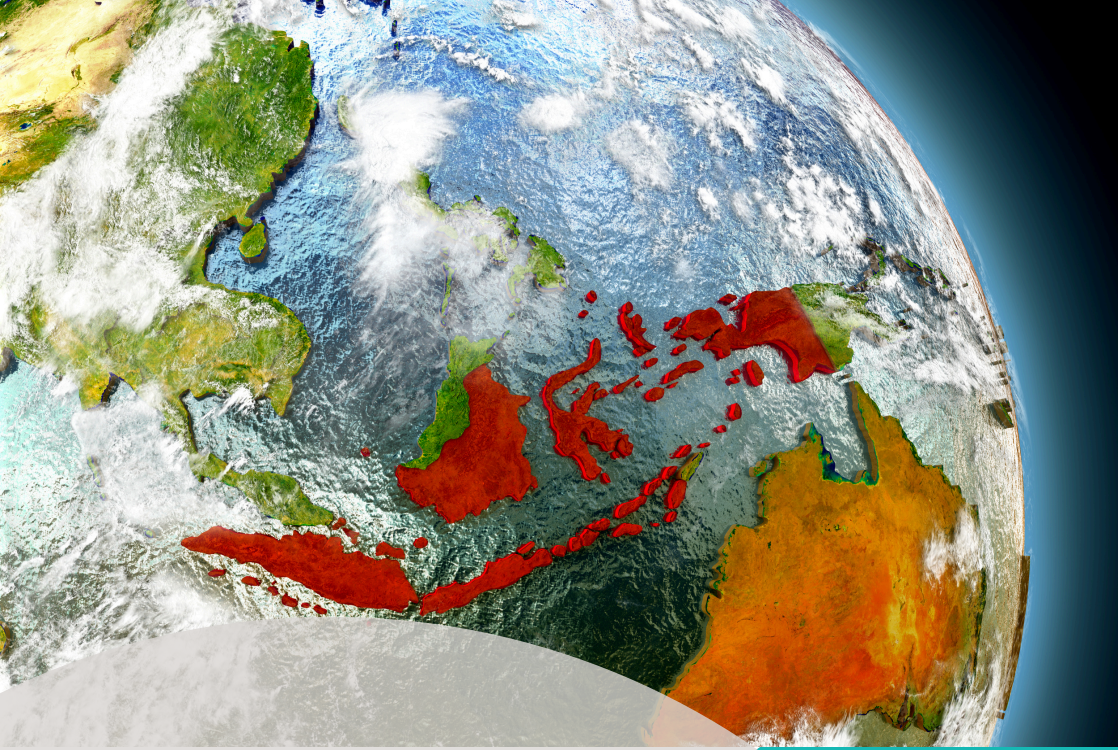


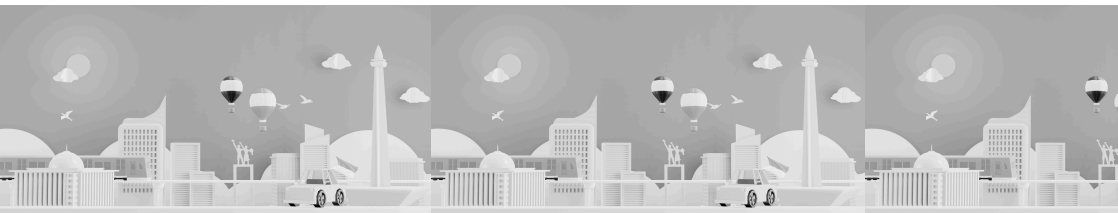


INDONESIA INVESTMENT GUIDE 2024

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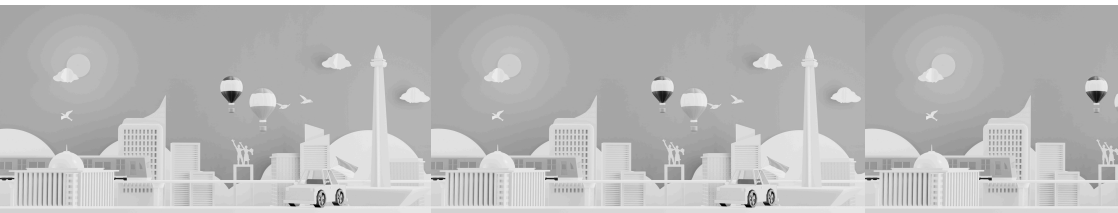
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About Reanda

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REANDA BERNARDI
AUDIT • TAX • M&A • ADVISORY

Foreword

With more than 50 years of experience in serving the business community, Reanda Bernardi takes pride in being recognized as a trusted advisor to many businesses and stakeholders, both in Indonesia and across the globe. We take our commitment to delivering high quality services to our clients and making client's success our goals.

As part of our commitment to keeping stakeholders informed to current developments, we are pleased to present "Indonesia Investment Guide (IIG) 2024".

In IIG 2024, we highlight some notable changes introduced by former President Joko Widodo (2014-2024), i.e. Job Creation Law, Indonesia Vision 2045, risk-based online single submission (OSS RBA) system, and the new "Priority Investment List". However, this guide reflects the legislation and conditions as of 31 December 2023. It has not contained the policies introduced by the new elected President and Vice President for 2024-2029.

This guide aims to provide essential insights into the current economic landscape, investment climate, updated tax regulations, regulatory requirements, and the overall business framework for our existing clients and potential foreign investors.

We recommend investors to seek advice from professionals before making any investment decisions. We, Reanda Bernardi, are always available to provide necessary assistance.

Lastly, we invite readers to provide constructive feedback and suggestions, which we can incorporate into our future publications. Your feedback is invaluable to us. Thank you for trusting Reanda Bernardi.

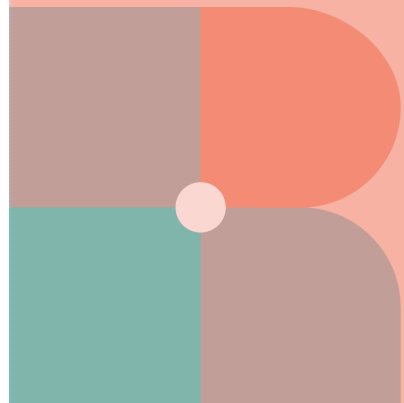
Sincerely yours,

Michelle Bernardi

Michelle Bernardi
CEO
1 October 2024



CEO's Message



01 Profile of Indonesia

1.1. General overview

Indonesia is the largest archipelago in the world to form a single country, consists of five main islands and some 30 smaller archipelagos, totaling about 18,110 islands and islets of which about 6,000 are inhabited. It is strategically located astride major sea lanes in Southeast Asia between the Indian and Pacific oceans. Indonesia has the fourth largest population in the world.

Map of Indonesia



Provinces in Indonesia

No.	Province	Capital	Island	Total Area (in square km)	Population (in million)
1	Nanggore Aceh Darussalam	Banda Aceh	Sumatra	57.956	5.3
2	North Sumatra	Medan		72.981	14.8
3	South Sumatra	Palembang		91.592	8.5
4	West Sumatra	Padang		42.297	5.53
5	Bengkulu	Bengkulu		19.919	2.03
6	Riau	Pekanbaru		87.023	6.8
7	Riau Islands	Tanjung Pinang	Riau Archipelago	8.201	2.1
8	Jambi	Jambi	Sumatra	50.16	3.5
9	Lampung	Bandar Lampung	Kalimantan	34.623	9.01
10	Bangka Belitung	Pangkal Pinang		16.424	1.47
11	West Kalimantan	Pontianak		147.307	5.52
12	East Kalimantan	Samarinda		129.066	3.8
13	South Kalimantan	Banjarmaru		38.744	4.3
14	Central Kalimantan	Palangkaraya		153.564	2.67
15	North Kalimantan	Tanjung Selor	Java	75.467	0.7
16	Banten	Serang		9.662	12.85
17	DKI Jakarta	Jakarta		664	10.6
18	West Java	Bandung		35.377	49.94
19	Central Java	Semarang		32.801	36.52
20	Special Region of Yogyakarta	Yogyakarta		3.133	3.66
21	East Java	Surabaya	Bali	47.922	40.67
22	Bali	Denpasar		5.78	4.3
23	East Nusa Tenggara	Kupang		47.931	5.46
24	West Nusa Tenggara	Mataram	Lombok Sumbawa	19.708	5.32
25	Gorontalo	Gorontalo	Sulawesi	12.435	1.2
26	West Sulawesi	Mamuju		16.787	1.38
27	Central Sulawesi	Palu		61.841	3.05
28	North Sulawesi	Manado		13.852	2.62
29	Southeast Sulawesi	Kendari		38.14	2.76
30	South Sulawesi	Makassar		46.717	9.01
31	North Maluku	Sofifi	Halmahera	31.982	1.23
32	Maluku	Ambon	Maluku	46.813	1.78
33	West Papua	Manokwari	Papua	102.949	1.09
34	Papua	Jayapura		319.036	3.2
35	Central Papua	Nabire		58.8	0.9
36	Highland Papua	Jayawijaya		83.415	0.5
37	South Papua	Merauke		109.557	1.4
38	Southwest Papua	Sorong		37.41	0.83

Indonesia fact sheet

Location	6°8' North latitude to 11°15' South latitude and from 94°45' to 141°65' East longitude.
Time zone	Western Indonesia Time (WIB) GMT+7, covering all provinces in Sumatra and Java, and the provinces of West and Central Kalimantan. Central Indonesia Time (WITA) GMT+8, covering the provinces of East and South Kalimantan, all provinces in Sulawesi, and the provinces of Bali, West and East Nusa Tenggara. Eastern Indonesia Time (WIT) GMT+9, covering the provinces of Maluku and Papua.
Area	1,904,569 square KM
Altitude	Sea level to 4,884 meters (Puncak Jaya)
Official country name	Republic of Indonesia
Governing system	Unitary presidential constitutional Republic
Executive power	President (elected by popular vote)
Legislative power	People's Consultative Assembly (MPR), People's Representative Council (DPR), Regional Representative Council (DPD)
International membership	• United Nations (UN) • Association of Southeast Asian Nations (ASEAN) • G20 • World Trade Organization (WTO) • Asian Development Bank (ADB) • Asia-Pacific Economic Cooperation (APEC) • Organisation of Islamic Cooperation (OIC) • Belt and Road Initiative (BRI) • World Bank • International Monetary Fund (IMF) • Non-Aligned Movement (NAM) • Indian Ocean Rim Association (IORA) • Multilateral Investment Guarantee Agency (MIGA)
Currency	Indonesian Rupiah (IDR)
Economy	Open
Judiciary power	Supreme Court and Constitutional Court of Indonesia
Official language	Bahasa Indonesia
Population	279 million (2024)
Human development index	0.707 (2023)
International dial code	+62
Voltage	230V, 50Hz
Nearest ports	• Tanjung Priok (Jakarta) • Tanjung Perak (Surabaya) • Belawan (Medan) • Makassar Port (South Sulawesi) • Benoa Port (Bali)

1.2 Economic overview

Indonesia is the largest economy in Southeast Asia, the world's 10th largest economy in terms of purchasing power parity, and a member of the G-20. Indonesia assumes G20 Presidency in 2022.



Economic indicators of Indonesia

MAIN INDICATORS	2019	2020	2021	2022	2023
Population (in million)	286.07	270.20	272.25	274.54	276.5
GDP at current price (IDR billion)	15,832,000	15,434,200	16,970,800	18,634,200	21,746,900
Real GDP at basic price (IDR billion)	10,949,300	10,720,500	11,200,000	11,908,300	10,148,600
Annual GDP growth rate at basic price (%)	5.0	-2.1	3.7	5.3	5.20
GNI at current price (IDR billion)	15,300,000	15,000,000	16,700,000	18,300,000	19,800,000
GDP at current price per capita (USD)	4,135	3,869	4,349	4,691	5,065*
GNI per capita (USD)	4,135	3,855	4,260	4,580	4,850*
Wholesale inflation rate (%)	3.2	1.8	2.1	4.5	3.8
Salary and wage inflation rate (%)	6.4	3.5	4.1	5.2	4.8
Consumer Price Index (CPI) (%)	2.7	1.7	1.9	4.1	3.6*
Remittance income (IDR billion)	160,000	155,000	160,000	170,000	180,000
Tourism income (IDR billion)	220,000	50,000	60,000	90,000	220,000
USD/IDR exchange rate (periodic average)	14,100	14,600	14,300	15,000	15,300

* Estimated

Economic growth rate (%) in South East Asia and China

COUNTRY	2018	2019	2020	2021	2022	2023	2024**
Indonesia	5.2	5.0	-2.1	3.7	5.3	5.0	5.0
Singapore	3.4	0.9	5.4	7.6	3.6	2.4	2.5
Malaysia	4.8	4.3	-5.6	3.1	8.7	4.3	4.5
Thailand	4.2	2.2	-6.1	1.5	2.6	3.8	3.5
Vietnam	7.1	7.0	2.9	2.6	8.0	5.2	6.0
Philippines	6.2	6.1	-9.5	5.7	7.6	5.6	5.8
Brunei	1.1	3.9	1.1	-1.6	0.8	2.5	2.0
Cambodia	7.5	7.1	-3.1	3.0	5.2	5.6	6.1
Laos	6.3	4.7	0.5	2.5	4.0	4.2	4.5
Myanmar	6.4	6.8	3.2	-18	3.0	2.6*	3.0
Timor Leste	-0.6	3.0	-8.6	1.5	3.2	2.8	3.5
China	6.6	6.0	3.2	8.1	3.0	5.1*	4.6

* Estimated

** Projected

Indonesia vision 2045



Indonesia is targeting an average growth target of 5.7% per year to become a high-income country by 2036 and the world's fifth-largest economy by 2045. This high growth would gradually increase the middle-income class to about 70% of Indonesia's population by 2045.



Economic growth scenario in Indonesia's vision 2045

1986 - 2015	Indicators	Scenario 2016 - 2045**	
		Basic	High
5.10	Economic Growth (billions USD)	5.10	5.70
16.0	World GDP ranking*	7.0	5.0
3.378	GDP per Capita (USD)	19.794	23.199
	Year of acceding to high-income country status	2.038	2.036
32.80	Contribution of Investment*	33.10	38.10
21.10	Contribution of Industry*	22.50	26.00
13.50	Contribution of Industry*	7.80	7.40

Source: Ministry of National Development Planning/National Development Planning Agency (BAPPENAS), 2019.

