiction of Indonesia designated for the purpose of conducting economic functions and obtaining specific facilities.

Special Mining Business License
(Izin Usaha Pertambangan Khusus/IUPK)

License to conduct mining operations within the special mining business license area.

SPPL
Environmental Management and Monitoring Statement Letter

is a statement of commitment from business actors responsible for the business and/or activity to carry out environmental management and monitoring for the environmental impacts of their business and/or activity

State Capital Participation

State Capital Participation is the separation of state wealth from the State Budget or the allocation of reserves from companies or other sources to be used as capital for State-Owned Enterprises (SOEs) and/or other Limited Liability Companies, and managed in a corporate manner.

Super Priority Destinations

Super Priority Destinations are a set of five tourist destinations in Indonesia that the government has identified as a priority for development and promotion.

Sustainable Development Goals

A collection of seventeen interlinked objectives designed to serve as a "shared blueprint for peace and prosperity for people and the planet, now and into the future.

T

Tax Allowances

Tax allowance is a government policy to provide tax relief in the form of a specific deduction from the income tax of a business.

Tax Holiday

Facilities for reducing net income from new capital investment or business expansion in specific labor-intensive industries.

Tax Incentives

Tax incentives are special benefits in terms of taxation (i.e. tax allowance, tax holiday, investment allowance, super tax deduction) offered by the government to encourage specific economy activities.

Tax Return (SPT)

SPT is a letter used to report the calculation and/or payment of taxes, tax objects and/or non-tax objects, and/or assets and obligations carried out in accordance with the applicable Taxation Laws and regulations.

Taxpayers

Individuals or entities (corporates) who have tax rights and obligations in accordance with provisions or taxation laws and regulations.

U

UKL-UPL

Environmental Management Efforts and Environmental Monitoring Efforts

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.