* End of period, percentage of GDP

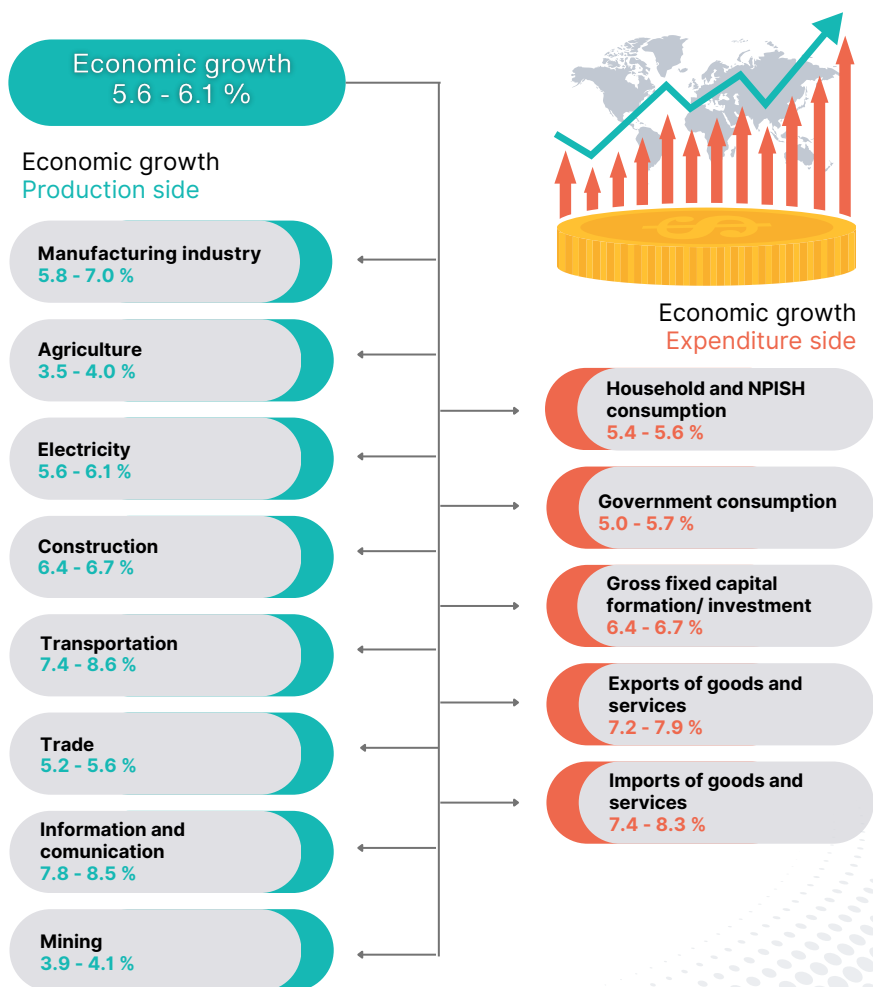
** Basic: low global economic growth and structural reform are running as business as usual. High: structural reforms go as expected and relatively high global economy economic growth

Macroeconomic framework 2025-2029

In order to achieve 5.7% growth target per year, the Government of Indonesia (GoI) planned out the following scenario for 2025-2029:

Average growth 2025-2029

(Transformative and super transformative scenario)



Source: Ministry of National Development Planning/National Development Planning Agency (Bappenas), National Plan for the period of 2025-2019.

1.3 Political overview

The politics of Indonesia take place in the framework of a presidential representative democratic Republic whereby the President of Indonesia is both head of state and head of government and of a multi-party system. Executive power is exercised by the government.

Legislative power is vested in both the government and the bicameral People's Consultative Assembly. The judiciary is independent of the executive and the legislative.



New President

On 20 October 2024, Indonesia's newly-elect President, Prabowo Subianto and the vice President, Gibran Rakabuming, were inaugurated after the general election which was conducted on 14 February 2024. Prabowo replaced Jokowi who led the country for 2 terms (2014 - 2024). The general election elects the president, vice president, and People's Consultative Assembly (MPR), which consists of the House of Representatives (DPR), the Regional Representative Council (DPD), and members of local legislative bodies (DPRD) at the provincial and city/regency levels.



02 Investment opportunities

2.1. Investment needs

To achieve average economic growth rate for the period of 2025-2029 of 5.6% to 6.1% with an investment growth rate of 7.2% to 7.9%, Indonesia needs a total investment of IDR 45,000 trillion for the period of 2025-2029. To meet these needs, the government will contribute 9.2%-11% which is around IDR 3,633 trillion to IDR 4,453 trillion. While state-owned enterprises will contribute 8.3-8.9% with a value of IDR 3,403 trillion to IDR 3,618 trillion. The rest of IDR 37,804 trillion to IDR 38,478 trillion (84% to 85%) will be covered by public and/or private sector.

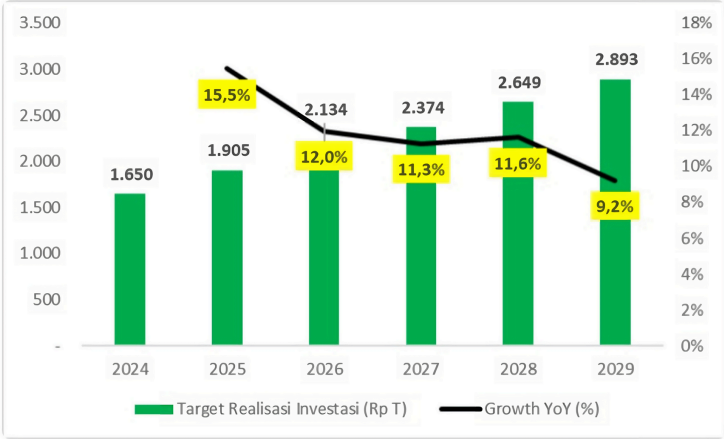
**Investment target versus realization
2020 - 2024**

	Target (in trillion Rupiah)	Realization (in trillion Rupiah)
2020	817.2	826.3
2021	858.5	901
2022	968.4	1,207.2
2023	1,099.8	1,418.9
2024	1,239.3	829.9*
TOTAL	4,983.2	2,557.2

*** Up to June 2024**

The total realization of Indonesia's direct investment in 2020-2023 was IDR 3,743.9 trillion while the government targets IDR 4,353.4 trillion, exceeded by IDR 609 trillion or 16%.

Investment target



For the next 5 years of 2025 to 2029, the Government would need roughly IDR 11,855 trillion. For 2025, the Government sets at IDR 1,905 trillion, an increase by 15.5% compared to 2024 target.

FDI trend by sector

Other than oil and gas and financial sectors, forestry, fishery and manufacturing are the top 3 largest contributors of foreign investments. For 2025 to 2029, these 3 sectors remain to be the top targets of foreign direct investments.

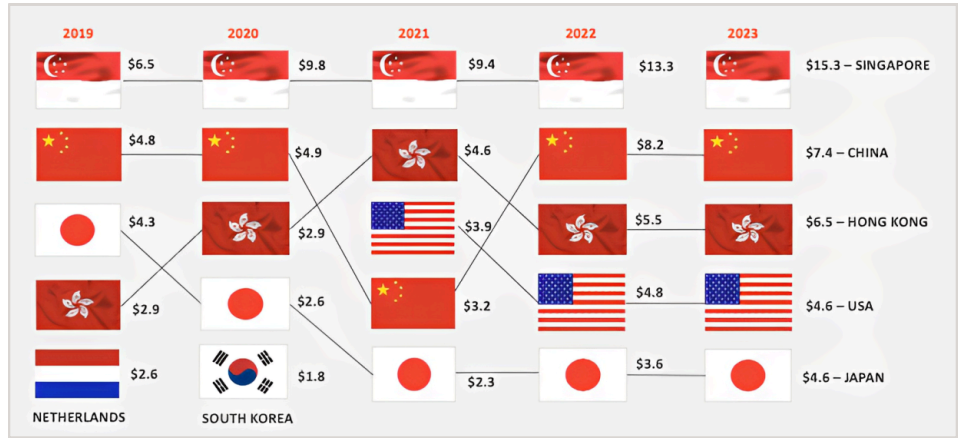
FDI Trend 2019-2023 by Sector
(in USD billion, excluding upstream oil, gas, and financial sectors)

Sector	2019	2020	2021	2022	2023
Manufacturing	9.5	13.2	16.6	19.3	28.7
Services	15.4	12.2	11.5	14.2	14.8
Mining	2.3	2	3.8	4.1	4.7
Food Crops and Plan	0.9	1.2	1.1	1.3	1.95
Livestock	0.9	1.2	0.03	0.04	0
Forestry	0.04	0	0.05	0.06	95.99
Fishery	0.02	0	0.03	0.03	25.7

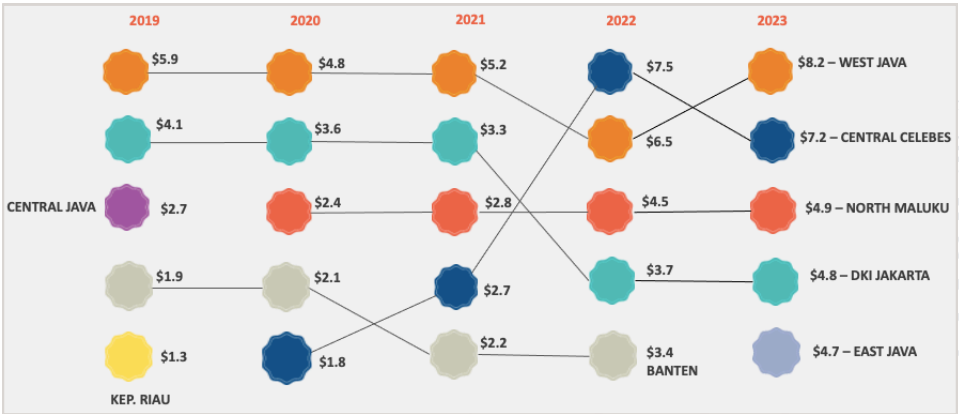
Projected FDI Trend 2025-2029 by Sector
 (in USD billion, excluding upstream oil, gas, and financial sectors)

Sector	2025	2026	2027	2028	2029
Manufacturing	30	32	34	36	38
Services	16	17	18	19	20
Mining	5	5.5	6	6.5	7
Food Crops and Plan	2	2.1	2.2	2.3	2.5
Livestock	0.05	0.06	0.07	0.08	0.09
Forestry	100	110	120	130	140
Fishery	30	35	40	45	50

FDI trend by main country of origin 2019-2023 (in USD billions)



Top 5 FDI locations 2019-2023 (in USD billions)



2.2. Priority sectors

Currently the Government of Indonesia has 81 projects, representing 6 sectors in 34 provinces, with a total investment of IDR 239 trillion as follows:

Industry	No. of Project	Project Name	Location	Province	Investment Value (in IDR billion)	IRR	NPV (in IDR billion)
Agro Industry	14	Integrated shrimp farming	Kutai Kertanegara	East Kalimantan	925.2	16.7	697.3
		Integrated horticulture	Penajam Paser Utara	East Kalimantan	276.1	13.7	338.7
		Integrated poultry farming	Kutai Kertanegara	East Kalimantan	1,670	13.5	462.5
		Integrated beef cattle farm	Kupang	East Nusa Tenggara	699.7	19.3	694.9
		Seaweed farming	Takalar	South Sulawesi	102.7	15.7	38.5
		Horticulture of siam orange commodity	Karo	North Sumatra	170.7	21.9	181.8
		Fisheries of integrated shrimp aquaculture	West Sumbawa	West Nusa Tenggara	507.2	14.6	191.3
		Integrated capture fisheries	Central Maluku	Maluku	549.6	11.8	67
		Processing industry-integrated banana plantation	Malang	East Java	742.7	18.8	293.2
		Processing industry-sugarcane plantation	Musi Banyuasin	South Sumatra	1,060	15.1	608.4
		Agribusiness of integrated beef cattle farm	Sumbawa	West Nusa Tenggara	556.2	18	342.3
		Soybean cultivation crop	Maros	South Sulawesi	63.4	11.9	12.1
		Wamena specialty Arabica roasted bean and Papua Cendrawasih coffee powder	Jayapura	Papua	351	11.7	158.2
Renewable Energy	2	Development of integrated nutmeg plantation with processing industry	Fak-fak	West Papua	1,840	18	730
		Solar power plant	Lebak	Banten	403	13	152.2
Industry	39	Solar power plant	Penajam Paser Utara	East Kalimantan	465.2	11.1	104.2
		Fatty amine industry	Bontang	East Kalimantan	1,880	16.3	743
		Bauxite downstream industry	Ketapang	West Kalimantan	37,180	17.5	21,370
		Tin downstream industry	Gresik	East Java	4,170	17.2	210
		Agriculture tools and machinery industry	Gresik	East Java	784.8	20.1	426.4
		Natural rubber medical device industry	Deli Serdang	North Sumatra	367	20.7	305.7
		Aircraft tire industry from natural rubber	Majalengka	West Java	2,730	12.8	113.6
		Bioethanol industry	Bojonegoro	East Java	2,810	12.8	659.4
		Solar panel industry	Serang	Banten	1,010	18.4	1,360

Industry	No. of Project	Project Name	Location	Province	Investment Value (in IDR billion)	IRR	NPV (in IDR billion)
Industry		High purity aluminium ingot industry as raw material for electronic components	Ketapang	West Kalimantan	4,480	14.5	4,650
		Independent pharmaceutical salt industry	Gresik	East Java	608	14.5	73
		Electric motor industry for vehicles	Bekasi	West Java	374.1	17.5	181
		Corn processing industry for animal feed	Gorontalo	Gorontalo	797.2	16.6	502
		Copper metal processing	Gresik	East Java	17,190	16	710
		Industry wing in ground	Bintan	Riau Island	877.8	15.2	342.2
		Paracetamol, clopidogrel and amoxicillin drug raw material industry	Subang	West Java	3,160	13	721
		Aluminium extrusion industry	Batu Bara	North Sumatra	3,860	12	236.2
		Industry fatty acid	Bontang	East Kalimantan	3,770	14.6	985.2
		Industry fatty alcohol	Ketapang	West Kalimantan	5,610	12.2	140.4
		Integrated green coconut processing industry	Gorontalo	Gorontalo	643.8	17.8	242.7
		Brake system and suspension system component industry for motor vehicles	Bekasi	West Java	1,880	11.1	38.5
		Cooking oil industry	Muaro Jambi	Jambi	2,260	11.1	989.1
		Coal-based mono-ethylene glycol (MEG) industry	Muara Enim	South Sumatra	19,510	10.2	557.6
		Cocoa butter & cocoa powder processing industry	Polewali Mandar	South Sulawesi	956.5	17.20	481.8
		Integrated sago strach processing industry	Jayapura	Papua	660.8	12.6	183.1
		Natural textile dye industry using gambir as the main ingredient	South Coast	West Sumatra	189.2	15.7	48.8
		Integrated soda ash industry	Sumenep	East Java	3,080	11.7	605
		Copper recycling industry with electrolysis process	Takalar	South Sulawesi	3,080	32.7	1.4
		Crude palm oil (CPO) downstream industry	Siak	Riau	227.7	27.7	9,620
		Crude palm oil (CPO) downstream industry	Bulungan	North Kalimantan	269.6	18.0	77.5
		Cocoa bean processing industry	Palu	Central Sulawesi	49.8	21.9	35.9
		Aluminium wire rod	Bintan	Riau Islands	58.4	12.9	1,920
		Development of fish canning industry	Sorong	Southwest Papua	1,670	27.6	321.4
		Smelter alumina refinery	Karimun	Riau Islands	7,580	9.2	4,590
		Smelter nikel sulfate industry	North Kolaka	Southeast Sulawesi	7,580	12.5	8,250