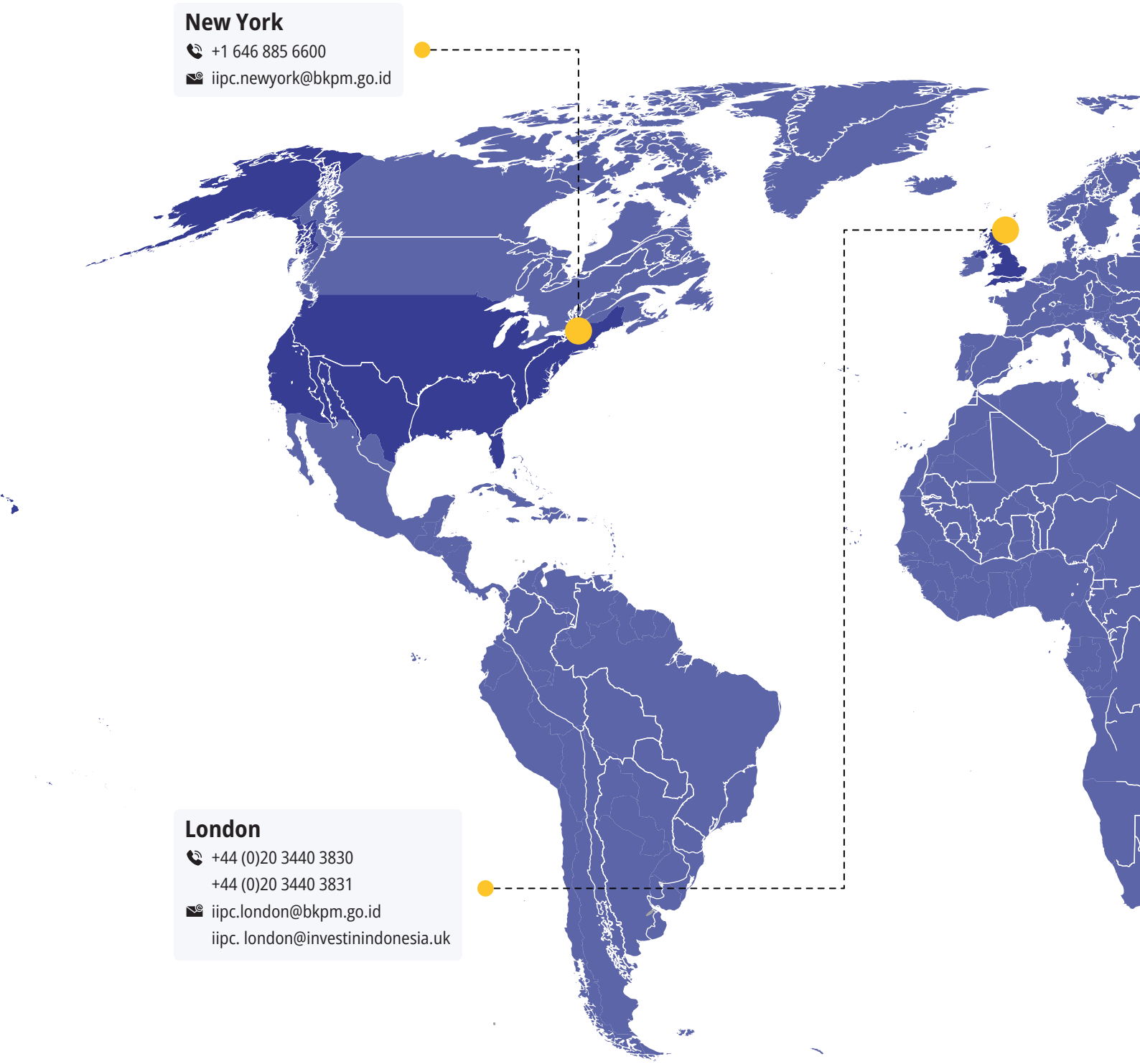
V

Validation of Foreign Workers Utilization Plan

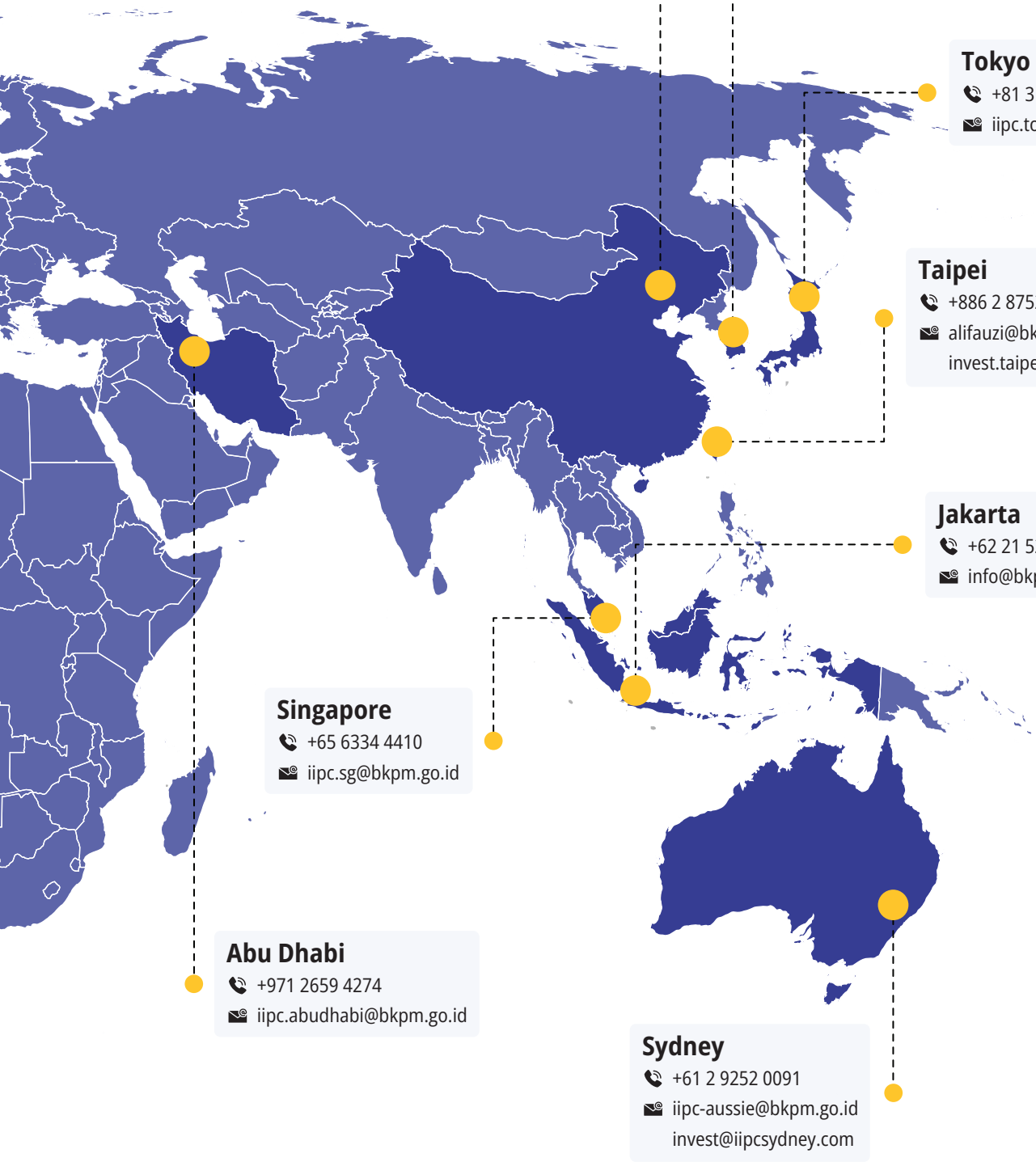
(Rancangan Penggunaan Tenaga Asing (RPTKA)

Document regarding the planning of employing foreign workers that must be possessed by investment activities (Foreign Direct Investment and Domestic Direct Investment) utilizing foreign labor in their business activities.

Contact Us



Further information about BKPM overseas office (Indonesia Investment Promotion Center)



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