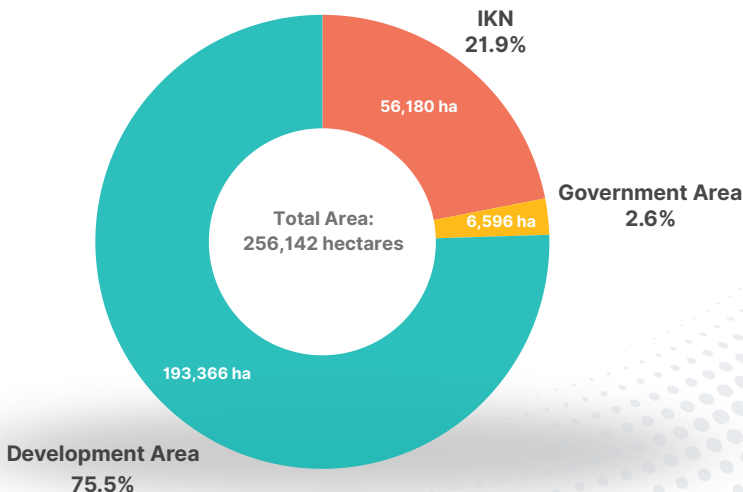
Industry	No. of Project	Project Name	Location	Province	Investment Value (in IDR billion)	IRR	NPV (in IDR billion)
		Ferronickel smelter for stainless steel industry	North Morowali	Central Sulawesi	5,230	15.3	1,190
		Smelter slab billet steel	South Coast	West Sumatra	5,520	10.8	9,890
		Smelter sponge iron	West Kotawaringin	Central Kalimantan	1,610	9.8	891.8
		Smelter steel billet	Kotabaru	South Kalimantan	6,310	12.7	1,380
Infrastructure	9	Renewable energy infrastructure (waste) for the chemical industry	Balikpapan	East Kalimantan	110	13.7	416.5
		Water supply and management infrastructure	Balikpapan	East Kalimantan	481.7	10.8	106.9
		Integrated logistic and warehousing	Balikpapan	East Kalimantan	666	20.7	553.1
		Integrated SPKLU facilities	Jakarta Selatan	DKI Jakarta	67.3	10.7	21.6
		Hazardous and toxic materials (B3) waste processing industry	Mojokerto	East Java	1,670	15.8	187.8
		Cargo village integrated warehouse area	Kulonprogo	Yogyakarta	274.1	12.6	76.6
		Liquefied natural gas (LNG) terminal and regasification	Denpasar	Bali	1,620	13.9	384.8
		Bitung International Port	Bitung	North Sulawesi	38,840	9.5	2,930
		Sorong port potential as a sea toll node	Sorong	Southwest Papua	5,450	11.5	174.3
Economic Zone and Real Estate	4	Buluminung industrial estate	Penajam Paser Utara	East Kalimantan	1,700	16	809.8
		Property	Penajam Paser Utara	East Kalimantan	842.4	18.4	856
		Pesawaran Industrial estate	Pesawaran	Lampung	577.9	15.4	188.3
		Ladong industrial estate	Aceh Besar	Aceh	196.4	14.8	102.2
Tourism	13	4-star resort & convention center	Bangka	Bangka Belitung	307.3	13.2	266.7
		Wide pala resort	Central Maluku	Maluku	200.1	12.2	83.8
		Eco luxury 5 star hotel	Padeglang	Banten	1,750	12.2	725.4
		The dehegila resort : traditional style meets modern aesthetics	Morotai Island	North Maluku	127.4	12	16.3
		Toba resort & natural park	Samosir	North Sumatra	245.2	13	96.8
		Tumpak sewu leisure park	Lumajang	East Java	965.7	13.3	317
		Live on board (LoB) raja empat	Raja empat	Southwest Papua	27.7	12.7	43.1
		Mandalika convention hotel and resort	Central Lombok	West Nusa Tenggara	468.8	19.2	59.1
		Development of Surawaya Beach Marina Area	North Minahasa	North Sulawesi	929.6	8.9	32.1
		The Kelors gateway hotels and villas	West Manggarai	East Nusa Tenggara	110	12.8	656.8
		Transito hotel and convention Borobudur	Magelang	Central Java	298.5	17.5	70
		Nusantara Convention Center	Balikpapan	East Kalimantan	1,270	12.3	336.7
		Matahoma cottage by the beach	Wakatobi	Southeast Sulawesi	50.2	13.1	48.4

2.3. The new national capital city

Based on Law Number 3 Year 2022 on Ibukota Negara Nusantara (IKN), Indonesia will have a new capital city with an official name Nusantara. Nusantara is located in Sambo Tenggarong Metropolitan area, North Penajam Paser Regency and Kutai Kartanegara Regency, East Kalimantan province. The closest 2 (two) major cities are Balikpapan and Samarinda.



IKN profile



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

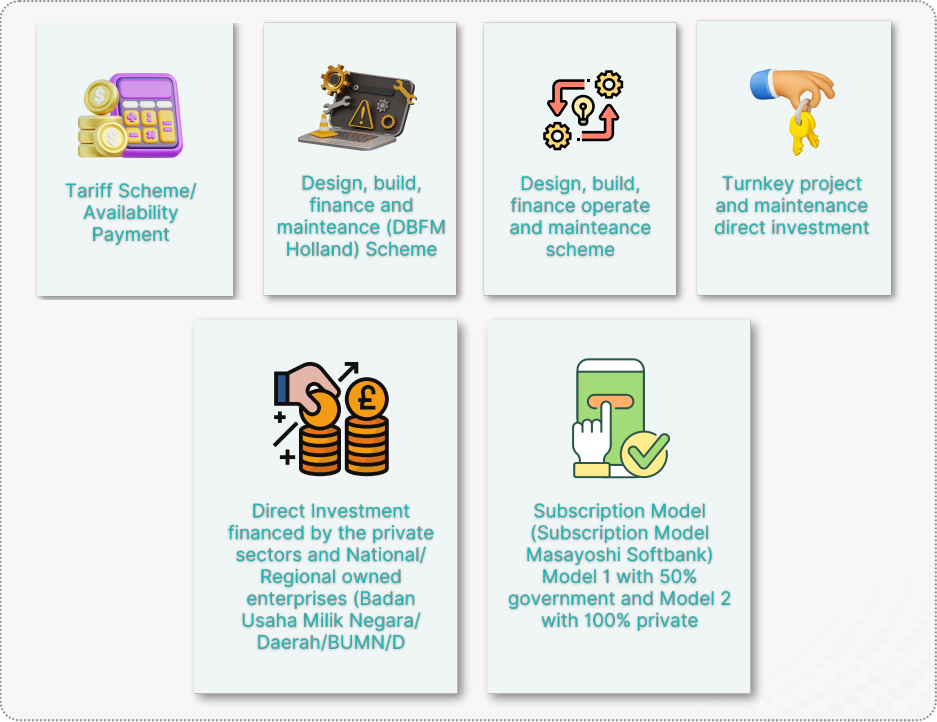
Industry	Project Name	Location	Province	Investment Value (in IDR billion)	IRR	NPV (in IDR billion)
Infrastructure	Water supply and management infrastructure	Balikpapan	East Kalimantan	481.7	10.8	106.9
	Integrated logistic and warehousing	Balikpapan	East Kalimantan	666	20.7	553.1
	Renewable energy infrastructure (waste) for the chemical industry	Balikpapan	East Kalimantan	110	13.7	416.5
Agro Industry	Integrated shrimp farming	Kutai Kertanegara	East Kalimantan	925.2	16.7	697.3
	Integrated horticulture	Penajam Paser Utara	East Kalimantan	276.1	13.7	338.7
	Integrated poultry farming	Kutai Kertanegara	East Kalimantan	1,670	13.5	462.5
Industrial Area and Real Estate	Buluminung industrial estate	Penajam Paser Utara	East Kalimantan	1,700	16	809.8
	Property	Penajam Paser Utara	East Kalimantan	842.4	18.4	856
Tourism	Nusantara Convention Center	Balikpapan	East Kalimantan	1,270	12.26	336.7
Renewable Energy	Solar power plant	Penajam Paser Utara	East Kalimantan	465.2	11.1	104.2
Industry	Fatty amine industry	Bontang	East Kalimantan	1,880	16.3	743
TOTAL				10,647		

Recent development

Indonesia celebrated the Commemoration of Indonesian Independence Day at the IKN area on 17 August 2024 of which the main infrastructure (the Presidential Palace and the House of Representatives building), housing complexes and basic main infrastructure (e.g. water, energy, rail) have been constructed. During 2025-2035, the targets are to complete the innovation and economic center, the government center, and the priority economic sectors.

Funding for IKN

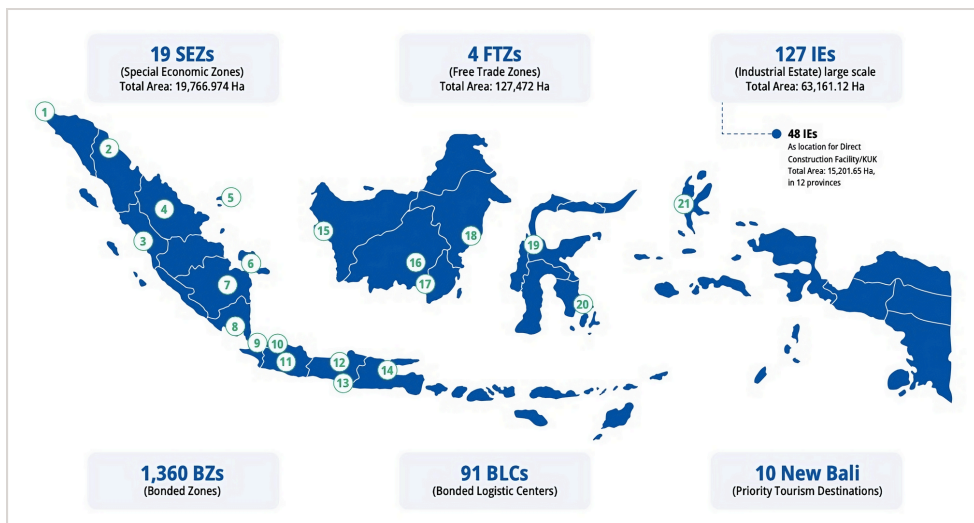
The development of IKN is estimated to cost IDR 466 trillion. Funding comes from the State Revenue and Expenditure Budget (*Anggaran Pendapatan Belanja Negara/APBN*) and the Public-Private Partnership (PPP) scheme. The PPP schemes are as follows:



The funds sourced from the private sector or state-owned companies are used to build public housing, universities, and private educational institutions, Science-techno parks, private health facilities, shopping centers, and MICE.

2.4. Economic zone as strategic investment location

Under Law No. 3 Year 2014 on Industry as amended by Law No. 11 Year 2020, and Government Regulation No. 28 Year 2021 on the Organization of the Industrial Sector, it is stated that industrial activities must be located at an industrial estate. Facilities are provided in an industrial estate such as tax incentives, infrastructure and logistics, proximity to resources, lower labor costs and higher skill levels. Currently there are:



1 Aceh

Aceh Ladang Industrial Estate

2 North Sumatra

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

3 West Sumatra

Padang Industrial Park

4 Riau

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

5 Riau Islands

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

- Kara Industrial Park
- Malindo Cipta Perkasa Industrial Estate
- Mega Cipta Industrial Park
- Taiwan International Park
- Tunas Industri Kabil

6 Bangka Belitung Islands

Sadai Industrial Estate

7 South Sumatra

Tanjung Enim Industrial Estate

8 Lampung

- Lampung Industrial Estate
- KI Waylaga Bizpark

9 Banten

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

10 DKI Jakarta

- Jakarta Industrial Estate Pulogadung
- Berikat Nusantara Industrial Estate

11 West Java

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

- Suryacipta Subang Metropolitan
- Taifa Industrial Estate
- Sukabumi Industrial Estate
- Bogorindo Sukabuni Industrial Estate
- Rancaekek Industrial Estate

12 Central Java

- KITB (Grand Batang City)
- Batang Industrial Park
- Cilacap Industrial Estate
- Jawa Tengah Land Industrial Park Sayung
- Kendal SEZ
- Tanjung Emas Export Processing Zone
- BSB Industrial Park
- Terboyo Semarang Industrial Estate

13 Special Region of Yogyakarta

Piyungan Creative Economy Park

14 East Java

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

15 West Kalimantan

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

16 Central Kalimantan

- Surya Borneo Industrial Estate

17 South Kalimantan

- Batu Licin Industrial Estate

18 East Kalimantan

- Batuta/ BCIP Industrial Estate
- Karlangau Industrial Estate
- Kaltim Industrial Estate

19 Central Sulawesi

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

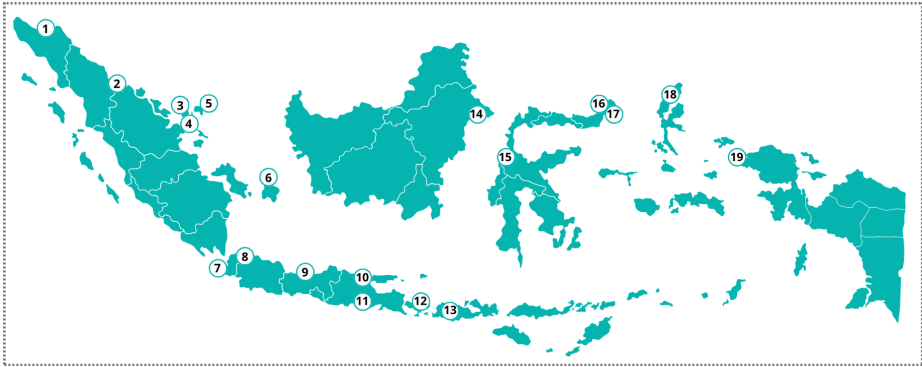
20 South Sulawesi

Makassar Industrial Estate

21 North Maluku

- Teluk Weda Industrial Park
- EFI Industrial Estate

Special economic zones/SEZ



1. Arun Lhokseumawe SEZ (Industry)

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

Government Regulation No.05/2017 - February 2017
PT Patriot Nusantara Aceh
Primary Activities: Oil and gas industry; petrochemical industry; agro industry; paper industry
Operating in December 2018



2. Sei Mangkei SEZ (Industry)

Simalungun, North Sumatra (2,022.8 Ha)

Government Regulation No.29/2012 - February 2012
PT Kawasan Industri Nusantara (KIN)
Primary Activities: rubber industry; palm oil industry
Operating in January 2015



3. Batam Aero Technic (Industry)

Batam, Riau Islands (30 Ha)

Government Regulation No.67/2021 - June 2021
PT Batam Teknik (BAT)
Primary Activities: MRO industry (Maintenance, Repair, Overhaul)
Operating in January 2015



4. Nongsa SEZ (Tourism)

Batam, Riau Islands (166.5 Ha)

Government Regulation No.68/2021 - June 2021
PT Taman Resor Internet (Tamarin)
Primary Activities: Tourism, Digital Technology



5. Galang Batang SEZ (Industry)

Bintan, Riau islands (2,333.6 Ha)

Government Regulation No.42/2017 - October 2017
PT GBKEK Industrial Park
Primary Activities: Bauxit industry; Logistics
Operating in December 2018



6. Tanjung Kelayang SEZ (Tourism)

Belitung, Bangka Belitung (2,333.6 Ha)

Government Regulation No.6/2016 - March 2016
PT Belitung Pantai Intan
Primary Activities: Tourism
Operating in March 2019



7. Tanjung Lesung SEZ (Tourism)

Pandeglang, Banten (1,500 Ha)

Government Regulation No.26/2012 - February 2012
PT Banten West Java TDC
Primary Activities: Tourism
Operating in February 2015



8. Lido SEZ (Tourism)

Bogor, West Java (1.040 Ha)

Government Regulation No.69/2021 - June 2021
PT MNC Land Lido
Primary Activities: Tourism, and Creative Industry



9. Kendal SEZ (Industry)

Kendal, Central Java (1,000 Ha)

Government Regulation No.85/2019 - December 2019
PT Kendal Industrial Park (KIP)
Primary Activities: Textile and Clothing; Furniture;
Food and Beverage; Automotive; Electronic



10. Gresik SEZ (Industry)

Gresik, East Java (2,167 Ha)

Government Regulation No.7/2021 - June 2021
PT Berkah Kawasan Manyar Sejahtera
Primary Activities: Metal Industry; Electronic
Industry; Chemical Industry; Energy Industry;
Logistics



11. Singahasari SEZ (Tourism)

Malang, East Java (120.3 Ha)

Government Regulation No.68/2019 - September 2019
PT Intelegensia Grahatama
Primary Activities: Tourism and Digital Technology



12. Sanur SEZ (Tourism)

Denpasar, Bali (41.3 Ha)

Government Regulation No.41/2022 - November 2022
PT Hotel Indonesia Natour
Primary Activities: Tourism and Healthy
Not operated



13. Mandalika SEZ (Tourism)

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

Government Regulation No.52/2014 - June 2014
PT Indonesia Tourism Development Center (ITDC)
Primary Activities: Tourism
Operating in October 2017



14. Maloy Batuta Trans Kalimantan SEZ (Industry)

East Kutai, East Kalimantan (557.3 Ha)

Government Regulation No.85/2014 - October 2014
PT Maloy Batuta Trans Kalimantan
Primary Activities: Palm Oil Industry; Logging
Industry
Operating in April 2019



15. Palu SEZ (Industry)

Palu, Central Sulawesi (1,500 Ha)

Government Regulation No.31/2014 - May 2014
PT Bangun Palu Sulawesi Tengah
Primary Activities: Nickel and Iron Ore; Cacao ;
Seaweed; Rattan Processing
Operating in September 2017



16. Likupang SEZ (Tourism)

North Minahasa, North Sulawesi (197.4 Ha)

Government Regulation No.84/2019 - December 2019
PT Minahasa Permai Resort Development (MPRD)
Primary Activities: Tourism



17. Bitung SEZ (Industry)

Bitung, North Sulawesi (534 Ha)

Government Regulation No.32/2014 - May 2014
PT Membangun Sulut Hebat
Primary Activities: Coconut Processing Industry;
Fishery Industry; Herbal Pharmacy Industry



18. Morotai SEZ (Tourism)

Morotai Islands, North Maluku (1,101.8 Ha)

Government Regulation No.50/2014 - May 2014
PT Jababeka Morotai
Primary Activities: Tourism; Logistics; Fishery
Operating in April 2019



19. Sorong SEZ (Industry)

Sorong, West Papua Barat (523.7 Ha)

Government Regulation No.31/2016 - August 2016
PT Malamoi Olom Wobok
Primary Activities: Nickel; Forestry (Sago); Palm Oil;
Logistics
Operating in October 2019

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

Special Economic Zones consist of one or several business activities as follows:



Production
and
Processing



Logistics and
Distribution



Research,
Digital Economy
and
Technological
Development



Tourism



Energy
Development



Education



Health



Sports



Financial
Services



Creative
Industry



Development
and
Management
of SEZs



Provision of
SEZ
Infrastructure



Other
Economic
Activities

Tax facilities granted to SEZ



a. Corporate Income Tax (PPH)

- ✓ Tax holiday 100% for primary activities, subject to the amount of the investment.
- ✓ Tax allowance for other than primary activities and for primary activities that are not eligible to get tax holiday facility.

Investment provisions for tenants

10 years

IDR 100 to
<500 billion

15 years

IDR 500 to
< 1 trillion

20 years

> IDR 1 trillion



b. Value Added Tax

VAT is not collected on:

- ✓ Delivery of tangible taxable goods from other places within the customs area (TLDDP), FTZ, and bonded zone (TPB).
- ✓ Import of tangible taxable goods.
- ✓ Import of consumer goods to tourism SEZ.
- ✓ Delivery of taxable services (JKP) and/or taxable goods (BKP) in the same SEZ or other SEZs.



c. Customs and Excise

- ✓ Exempt from import duty and not collected tax in the context of import (PDRI) for the import of capital goods and consumption goods in the Tourism SEZ.
- ✓ Exempt from excise for raw materials or auxiliary materials that are used to produce finished goods which are not excisable goods.



d. Sales Tax on Luxury Goods

Delivery of taxable goods and/or taxable service originating from maintenance, repair, and overhaul (MRO) tenants not collected.



e. Deferred Import Duties

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



f. Local Tax

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



g. Goods Traffic

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



h. Special Facilities for Tourism SEZ

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

Free trade areas and free Ports

(Kawasan Perdagangan dan Pelabuhan Bebas/KPPB)

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

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

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

National tourism strategic areas and super priority destinations

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

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



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

03 Starting a business

3.1. Forms of foreign business in Indonesia

In general, there are 3 (three) ways how investors can do business in Indonesia:

- a. Limited liability company for foreign investment purposes (PMA Company or *Perusahaan Penanaman Modal Asing*).

A PMA company is a fully-fledged incorporated company with legal entity status that can carry out a full range of commercial and business and is protected under the Law No. 25 of 2007 on Investment (Indonesian Investment Law) as further amended by under Law No. 11 Year 2020 on Job Creation ("Law 11/2020")

- b. A representative office (RO)

An RO is a licensed office set up in Indonesia by a foreign company. Its permitted activities are limited in scope but generally include carrying out marketing activities, such as doing a market feasibility study and liaison activities (i.e., acting as a local contact office to connect its overseas head office with parties in Indonesia). Since an RO does not do any investment activities, there is no regulation of capital or investment value for an RO.

It is generally restricted for an RO to conduct any business activity in Indonesia (e.g., concluding contracts, issuing invoices, and receiving payments). There are different types of ROs and each type has its own specific permitted activity. The exception to this rule is a Public Works RO, which can perform income-generating activities (i.e., providing construction services). Types of RO are as follows:

1. RO of foreign companies (*Kantor Perwakilan Perusahaan Asing/KPPA*)
2. RO of foreign trade companies (*Kantor Perwakilan Perusahaan Perdagangan Asing/KP3A*)

- 
3. RO of foreign electricity support service company (*Kantor Perwakilan Jasa Penunjang Tenaga Listrik Asing/ JPTLA*)
 4. RO of foreign construction service business entity (*Badan Usaha Jasa Konstruksi Asing/ BUJKA*)
 5. RO of foreign companies in the field of trading through electronic systems(KP3A PMSE)

c. A permanent establishment

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

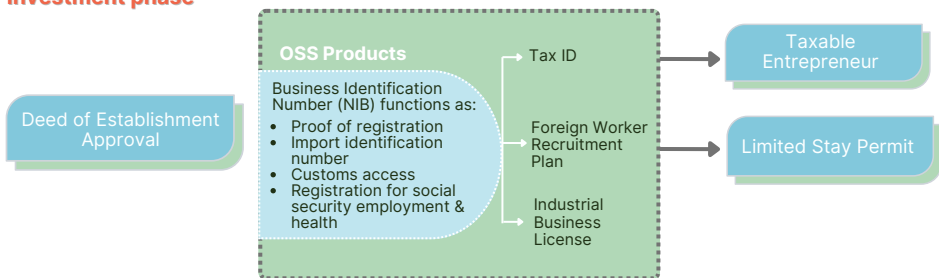
3.2. Establishment process of a foreign business

The following investment flow chart provides a general guideline for corporate establishment in Indonesia:

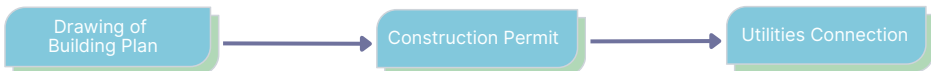
Pre-investment phase



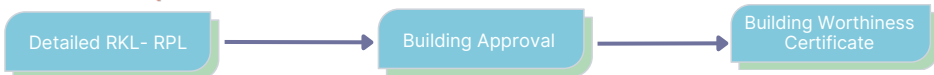
Investment phase



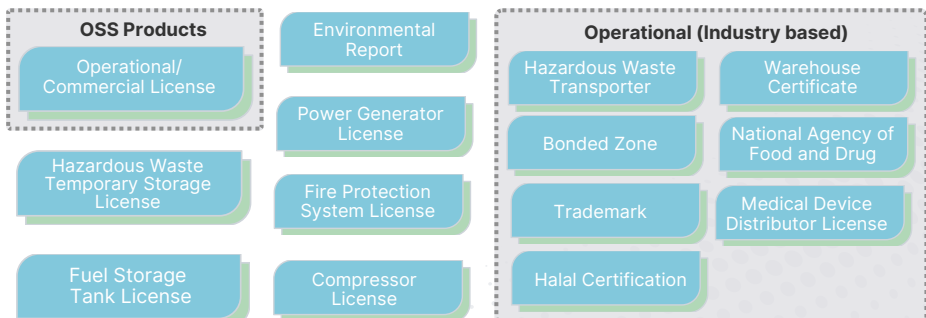
Pre-construction phase



Construction phase



Operational phase



Pre-investment phase

During this phase, foreign investors must do the following:

1. Name check and registration: foreign investors should choose a name for their PT PMA. This name must at least consist of 3 words and has never been used by anyone else.
2. Establishment deed drafting: this process is done by a public notary. Investors must determine the following information:

2.1 Scope of business

An investor must identify the business field code based on Indonesian Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha Indonesia*/KBLI). KBLI will determine the classification of business activities, which will then lead to the type of business licenses needed (see business classifications). Currently, all business fields that are commercial in nature are open for investment except for business fields that are declared closed for investment or business fields that can only be carried out by the central government which are of a service nature or in the context of defense and security which are strategic in nature and cannot be carried out or cooperated with other parties. Business fields which are open for investment (both foreign and domestic) are categorized into:

A. Priority business fields

Priority business fields are business fields that meet the following criteria:



Investors who invest in the list of priority business fields will be granted fiscal incentives and/or non-fiscal incentives. Fiscal incentives that are granted by the government consist of tax incentives and customs incentives.

TAX



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

CUSTOMS



- Exemption of import duty on the import of machinery as well as goods and materials for the construction or development of industries in the framework of investment facilities.
- As for non-fiscal incentives, investors will get ease of doing business, the provision of supporting infrastructure, the guarantee of the availability of raw materials, recommendation to transfer the status of a visitor permit to a limited stay permit and recommendation to transfer the status of a limited stay permit to a permanent stay permit, employment and other facilities in accordance with laws and regulations.

- B.** Business fields allocated for, or which require partnership with cooperatives and micro, small, and medium-sized enterprises (MSMEs). Business field open to large business in partnership with cooperatives and micro-scale business must meet the following criteria:
- a. Business fields which are mostly operated by Cooperatives and UMKM and/ or
 - b. Business fields which are encouraged to be included in large business supply chain

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

- a.** Investment requirements for domestic investors. (These requirements may include requirements regarding investment values, permitted business fields for certain business entities, and business fields which require paid-up capital/certain assets).
- b.** Requirements for investment with restrictions on foreign capital ownership, however, this requirement does not apply to:
 - Approved investments in certain business fields prior to President Regulation No. 10 Year 2021 was promulgated.
 - Investments which acquire special rights based on an agreement between Indonesia and the country of origin of the investors, unless the provisions under President Regulation No. 10 Year 2021 are more profitable for Investments. Restrictions on the ownership of foreign capital shall also apply to companies that receive merger, acquisition or new companies resulting from a consolidation in accordance with provisions of laws and regulations in the same business field.
- c.** Requirements for investment with special license.
- d.** Business fields which are strictly limited and supervised in separate laws and regulations in the control and supervision of alcoholic beverages.

D. Uncategorized business fields

Business fields reserved not categorized as A, B, or C and therefore are open to all investors (including foreign investors).

Special business fields (single purpose and single majority)

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

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

Provisions for technology-based start-ups

Foreign investment activities located within Special Economic Zones (KEK) which engage in technology-based pioneering businesses may undertake investments with an investment value less than IDR 10,000,000,000 (ten billion Rupiah), excluding the value of land and buildings.

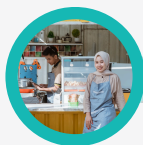
Business classifications

Since the Law No. 11 Year 2020 on Job Creation ("Law 11/2020") was issued, Indonesia has adopted the Risk Based Approach (RBA) concept. The RBA business licensing concept is a business licensing based on the level of risk of business activities. The higher the risk, the more business licenses a business must get.

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

Clasification of Business Activities

Business Licensing



Low

- ✓ Business Identification Number (NIB)



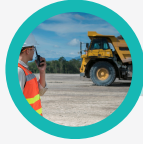
Medium- Low

- ✓ NIB
- ✓ Standard Certificate and Statement to fulfill standards (Self Declare)



Medium - High

- ✓ NIB
- ✓ Standard Certificate issued based on verification (Self Declare and Verification)



High

- ✓ NIB
- ✓ Business License
- ✓ Required Standard Certificate

2.2. Paid-in capital

Investors must identify authorized and paid-in capital amount in an establishment deed. The minimum paid-in capital for PMA is IDR10,000,000,000 (ten billion Rupiah), unless otherwise stipulated by laws and regulations. For example, the capital requirement for construction works under Government Regulation No. 5 Year 2021 is a minimum of IDR25,000,000,000 (twenty-five billion Rupiah). For investments higher than the minimum requirement, loan financing is also allowed when taking into account tax considerations.

Foreign investments are prohibited by law to enter micro and small businesses. Foreign investments can only enter large businesses. By definition, large business is a business that has paid-in capital of more than IDR 10 billion, excluding land and building for business premises.

2.3. Number of shareholder requirements

Indonesian Company Law requires a limited liability company to have at least two shareholders, which can be an individual or a corporation. For investments that are 100% open, the foreign investor needs to identify a second shareholder (which can be its affiliated party) to hold shares in the PMA company.

A nominee shareholder arrangement (i.e., an arrangement for the local party holding shares on behalf of a foreign party) is prohibited under the Indonesian Investment Law. The purpose of the restriction is to avoid an arrangement whereby a company is formally owned by a party while being beneficially owned by a different party. According to the Investment Law, a nominee agreement entered by and between a local party and a foreign investor shall be declared null and void.

Investment phase

Once the establishment deed is approved, the next step is to register for the Business Identification Number (*Nomor Induk Berusaha/NIB*). NIB consists of a 13-digit number that also records an electronic signature and is equipped with security. NIB is the basic license which is used to get other business licenses. Getting NIB is free and it is valid as long as the business is still running. NIB is processed through the government web-based system, www.oss.go.id and it is administered by the Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal/BKPM*).

Pre-construction phase

Based on Government Regulation No. 28/2021 on Industry as further amended by Government Regulation No. 46/2023, all industrial activities must be located within an industrial estate. An industrial estate provides supporting infrastructure needed for an industry. Prior to starting a construction in an industrial estate, the following documents must be prepared:

- Building plan drawing
- Construction permit
- Utilities connection

The application form should be submitted, reviewed, and approved by the industrial estate.

Construction phase

There are 3 mandatory documents for a company to carry out construction. Construction can start immediately in parallel with the documents' application, including:

- a. **Environmental management and monitoring plan (*Rencana Pengelolaan Lingkungan Hidup - Rencana Pemantauan Lingkungan Hidup/RKL-RPL*)**. The environmental management plan (RKL) is an effort to handle major and important impacts on the environment caused by the business and/or activity plans. Meanwhile, the environmental monitoring plan (RPL) is an effort to monitor environmental components that are affected by major and significant impacts due to the planned business and/or activity. RKL is a follow-up plan to manage the significant impacts caused by the project activities while RPL is a tool to monitor the results of the environmental management. RKL-RPL is required for a company located in industrial estate and is submitted to an industrial estate for its approval. RKL-RPL is included in one document named Environmental Analysis (*Analisa Dampak Lingkungan/AMDAL*). An industrial estate is required to update AMDAL to Regional Environmental Agency (*Dinas Lingkungan Hidup/ DLH*). All business activities must comply with the industrial estate's AMDAL. An industrial estate is required to conduct a periodic investigation every 6 (six) months of RKL- RPL implementation of each tenant.
- b. **Building approval (*Persetujuan Bangunan Gedung/PBG*)**, previously *Ijin Mendirikan Bangunan/IMB*, is a permit that is submitted by the applicant or building owner to the government through SIMBG when they want to build new, change, expand, reduce, and/or maintain buildings in accordance with building technical standards. PBG is an improvement of the previous building permit formerly known as IMB. IMB had to be completed prior to construction, while PBG allows construction to take place immediately.
- c. **Building - worthiness certificate (*Sertifikat Laik Fungsi/SLF*)**, is a certificate issued by the Regional Government except for a special building., which is issued by the Central Government. This document is to certify building safety. A new function-worthy certificate can be given after the building construction has been completed and the building is ready for occupancy. SLF validity period is 20 years for residential buildings and 5 years for multipurpose buildings.

Operational phase

Once all processes and documents from pre-investment, investment, pre-construction until construction have been completed, operations can be carried out. Based on Government Regulation No.5/2021, a company must have an Operational/Commercial Permit, which is processed through OSS, prior to starting its operation.

In addition to Operational/Commercial Permit, there are some other documents that must be obtained as follows:

- Hazardous Waste Temporary
- Storage License
- Semester Environmental Report
- Fuel Storage Tank License
- Power Generator License
- Compressor License
- Fire Protection System License

Additionally, there are a few other documents that are necessary when a company starts operating, though some are adapted to industry based, namely:

- Medical Device Distributor License
- Warehouse Certificate
- Hazardous Waste Transporter
- National Agency of Drug and Food
- Bonded Zone
- Halal Certification
- Trademark

04 Operating a business

4.1. Labour environment

In general, there are no requirements to hire Indonesian employees in a PMA company. However, based on Government Regulation No. 34 Year 2021 regarding the Utilization of Foreign Workers and the Regulation of the Minister of Manpower Number 8 Year 2021, there is a requirement for a PMA company to hire Indonesian employees when it employs a foreigner. In general, the Ministry of Manpower will require a minimum of one Indonesian counterpart for each expatriate. There is a list of positions issued by the Ministry of Manpower that cannot be undertaken by a foreigner. Generally, an expatriate cannot assume a position that handles a human resources matter.

Work permit for foreign workers

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

- Board of directors or commissioners with certain share ownership, or shareholders who meet the criteria as set out under Regulation of the BKPM No. 4 Year 2021. They will be given a recommendation for the granting of a visa and a stay permit from the BKPM
- Diplomatic and consular employees at representative offices of foreign countries
- Foreign workers who are required by a PMA company for types of production activities which are ceased due to emergencies, vocational training, technology-based start-ups, business visits, and research for a certain period of time. However, utilization of foreign workers for technology-based startups and vocational companies is granted exemption from obtaining RPTKA Validation for a maximum period of 3 months.

Steps in obtaining RPTKA validation

Employers of foreign workers shall submit an application for RPTKA Validation through In general, there are no requirements to hire Indonesian employees in a PMA company. However, based on Government Regulation No. 34 Year 2021 regarding the Utilization of Foreign Workers and the Regulation of the Minister of Manpower Number 8 Year 2021, there is a requirement for a PMA company to hire Indonesian employees when it employs a foreigner. In general, the Ministry of Manpower will require a minimum of one Indonesian counterpart for each expatriate. There is a list of positions issued by the Ministry of Manpower that cannot be undertaken by a foreigner. Generally, an expatriate cannot assume a position that handles a human resources matter.

Supporting documents include data on foreign workers and the employers. Once submitted, the Ministry of Manpower will conduct an online Feasibility Assessment for validating the RPTKA. They will issue the results of Feasibility Assessment for a maximum of 2 business days. Furthermore, the Ministry of Manpower will issue an order for the payment of the Compensation Fund for the Utilization of Foreign Workers (*Dana Kompensasi Penggunaan Tenaga Kerja Asing/DKPT- KA*) amounting to USD100 per position per person per month to the employer. However, government agencies, representatives of foreign countries, international agencies, social institutions, religious institutions and certain positions in educational institutions are exempted from DKPT-KA. Finally, the RPTKA validation will be used as a recommendation to obtain visa and residency permit for foreign workers.

Types of RPTKA

RPTKA Types	Validity
RPTKA for temporary works	Maximum period of 6 months and cannot be extended
RPTKA for 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
RPTKA for Special Economic Zone	Maximum period of 5 years and can be extended. For a director or a Commissioner, RPTKA is granted once and is valid as long as he/ she assumes director/commissioner role

The application for the extension of RPTKA Validation is to be submitted no later than 30 business days prior to the expiration date.

Types of employees

There are 3 categories of employees:

- a. Contract Employees** - Contract employee is based on employment agreement for a certain period of time or for a certain work (*Perjanjian Kerja Waktu Tertentu/PKWT*).

PKWT based on time frame can only be a maximum of 5 years and may be extended for a period of no more than 5 years if the work still has not been completed. PKWT is not allowed to have a probation period. If it is stated, the probation period will be voided and the working period will still be calculated. PKWT must be registered online at the Ministry of Manpower at the latest 3 business days from the signing of the PKWT.

Upon termination of a contract employee, an employer must provide a compensation of 1 month salary if the contract period is 1 year. If it is less or more than 1 year, the compensation is calculated proportionally. This requirement does not apply to foreign contract workers.

- b. Permanent Employees** - Permanent employee is based on employment agreement for a certain period of time or for a certain work (*Perjanjian Kerja Waktu Tidak Tertentu/PKWTT*). PKWTT is allowed to have a probation period and must be clearly written in PKWTT. PKWTT employee is entitled to severance pay and/or gratuity.
- c. Outsourcing** - Outsourcing is a working relationship between an outsourcing company and the employee based on PKWTT. Outsourcing companies are fully responsible for the protection of employees, welfare, work requirements, and disputes. These are all regulated under an Employment Agreement, a Company Regulation, or a Collective Labor Agreements.

Employee termination

Employee termination (*Pemutusan Hubungan Kerja/PHK*) is the termination of employment relationship due to a certain matter, resulting in the termination of the rights and obligations between an employee and an employer. If PHK occurs, an employer must pay severance pay and/or gratuity which is regulated under Government Regulation No. 35 Year 2021.

Regional minimum wage and standard salary for foreign employee

Based on the Government Regulation No. 36 Year 2021, an employer is required to pay a provincial minimum wage for local employees. Additionally, compensation for foreign employees is regulated under DGT Decision No. KEP-173/PJ/2022 on Guideline on Foreign Employee Salary Standard. If the compensation for foreign employees is set too low, the DGT has the right to deem how much the standard salary should be.

Social security program

Based on Law No. 24 Year 2011, the social security program is implemented by the Social Security Agency (*Badan Penyelenggara Jaminan Sosial/BPJS*), which consists of BPJS Kesehatan for health programs and BPJS Ketenagakerjaan (BPJS TK) for employment programs. BPJS TK provides Working Accident Coverage (*Jaminan Kecelakaan Kerja/JKK*), Death Coverage (*Jaminan Kematian/JKM*), Old Age Coverage (*Jaminan Hari Tua/JHT*) and Job Loss Coverage (*Jaminan Kehilangan Pekerjaan/JKP*). For the contribution rate and tax treatment, refer to Tax Section - 6.3 Contribution Rate.

Enrollment to BPJS is mandatory for every company. Failure to follow this requirement will affect the Company's operation in Indonesia as the Government of Indonesia will block access from public services.

Immigration

Based on Government Regulation No. 48 Year 2021 on Immigration, there are two types of visa:

- a. Visitor visa:** foreigners who come to Indonesia for pre-investment activities may use a visitor visa for either one trip or several trips.
- b. Limited stay visa:** Limited-stay visa is granted to foreigners who will reside in Indonesia for working purposes and non-working purposes. Limited Stay Permit Card (*Kartu Izin Tinggal Terbatas/KITAS*). KITAS is almost the same as a work visa; the validity period of KITAS is one year for foreign workers who do not have shares in a limited liability company established in Indonesia. Meanwhile, for foreign investors who own shares of at least IDR 2.5 billion in Indonesia, KITAS is valid for up to 2 years. A guarantor (an individual or a corporation) is required for foreigners who are going to apply for visitor visa or limited-stay visa. This guarantor requirement is exempted for foreigners who invest in Indonesia, obtain second-home facility, or who conduct pre-investment activities.

4.2. Land ownership

There are several types of land ownership in Indonesia:

Freehold title (*Hak Milik/HM*)

Freehold title is hereditary, strongest and most complete rights that can be owned by people on land. It has no expiration and can be transferred or handed over to other parties. Freehold title is only for Indonesian citizens, legal entities stipulated by the Government, religious and social entities.

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, including a PMA. Right to build can also be transferred to another party.

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.

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, including a PMA. 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.

Based on the Article 28 paragraph (2) of the UUPA, HGU is granted on land covering an area of at least 5 hectares or more, it must use decent capital investment and good corporate techniques, in accordance with the times.

Right to use (*Hak Pakai*)

Right-to-use is the right to use or to collect the proceeds from land directly controlled by the state or land belonging to another person who authorizes and have the obligations specified in his granting decision by the official authorized to grant it with the lease agreement. The right-to-use period is 25 years, but it can also apply for a certain period of time or as long as the land is used for any certain purposes.

Right to manage (*Hak Pengelolaan*)

Right-to-manage is the right to control from a state whose authority for implementation is partially delegated to the rights holder. This right is only given to Indonesian government entities.

Right of ownership over flats (*Hak Milik Atas Satuan Rumah Susun*)

Right-of-ownership-over flats is ownership right of units of a separate individual flats with joint rights to common parts, common objects and common land. HMSRS may be given to foreigners who have permission in accordance with the provisions of laws and regulations. But ownership of stacked units/flats by foreigners is only given in special economic zones free trade areas and free ports, industrial areas, and other economic areas.

Ownership of flats (*sarusun*) by foreigners is provided with restrictions :

- Minimum price;
- Area of land;
- The number of plots of land or flats; and
- Allotment for residential or residential houses

Right to lease (*Hak Sewa*)

Right-of-Lease is owned by each person and every legal entity. If a person or legal entity uses other people's land for the purpose of their building, they must pay the landlord a sum of money as a token of rental. There is no restriction for the leasing period as long as both parties agree.

Land ownership for foreigners

Until now, foreigners as are still not allowed to own landed houses or apartments, although for apartment, its lease agreement has very long period, i.e. 30 years with an extension of 20 years.

4.3. Export and import

A company will simply need a Business Identification Number (NIB) to commence its import or export activities as per GR 29/2021, which may be obtained through the OSS system. NIB serves as:

1. Importer Identification Number (*Angka Pengenal Impor* or API), which consists of:
 - General Importer Identification Number (*Angka Pengenal Importir Umum/ API-U*), NIB that applies as API-U is only given to importers who import certain goods for trading purposes.
 - Producer Importer Identification Number (*Angka Pengenal Importir Produsen/API-P*) is only given to importers who import certain goods for their own use as capital goods, raw materials, auxiliary materials, or materials to support the production process. An importer can only choose one of them.
2. Customs Identification Number (*Nomor Identitas Kepabeanan/NIK*), which serves as an identification document for Customs and Excise authority relevant to the customs clearance process.

Certain goods may be subject to limitations and/or restrictions, and importation may not be permitted or may require additional import approval from the Ministry of Trade, which in some cases are issued based on the recommendation of the technical Ministries such as the Ministry of Industry, Ministry of Agriculture, etc.

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

Prior to doing the import or export, the company should check with the Indonesian Harmonization System (HS) code, which is used to classify and calculate tax and customs rates on all types of items.

Import duty

According to Minister of Finance Regulation No. 199/2019, the maximum value of tax-free items for import into Indonesia will be decreased from USD 75 to USD 3 for each recipient and shipment.

Import duty is a flat rate of 7.5% if the value of your shipment is below USD 1,500. For shipments over USD 1,500, the duty rate is based on the product's Harmonized System (HS) code. This code categorizes goods internationally and Indonesia uses it to determine import taxes.

Customs value is calculated on the cost, insurance, and freight (CIF). In addition to the customs duties, an Indonesian company importing goods from overseas may also be subject to value added tax, sales tax on luxury goods and income tax article 22 n import. The amount of tax is determined by the type of goods imported and the HS code of the product. Moreover, it is necessary to pay customs charges and import taxes in advance, as well as notify customs of arriving freight.

To promote investment and international trading, various customs facilities are available, which include:

- Exemption from value added tax and customs duty for importation of capital goods and raw materials for a certain period for a new or expansion project.
- Duty exemptions and preferential duties for most imported goods of ASEAN Origin. In this case, ASEAN origin certification is critical. Indonesia is a signatory to the ASEAN Free Trade Agreement, which stipulates that tariff on imports from ASEAN member nations vary from 0-5%.

As a commitment to liberalizing trade, the Indonesian government is progressively lowering import duty rates on most products. Higher duty rates remain to protect certain industries and goods regarded as sensitive for security or social and cultural reasons.

However, in Batam (free zone area) all goods imported are not subject to import taxes and duties unless the goods are further distributed to other Indonesian regions.

Import tariffs from countries that have trade agreements with Indonesia will be different. Such as the import tariffs between Australia, New Zealand, South Korea, India, China and ASEAN countries.

Import facilities

Investors engaged in certain businesses, including manufacturing, can enjoy import tax exemption on imported duty for capital goods and raw materials. This facility is often referred to as the Master List Facility.

Certain requirements must be met for the goods to be imported, which are the following:

- Not yet produced in Indonesia.
- Has been produced in Indonesia but not in accordance with the specification required.
- Has been produced in Indonesia with the specification required above but does not meet the industry demand.

Import quota

To import some goods to Indonesia, an importer must obtain *Persetujuan Impor* (PI). In PI, there were data such as import approval number, classification of goods, quantity of goods, originating country, and destination port.

4.4. Utilization of domestic products

Domestic component level (*Tingkat Komponen Dalam Negeri*/TKDN)

PT PMA should pay attention to Indonesia's local content requirements (TKDN) which is regulated under the Ministry of Industry through Presidential Resolution No. 24 on 2018 on increasing the utilization rate of domestic products, Minister of Industry Regulation No. 16 of 2011 on localization rate and Minister of Industry Regulation No. 2 of 2014 on the norms and provisions for the calculation of the localization rate.

TKDN is the Indonesian's government policy to empower the prioritization of local industry by setting a minimum percentage of Indonesian-sourced raw materials, capital goods and services in the production of a product. TKDN is required for the use of local products which are financed from the National Budget (APBN) or Regional Budget (APBD), including from state-owned enterprises.



TKDN is divided into domestic content in goods, services and combinations of goods and services. TKDN assessment of goods is calculated based on production factors which include materials/ direct materials, direct labor (the nationality of the producing workers), and factory overhead costs. TKDN of goods is calculated per product.

For TKDN of services, the assessment is calculated based on costs which include manpower, work equipment/facilities, and general services. Meanwhile, the combined TKDN of goods and services shall be calculated based on the assessment of TKDN of goods and TKDN of services. In addition, the value of intellectual ability (brainware) may be calculated as a cost in the calculation of TKDN value.

TKDN is required to be fulfilled by the following Government's priority sectors:

- Medical equipment with a minimum priority value 60%
- Trading of agriculture machinery with a minimum priority value 43%
- Oil and gas devices with a minimum priority value 24%%
- National electricity with a minimum priority value 40%
- Power plant with a minimum priority value 30% to 70%
- Substation with a minimum priority value 17 to 65%%

TKDN to be given a priority when bidding in government projects and procurement of state-owned companies. TKDN is used as a pre-qualification condition in some projects.

TKDN certificate

For the purpose of certification and verification of TKDN, Sucofindo has been appointed by the Government to perform certification and verification of TKDN.

4.5. Investment protection

Investment protection clauses as governed under the Law No. 25 Year 2007 on Investment include:



4.6. Contract signing

According to the Indonesian law, contracts signed with Indonesian entities should be in Indonesian. Contracts should be signed by an authorized party of the company (usually a member of the company's board of directors) and stamped with the company's official seal. Notarization of major contracts is recommended for a higher legal validity.

4.7. SNI certification

SNI is the Indonesian National Standard nationally applicable in Indonesia. The SNI standard was defined by the National Standardization Agency of Indonesia (BSN). For products intended to be distributed into Indonesian market, in compliance with SNI standard is a must (if mandatory). Not only standards to be complied with but also related government regulations or directives shall be taken into account.

In general, there are 2 (two) main stages required for SNI approval:

- Factory audit/inspection
- Laboratory testing

4.8. Non-tax compliance requirements

In general, a PMA company will be required to perform reporting submissions to the relevant authorities following their business activity in Indonesia. In general, the reporting requirements are as follows:

- a. Annual company financial reporting
- b. Investment realization reporting
- c. Manpower and employee welfare reporting
- d. Expatriate utilization reporting
- e. Company loan reporting
- f. Foreign exchanges and prudential principles reporting

However, additional reporting may be required by the relevant authority, depending on the PMA company's business activities and classification (e.g., reporting to the Ministry of Industry for Industrial Activity, reporting to OJK for Financial Services Activities, etc.)

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

4.9. Book-keeping requirements

See Section 6.9, Taxation - Accounting for Tax.



4.10. Audit requirements

The following companies must have audited financial statements:

- a.** companies involved in accumulating funds from the public (such as banks and insurance companies)
- b.** companies issuing debt instruments
- c.** publicly-listed companies
- d.** state-owned companies
- e.** companies with assets and/or turnover of at least IDR 50 billion
- f.** as required by law

If the financial statements are audited, DGT requires the audited financial statements to be attached along with the filling of annual corporate income tax (CIT) return.

05 Exiting a business

When your business is not going as good as your expectations, you have an option to liquidate your business. The other option is to sell your business, instead of liquidating it.

5.1. Liquidation procedures

Liquidation of a business (can be a legal entity or a non-legal) generally involves the following procedures:

1. Perform a general meeting of shareholders approving the liquidation and nomination of the liquidator. If there is no appointed liquidator, the Board of Directors shall act as the liquidator.
2. Notify the creditors by announcing the liquidation and the plan for distributing assets in a newspaper and notification to the Ministry of Law and Human Rights of the Republic of Indonesia. Creditors shall have the right to submit their claims within a period of 60 (sixty) days as of the date of the liquidation announcement in the newspaper.
3. Make payments to creditors, including to employees.
4. Cancel or revoke all company licenses (including business licenses and tax identification number/TIN). Revocation of TIN will trigger a tax audit. Settle the tax obligations arising from this tax audit.
5. Distribute the liquidation proceeds to shareholders (if any).
6. Undertake a general meeting of shareholders granting acquittal and discharge of the liquidator.
7. Notify the Ministry of Law and Human Rights of the Republic of Indonesia on the result of the liquidation. The Ministry of Law and Human Rights shall revoke the company's name from the Company Registry and deregister the company's status as a legal entity after receiving the notification.
8. Announce the result of liquidation in a newspaper.

It takes approximately two years to complete a liquidation process.

06 Taxation

6.1. National tax authority

Most taxes are administered by centrally by the Directorate General of Taxation (www.pajak.go.id/), except regional taxes that are administered and collected by regional governments.

6.2. Corporate income tax

Basis of taxation

Resident companies are taxed on worldwide income. Non-resident companies are taxed only on income sourced in Indonesia including income attributable to a permanent establishment in the country.

Taxable net income is defined as assessable income less tax- deductible expenses.

Taxable business profits are modified by certain tax adjustment. Generally, a deduction is allowed for all expenditures incurred to obtain, collect, and maintain taxable business profits. A timing difference may arise if an expenditure recorded as an expense for accounting cannot be immediately claimed as a deduction for tax.

A company is treated as a resident of Indonesia for tax purposes by virtue of having its establishment or its place of management in Indonesia. A foreign company carrying out business activities through a permanent establishment in Indonesia will generally have to assume the same tax obligations as a resident taxpayer.

Rates of tax

Generally, a flat corporate tax at 22% is applied starting from 2022 fiscal year. Public companies that satisfy a minimum listing requirement of 40% and other conditions are entitled to a tax cut of 3% off the standard rate, giving them an effective tax rate of 19%. Small enterprises, or corporate taxpayers with an annual turnover of not more than IDR 50 billion, are entitled to a 50% discount of the standard tax rate which is imposed proportionally on taxable income of the part of gross turnover up to IDR 4.8 billion. Certain enterprises with gross turnover of not more than IDR 4.8 billion are subject to Final Tax at 0.5% of turnover.

Year of assessment

Generally, the year of tax assessment is January to December. However, a corporate taxpayer can elect to file a corporate tax return based on the company's book year other than the calendar year of January to December. The approval from Minister of Finance is required if tax payer intends to change the fiscal periods.

Deemed profit margin

The following business have deemed profit margins for tax purposes:

	Deemed Profit on Gross Revenue	Effective Income Tax
Domestic shipping operations	4%	1.2%*
Domestic airline operations	6%	1.8%*
Foreign shipping and airline operations	6%	2.64%*
Foreign oil and gas drilling operations	15%	3.3%**
Foreign trade representative offices	1% of export value	0.22%**

* Calculated using the old tax rate of 30% because the decree that regulates the deemed profit margins has not been revised.

** Calculated using the current tax rate of 22%.

Taxation of dividends

Tax is withheld from dividends as follows:

A. Residents recipients

Dividend income received by corporate resident tax payers is exempted from the income tax object if the dividends come from Indonesia. However, if the dividend come from outside of Indonesia, in order to qualify for an exemption, it must follow the following conditions:

- Equity investments in stock exchanges outside of the jurisdiction of Indonesia: must be invested or used for business activities in Indonesia under a certain time limit.
- Equity investments in a non-listed company outside of the jurisdiction of Indonesia: must invest in Indonesia at a minimum of 30% of earnings before tax as long as a tax assessment letter is not issued.

The type of investments qualified for the exemption as well as the time limit are regulated.

B. Non-residents recipients

20% (or lower for treaty countries) final withholding tax is due on dividends paid to a non-resident recipient.

C. The Controlled Foreign Corporation (CFC Rules)

Under the CFC rules, the Indonesian Company as a shareholder of the Foreign subsidiary/branch could be deemed to receive a dividend based on the overseas subsidiary profits incurred. The taxable deemed dividend is calculated based on the proportion of shares.

The deemed dividends will be applied for:

- The Indonesian Company who has Foreign Subsidiary/ Branch and owns at least 50% of shares in that offshore company.
- This rule does not apply to the Company's shares listed on the stock exchange.

Starting from fiscal year 2019, the deemed dividends related to overseas subsidiary profits will be applied only for passive income, such as dividend, interest, rental income, royalty, and capital gain.

Taxation of capital gains

Capital gains are taxable as ordinary income and capital losses are tax-deductible. Gains from certain transactions are taxed under a special regime (e.g. gains from the disposal of land and/ or building properties are subject to a final tax at 2.5% rate from the transaction value).

Taxation of interest income

Interest on time or saving deposits and on Bank Indonesia certificates (SBIs) other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 20% final tax.

Interest on bonds other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 15% final tax. If the recipient is a mutual fund registered with Indonesia Financial Services Authority (Otoritas Jasa Keuangan/ OJK), the tax rate is 5% for 2011-2013 and 15% thereafter. If the recipient is a non-resident tax payer, the tax rate is 20% (or a lower treaty rate).

Interest and other benefits including premium or discount which is the interest between loans received or obtained by the Corporate Taxpayer are assessable to the company earning the interest at the ordinary corporate tax rate alongside the company's other income. Interests are subject to withholding tax at 15%. The amount withheld constitutes a prepayment of the CIT liability for the company earning the interest.

Utilization of taxation losses

Losses may be carried forward for 5 years following the year the loss was incurred (this period may be extended on certain industries and for operations in remote areas who obtained the tax facilities). Losses are not allowed to be carried back.

Key tax incentives

A. Tax cut for public companies

The public companies are granted tax cut, as follows:

- For 2019 Fiscal Year: 5% tax cut, giving an effective rate of 20%
- For 2020 and 2021 Fiscal Years: 3% tax cut, giving an effective rate of 19%
- For 2022 Fiscal Year and onwards: 3% tax cut, giving an effective rate of 19%

It can be granted to public companies which satisfy the following conditions:

- At least 40% of their paid-in shares are publicly owned;
- The public should consist of at least 300 individuals, each holding less than 5% of the paid-in shares;
- Certain conditions are fulfilled, i.e. these two conditions are maintained for at least 6 months (183 days) in a tax year, etc.

B. Income tax for medium enterprises

The Companies with an annual turnover of not more than Rp50 billion, are entitled a 50% discount of the standard corporate tax rate of 22% which is imposed proportionally on taxable income of the part of gross turnover up to Rp4.8 billion.

C. Income tax for small enterprises

The tax scheme is applied for small enterprise:

- Effective 1 July 2013 up to 30 June 2018, companies (exclude permanent establishments) with an annual turnover less than 4.8 billion are subject to 1% final income tax on the gross sales turnover. This final tax should be paid on monthly basis;
- Effective 1 July 2018 onwards, companies (exclude permanent establishments) with an annual turnover less than 4.8 billion are subject to 0.5% final income tax on the gross sales turnover. This final tax should be paid on monthly basis. It will be applied only for 3 fiscal years for Limited Liability Company ("Perseroan Terbatas"), and 4 fiscal years for cooperative, limited partnership ("CV"), or fellowship partnership ("firma").

The above Final Tax rate will not be applied for the certain Taxpayers, for examples the taxpayers who are subject to other Final Tax such as Construction Services, Land and Building Rental, and/or the taxpayers who choose the normal corporate tax calculation, and/ or the taxpayers who obtain certain tax facilities, and/or other taxpayer's type which is defined in the aforesaid Government Regulation.

D. Tax holiday

The corporate taxpayers who are engaged in certain 18 sectors of pioneer industries, and makes new investment at least IDR 100 billion, may enjoy a reduction of Corporate Income Tax ("CIT"):

1. 100% of CIT payable – for new investment value at least IDR 500 billion.

The period of tax holiday is:

- 5 years – for new investment value at least IDR 500 billion to less than IDR 1,000 billion
- 7 years – for new investment value at least IDR 1,000 billion to less than IDR 5,000 billion
- 10 years – for new investment value at least IDR 5,000 billion to less than 15,000 billion
- 15 years – for new investment value at least IDR 15,000 billion to less than 30,000 billion
- 20 years – for new investment value at least IDR 30,000 billion

After the above period is ended, the taxpayer will be granted the reduction 50% of CIT payable for the following 2 fiscal years.

2. 50% of CIT payable – for new investment value at least IDR 100 billion.

The period of Tax holiday is: 5 years.

After the above period is ended, the taxpayer will be granted the reduction 25% of CIT payable for the following 2 fiscal years.

E. Direct tax incentives for new enterprises

Under the Capital Investment Law and certain tax provisions, the new foreign and local direct investment Enterprises may apply for an exemption from the income tax payable on the importation of capital goods and raw materials. The exemption is granted for capital goods indicated in the Master List and the request must be applied for each importation. Furthermore, new Enterprises should secure an exemption certificate from the Directorate General of Taxes (DGT) where the new enterprise is registered.

F. Tax facilities on investment in certain business and or certain regions

The tax facilities are available for the local corporate tax payers who make investment in main business activities, both new investment and expansion of existing business, or the expansion of the existing business which does not include replacement and/or addition of machines and/or equipment carried out in a production line that is already in commercial production. The criteria are:

- high investment value of for export;
- labor intensive;
- high local content

The tax facilities are in the forms of:

1. 30% (thirty percent) net income reduction of the total investment value in the form of tangible fixed assets including land, which is used for Main Business Activities, is charged for 6 (six) years each 5% (five percent) per year;
2. Accelerated depreciation of tangible fixed assets and accelerated amortization of intangible assets acquired in the context of investment, with the useful life and depreciation/amortization rate, as follows:

Depreciation

Class of assets	Useful life (years)	Straight line method	Double declining method
I	4	25%	50%
II	8	12.5%	25%
III	16	6.25%	12.5%
IV	20	5%	10%
Building-Permanent	20	5%*	-
Building - Non Permanent	10	10%	-

* If the useful life of the asset is more than 20 years, Taxpayers may use the actual useful life of the asset based on the taxpayer's bookkeeping.

Amortization

Class of assets	Useful life (in years)	Straight line method	Double declining method
I	4	25%	50%
II	8	12.5%	25%
III	16	6.25%	12.5%
IV	20	5%	10%

3. The imposition of income tax on dividends paid to foreign taxpayers other than a permanent establishment in Indonesia of 10% (ten percent), or a lower rate according to the applicable double tax avoidance agreement;
4. The tax loss carried forward that are longer than 5 (five) years but not more than 10 (ten) years, with the certain conditions applied.

The tax facilities request must be submitted before the start of commercial production. In addition, the implementation of the tax facilities will be evaluated no longer than 2 years after the Government Regulation is released.

Withholding tax

Dividends – based on the new Tax Regulations Harmonization Law, starting from the 2022 fiscal year, in general dividends are non-tax-objects. This was in the contrary of the previous regulations of which dividends were tax objects. To qualify for non-tax-objects, dividends paid by a domestic corporate taxpayer to a resident individual must be invested in Indonesia for a certain period. If not met, a 10% final withholding tax is imposed on dividends paid to a resident individual.

If dividends paid by a domestic corporate taxpayer to a non- resident, dividends are subject to a final 20% withholding tax (or a reduced treaty rate). If dividends were paid by a domestic corporate taxpayer to a domestic corporate taxpayer, it is exempted as tax objects without any investment requirements (non-taxable).

Dividends paid from foreign corporate taxpayer to a domestic individual and/or domestic corporate taxpayer must be invested in Indonesia for a certain period and at least 30% must be invested in Indonesia and before the DGT issues any tax assessment letters on the dividends.

Interests - Interest paid to a non-resident is subject to a 20% withholding tax (or a reduced treaty rate). Interest paid by a domestic taxpayer to a resident is subject to a 15% withholding tax, which represents an advance payment of tax liability.

Royalties - A 20% withholding tax is imposed on royalties remitted abroad (or a reduced treaty rate). For tax purposes, royalties refer to any charge for the use of property or know-how in Indonesia, as well as the transfer of a right to use property or know-how in Indonesia. Royalties paid by a domestic taxpayer to a resident are subject to a 15% withholding tax, with the payment representing an advance payment of tax liability.

Technical service fees and rental - A 2% withholding tax applies on gross payments made by a domestic taxpayer to a resident taxpayer for technical, management and consulting services and rentals (except for land and building rentals). For the land and building rental is subject to 10% Final Income Tax. Under the domestic tax law, a 20% withholding tax (or a reduced treaty rate) is imposed on technical service fees remitted abroad.

Branch Profit Tax - Permanent establishments are subject to a 20% branch profits tax (or a reduced treaty rate) on after-tax profits.

Transfer pricing

Transactions between parties that have a special relationship must be carried out in a “commercially justifiable way” and on an arm’s length basis. Transfer Pricing Documentation is required by the Minister of Finance Regulation which consist of an overview of the taxpayer’s business operation and structure, its transfer pricing policy, comparability analysis, selected comparable and an explanation of how the arm’s length price or profit is determined (including the transfer pricing methodology).

At the end of 2016, the Minister of Finance and Tax Authorities have issued detailed transfer pricing documentation guidelines, which, in principle, are in line with the OECD's approach. This new regulation is applied starting from 2016 fiscal year onwards. Under this provision, the Transfer Pricing Documentation is mandatory to be provided no later than fourth month of the following year. By the tax law, it is considered as a package that is inseparable from the financial statements.

Filing requirements of tax return

Filing Due Dates	The monthly income tax returns must be filed by the 20th of the following month. Annual corporate tax returns must be filed within 4 months from the end of the book year. For annual income tax returns, taxpayers may extend the filing deadline for up to 2 months.
Penalties	Penalties vary depending on the situation, such as late tax payment, late filing, tax underpayment and voluntary amendment of returns. The most common penalty is 2% monthly interest on tax underpaid. Late filings are subject to the following penalties: • Monthly income tax return: IDR 100,000 (for income taxes) • Monthly VAT return: IDR 500,000 • Annual corporate income tax return: IDR 1,000,000
Payment of profit tax and application of holdover	Payment of profit tax and application of holdover. The monthly tax instalment operates under a self-assessment system, with tax due on the 15th day of the calendar month, following the tax-assessment month. Corporate income tax is due at the end of the fourth month after the book year end before filing the tax return.

6.3. Individual income tax

Basis of taxation

Individual residents in Indonesia are taxed on their worldwide gross income less allowable deductions and non-taxable income.

An individual is a tax resident if he/she fulfils the following conditions:

- He/she resides in Indonesia;
- He/she is present in Indonesia for more than 183 days in any 12-months period (the provisions of tax treaties may overwrite this rule);
- He/she is present in Indonesia during a fiscal year and intends to reside in Indonesia.

The taxable income of individuals includes profits from a business, employment income, capital gains, passive income such as royalty, interest, dividend, etc.

Rates of tax

For resident tax payer, income is taxed on progressive rates. Starting from fiscal year 2022, the new bracket of 35% was introduced. The progressive rates are as follows: 5% on the first IDR 60 million of annual taxable income; 15% on amounts exceeding IDR 60 million up to IDR 250 million; 25% on amounts exceeding IDR 250 million up to IDR 500 million; 30% on amounts exceeding IDR 500 million up to IDR 5 billion; and 35% amounts exceeding IDR 5 billion.

Effective 1 July 2018 onwards, individual as Indonesian taxpayer with an annual turnover less than IDR 4.8 billion are subject to 0.5% final income tax on the gross sales turnover. This final tax should be paid on monthly basis. This threshold excludes income from independent personal services such as doctors, lawyers, consultants, and notaries, and income that is already subject to final income tax such as construction services and rental or sale of assets, land and buildings.

Starting from fiscal year 2022, individual as Indonesian taxpayer with an annual turnover less than IDR 500 million is not taxed.

For non-resident taxpayers: 20% withholding tax rate on Indonesia-sourced income.

Year of assessment

The calendar year (January to December).

Allowance and deductions

An individual who conducts a business may deduct expenses from business income. Expenses generally are deductible if they are incurred for the purposes of generating income. The allowances are provided for the taxpayer, the taxpayer's spouse and up to 3 dependent children.

Starting from 2016 fiscal year, the non-taxable income threshold and allowable deduction for the individual are as follows:

	Indonesian Rupiah (IDR)
Taxpayer	54,000,000
Spouse	4,500,000
Each Dependent (Max of 3)	4,500,000
Occupational expenses (5% of gross income, max Rp 500,000/month)	6,000,000
Employee contribution to jamsostek of "BPJS" for pension fund security savings (2% of gross income)	Full amount
Pension contributions (5% of gross income, max Rp 200,000/month)	2,400,000

Taxation of dividends

Dividend income received by an individual tax payer from Indonesia-income source is exempted from the income tax object with a condition that the dividends must be invested in Indonesia within a certain time limit. If the dividends came from outside of Indonesia with the following sources:

- Equity investments in stock exchanges outside of the jurisdiction of Indonesia: must be invested or used for business activities in Indonesia under a certain time limit.
- Equity investments in a non-listed company outside of the jurisdiction of Indonesia: must invest in Indonesia at a minimum of 30% of earnings before tax as long as a tax assessment letter is not issued.

The type of investments qualified for the exemption as well as the time limit are regulated

Dividends received by resident individual tax payers are subject to final income tax at a maximum rate of 10%. If received by non-resident recipients, they are subject to final withholding tax of 20% (or lower for treaty countries).

Taxation of capital gains

Capital gains derived by an individual are taxed as income at the normal rates; gains on shares listed in Indonesia stock exchange are taxed at 0.1% (final tax) of the transaction value (an additional tax of 0.5% applies to the share value of founder shares at the time of an initial public offering). Gains on the disposal of land and/ or buildings are taxed at 5% (final tax) of the transaction value.

Taxation of interest income

Interest income on time or saving deposits and on Bank Indonesia (SBIs) other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 20% final tax.

Interest on bonds other than that payable to banks operating in Indonesia and government-approved pension funds is subject to 15% final tax. If the recipient is a mutual fund registered with the Capital Market Supervisory Board (now Indonesia Financial Services Authority), the tax rate is 5% for 2011-2013 and 15% thereafter. If the recipient is a non-resident tax payer, the tax rate is 20% (or a lower treaty rate).

Interest and other benefits including premium or discount which is the interest between loans received or obtained by the Individual Taxpayers are accessible to the individual earning the interest at the ordinary tax rate alongside the other income. Interest are subject to withholding tax at 15% if it is paid by the Corporate. The amount withheld constitutes a prepayment of the Income tax liability for the individual earning the interest.

Personal assessment and utilization of loss

Personal tax is self-assessed. There is no utilization of losses for deemed income.

Withholding tax

Employers are required to withhold income tax from the salaries payable to their employees and pay the tax to the State Treasury on their behalf. The same withholding tax is applicable for other payments to non-employee individuals (e.g. fees payable to individual consultant or service providers). Resident individual taxpayers without a Personal Tax Number / *Nomor Pendaftaran Wajib Pajak* (NPWP) are subject to a surcharge of 100% in addition to the standard withholding tax.

Non-resident individuals are subject to withholding tax of 20% (unless treaties apply) in respect of the following payments:

The corporate should withhold the payment to other parties with the various rate (i.e. 2%; 15%; 20%, 25%, etc.). This tax rates are stipulated by Minister of Finance, or Directorate General of Taxation Regulation for certain type of following transactions:

a. On gross amounts

- Dividends;
- Interest, including premiums, discounts and guarantee fees;
- Royalties, rents and payment for the use of assets;
- Fees for services, work, and activities;
- Prizes and awards;
- Pensions and any other periodic payments;
- Swap premiums and other hedging transactions;
- Gains from debt write-offs;
- After-tax profits of a branch of PE.

b. On Estimated Net Income (ENI), being a specified percentage of the gross amount:

	ENI	EFFECTIVE TAX RATE
Insurance premiums paid to non-resident insurance companies:		10%
By the insured	50%	2%
By Indonesia insurance companies	10%	1%
By Indonesia reinsurance companies	15%	5%
Sale of non-listed Indonesian company shares by non-residents	25%	5%
Sale by non-resident of a conduit company where this company serves as an intermediary for the holding of Indonesian company shares or a PE	25%	5%
Sale of luxurious jewelries, diamonds, gold, luxurious watches, antiques, paintings, cars, motorcycles, yachts and light aircraft with sale value of above IDR 10 million	25%	5%

Statutory obligations of employers

Employers are required to withhold, remit, and report income tax on the employment income of their employees.

Filling requirement of tax return

Employers are required to withhold, remit, and report income tax on the employment income of their employees.

Filling Due Dates	Monthly employee tax return must be filed by an employer by 20th of the following month. Individual must file his/her annual individual income tax return by the end of the third month after the year end.
Penalties	Penalties vary depending on the situation, such as late tax payment, late filing, tax underpayment and voluntary amendment of returns. The most common penalty is 2% monthly interest on tax underpaid with a maximum of 48%. Late filings are subject to the penalties of IDR 100,000.
Application of Handover	For annual income tax returns, taxpayers may extend the filing deadline by up to 2 months.

6.4. Value added tax and luxury-goods sales tax

Basis of Tax

VAT is levied on the “delivery” of taxable goods and the provision of taxable services. In general, delivery means sale, but this is not always the case. VAT also applies to intangible goods (including royalties) and to virtually all services provided outside Indonesia to Indonesian business. VAT applies equally to all manufactured goods, whether produce locally or imported. Manufacturing is defined as any activity that changes the original form or nature of a good, creates a new good or increases its productivity. Certain goods and services are non-taxable for VAT purposes.

Rates tax

The standard rate is 11% starting from 1 April 2022 and will become 12% at the latest by 1 January 2025 (previously the rate was 10%). VAT on exports of taxable goods and certain taxable services are zero rated. Zero-rate export services are limited to toll manufacturing services; repair and maintenance services attached to or for movable goods utilized outside the Indonesia customs area; and construction services attached to or for immovable goods located outside the Indonesia customs area.

Registration

Entrepreneurs exceeding a certain amount (i.e. IDR4.8million) in annual sales of taxable goods and/or taxable services are required to register for VAT purposes and issue a VAT invoice on the delivery of taxable goods and/or taxable services.

Filing Requirements

A monthly VAT return must be filed by the end of the following month, while payment must be made prior to the tax return filing deadline.

6.5. Other taxes

Real Property Tax

Land and building tax is payable annually on land, buildings and permanent structures. The rate is typically not more than 0.3% of the sale value of the property.

Estate Duty

No estate duty will be imposed on the value of an individual's property passing on death. However, further distributions which require a change in certificates of ownership are subject to duty on the acquisition of land and building rights with 5% rate to the relevant tax object acquisition value, minus an allowable non-taxable threshold.

Stamp Duty

Stamp duty is a tax on documents. Certain documents are subject to stamp duty at a nominal amount of 10,000.

Consumption Tax

Provincial tax is charged mostly at 10% e.g. hotel, restaurant, and place of recreation and entertainment, etc.

Carbon Tax

Carbon tax is implemented gradually, starting from 1 April 2022 for coal emissions with a rate of IDR30,000 per tCO₂e.

6.6. Social security and retirement contributions

Regulatory organization

Badan Penyelenggara Jaminan Sosial or “BPJS” (formerly PT Jamsostek (Persero):

- BPJS Employment (“BPJS Ketenagakerjaan”); and
- BPJS Health Insurance (“BPJS Kesehatan”)

Basis of contribution

Indonesia does not have a comprehensive social security system; however, there is a worker’s social security program (BPJS or Jamsostek) which provides compensation in the event of working accidents, deaths, and old age (56 years) as well as sickness or hospitalization, both inpatient and outpatient. The program is maintained by a designated state-owned company, PT Jamsostek.

Employees contributions are collected by the employer through payroll deductions. These must be paid to BPJS or PT Jamsostek together with the contributions borne by the employers.

Contribution rate

Areas Covered	As a percentage of regular salaries/wages	
	Borne by employers	Borne by employees
Working Accident Protection	0.24% - 1.74%	-
Death Insurance	0.3%	-
Pension Funds/Old Age Saving	3.7%	2.0%
Health Care Insurance	4.0%	1.0%

Exemption from tax

Working accident protection, death insurance and health care borne by employers are taxable in an employee’s income while the pension funds/old age saving borne by employers is exempted from tax. The pension funds/old age savings borne by employees are tax deductible from an employee’s income.

6.7. Double tax relief

Foreign tax credit

Resident companies deriving income from foreign sources are entitled to a unilateral tax credit with respect to foreign tax paid on the income. The credit is limited to the amount of Indonesian tax.

List of double tax treaties signed

Country	Notes	Dividend		Interest	Royalty	Branch Profit Tax
		Portfolio	Substantial Holdings			
Algeria		15%	15%	15%/0%	15%	10%
Armenia		15%	10%	10%/0%	10%	10%
Australia		15%	15%	10%/0%	15%/10%	15%
Austria		15%	10%	10%/0%	10%	12%
Bangladesh		15%	10%	10%/0%	10%	10%
Belarus		10%	10%	10%/0%	10%	10%
Belgium		15%	10%	10%/0%	10%	10%
Brunei		15%	15%	15%/0%	15%	10%
Bulgaria		15%	15%	10%/0%	10%	15%
Cambodia	1,5	10%	10%	10%/0%	10%	10%
Canada		15%	10%	10%/0%	10%	15%
China	2	10%	10%	10%/0%	10%	10%
Croatia		10%	10%	10%/0%	10%	10%
Czech Republic		15%	10%	12.5%/0%	12.5%	12.5%
Denmark		20%	10%	10%/0%	15%	15%
Egypt		15%	15%	15%/0%	15%	15%
Finland		15%	10%	10%/0%	15%	15%
France		15%	10%	15%/10%/0%	10%	10%
Germany	1	15%	10%	10%/0%	15%/10%	10%
Hongkong		10%	5%	10%/0%	5%	5%

Country	Notes	Dividend		Interest	Royalty	Branch ProfitTax
		Portfolio	Substantial Holdings			
Hungary	3	15%	15%	15%/0%	15%	20%
India	1	10%	10%	10%/0%	10%	15%
Iran		7%	7%	10%/0%	12%	7%
Japan		15%	10%	10%/0%	10%	10%
Jordan	3	10%	10%	10%/0%	10%	20%
Korea (North)		10%	10%	10%/0%	10%	10%
Korea (South)	2	15%	10%	10%/0%	15%	10%
Kuwait		10%	10%	5%/0%	20%	10%/0%
Laos		15%	10%	10%/0%	10%	10%
Luxembourg	1	15%	10%	10%/0%	12.5%	10%
Malaysia	4.5	10%	10%	10%/0%	10%	12.5%
Mexico		10%	10%	10%/0%	10%	10%
Mongolia		10%	10%	10%/0%	10%	10%
Morocco		10%	10%	10%/0%	10%	10%
Netherlands		10%/15%	5%	10%/5%/0%	10%	10%
New Zealand	3	15%	15%	10%/0%	15%	20%
Norway		15%	15%	10%/0%	15%/10%	15%
Pakistan	1	15%	10%	15%/0%	15%	10%
Papua New Guinea	1	15%	15%	10%/0%	10%	15%
Philippines		20%	15%	5%/10%/0%	15%	20%
Poland		15%	10%	10%/0%	15%	10%
Portugal		10%	10%	10%/0%	10%	10%
Qatar		10%	10%	10%/0%	5%	10%
Romania		15%	12.5%	12.5%/0%	15%/12.5%	12.5%
Russia		15%	15%	15%/0%	15%	12.5%
Serbia		15%	15%	10%/0%	15%	15%
Seychelles		10%	10%	10%/0%	10%	20%
Singapore		10%	10%	10%/0%	10%/8%	10%

Country	Notes	Dividend		Interest	Royalty	Branch Profit Tax
		Portfolio	Substantial Holdings			
Slovakia		10%	10%	10%/0%	15%/10%	10%
South Africa		15%	10%	10%/0%	10%	10%
Spain		15%	10%	10%/0%	10%	10%
Sri Lanka		15%	15%	15%/10%	15%	20%
Sudan		10%	10%	15%/10%	10%	10%
Suriname		15%	15%	15%/0%	15%	15%
Sweden		15%	10%	10%/0%	15%/10%	15%
Switzerland	1	10%	10%	10%/0%	10%	10%
Syria		10%	10%	10%/0%	20%/15%	10%
Taiwan		10%	10%	10%/0%	10%	5%
Tajikistan		10%	10%	10%/0%	10%	10%
Thailand		20%/15%	20%/15%	15%/0%	15%	20%
Tunisia		12%	12%	12%/0%	15%	20%
Turkey		15%	10%	10%/0%	10%	10%
Ukraine		15%	10%	10%/0%	10%	10%
United Arab Emirates	1	10%	10%	7%/0%	5%	5%
United Kingdom		15%	10%	10%/0%	15%/10%	10%
United States of America		15%	10%	10%/0%	10%	10%
Uzbekistan		10%	10%	10%/0%	10%	10%
Venezuela	1	15%	10%	10%/0%	20%	10%
Vietnam		15%	15%	15%/0%	15%	10%
Zimbabwe	1,5	20%	10%	10%/0%	15%	10%

Notes:

1. Service fees including for technical, management and consulting services rendered in Indonesia are subject to withholding tax at rates of 5% for Switzerland and United Arab Emirates, 7.5% for Germany, 10% for Cambodia, India, Luxembourg, Papua New Guinea, Venezuela and Zimbabwe, and 15% for Pakistan.
2. VAT is reciprocally exempted from the income earned on the operation of ships or aircraft in international lanes.
3. The treaty is silent concerning the branch profit tax rate. The ITO interprets this to mean that the tax rate under Indonesia Tax Law (20%) should apply.
4. Labuan offshore companies (under the Labuan Offshore Business Activity Tax Act 1990) are not entitled to the tax treaty benefits.
5. Ratified but not yet effective, pending the exchange of ratification documents.

6.8. Permanent establishment

Permanent Establishment

If certain activities conducted within Indonesia for a duration more than a certain period of time, it may lead to the establishment of PE.

List of periods for the activities in the tax treaties (time test)

	Building Site Construction	Installation	Assembly	Supervisory Activities	Other Services
Algeria	3 months	3 months	3 months	3 months	3 months
Armenia	6 months	6 months	6 months	6 months	120 days
Australia	120 days	120 days	120 days	120 days	120 days
Austria	6 months	6 months	6 months	6 months	3 months
Bangladesh	183 days	183 days	183 days	183 days	91 days
Belarus	6 months	6 months	6 months	6 months	120 days
Belgium	6 months	6 months	6 months	6 months	3 months
Brunei	183 days	3 months	3 months	183 days	3 months
Bulgaria	6 months	6 months	6 months	6 months	120 days
Cambodia	183 days	183 days	183 days	183 days	183 days
Canada	120 days	120 days	120 days	120 days	120 days
China	6 months	6 months	6 months	6 months	6 months
Croatia	6 months	6 months	6 months	6 months	3 months
Czech Republic	6 months	6 months	6 months	6 months	3 months
Denmark	6 months	6 months	6 months	6 months	3 months
Egypt	6 months	4 months	4 months	6 months	3 months
Finland	6 months	6 months	6 months	6 months	3 months
France	6 months	-	6 months	183 days	183 days
Germany	6 months	6 months	-	-	-
Hongkong	183 days	183 days	183 days	183 days	183 days

	Building Site Construction	Installation	Assembly	Supervisory Activities	Other Services
Hungary	3 months	3 months	3 months	3 months	4 months
Iran	6 months	6 months	6 months	6 months	183 days
Italy	6 months	6 months	6 months	6 months	3 months
Japan	6 months	6 months	-	6 months	-
Jordan	6 months	6 months	6 months	6 months	1 month
Korea (North)	12 months	12 months	12 months	12 months	6 months
Korea (South)	6 months	6 months	6 months	6 months	3 months
Kuwait	6 months	4 months	4 months	6 months	3 months
Laos	6 months	6 months	6 months	6 months	6 months
Luxembourg	5 months	5 months	5 months	5 months	-
Malaysia	6 months	6 months	6 months	6 months	3 months
Mexico	6 months	6 months	6 months	6 months	91 days
Mongolia	6 months	6 months	6 months	6 months	3 months
Morocco	6 months	-	6 months	6 months	60 days
Netherlands	6 months	6 months	6 months	6 months	3 months
New Zealand	6 months	6 months	6 months	6 months	3 months
Norway	6 months	6 months	6 months	6 months	3 months
Pakistan	3 months	3 months	3 months	3 months	-
Papua New Guinea	120 days	120 days	120 days	120 days	120 days
Philippines	6 months	3 months	3 months	6 months	183 days
Poland	183 days	183 days	183 days	183 days	120 days
Portugal	6 months	4 months	4 months	6 months	3 months
Qatar	6 months	6 months	6 months	6 months	6 months
Romania	6 months	6 months	6 months	6 months	4 months
Russia	3 months	3 months	3 months	3 months	-
Serbia	6 months	6 months	6 months	6 months	6 months
Seychelles	6 months	6 months	6 months	6 months	3 months
Singapore	183 days	183 days	183 days	6 months	90 days

	Building Site Construction	Installation	Assembly	Supervisory Services	Other Services
Slovakia	6 months	6 months	6 months	6 months	91 days
South Africa	6 months	6 months	6 months	6 months	120 days
Spain	183 days	183 days	183 days	183 days	3 months
Sri Lanka	90 days	90 days	90 days	90 days	90 days
Sudan	6 months	6 months	6 months	6 months	3 months
Suriname	6 months	6 months	6 months	6 months	91 days
Sweden	6 months	6 months	6 months	6 months	3 months
Switzerland	183 days	183 days	183 days	183 days	-
Syria	6 months	6 months	6 months	6 months	183 days
Taiwan	6 months	6 months	6 months	6 months	120 days
Tajikistan	6 months	6 months	6 months	6 months	91 days
Thailand	6 months	6 months	6 months	6 months	6 months
Tunisia	3 months	3 months	3 months	3 months	3 months
Turkey	6 months	6 months	6 months	6 months	183 days
Ukraine	6 months	6 months	6 months	6 months	4 months
United Arab Emirates	6 months	6 months	6 months	6 months	6 months
United Kingdom	183 days	183 days	183 days	183 days	91 days
United States of America	120 days	120 days	120 days	120 days	120 days
Uzbekistan	6 months	6 months	6 months	6 months	3 months
Venezuela	6 months	6 months	6 months	6 months	-
Vietnam	6 months	6 months	6 months	6 months	3 months
Zimbabwe	6 months	6 months	6 months	6 months	183 days



6.9. Accounting for tax

A taxpayer must maintain a proper bookkeeping in Indonesia for at least 10 years, including all supporting documents as the basis of accounting records. These documents must be stored only in Indonesia. The bookkeeping must be maintained and recorded in Rupiah and Indonesian language in accordance with Indonesian Financial Accounting Standards.

If the gross turnover from the company is below IDR 4.8 million in a year and has been a subject to final tax or non-tax object, the taxpayer will only need to conduct a recording, not a book-keeping.

PMA companies, permanent establishments, or taxpayers that prepare their financial statements in US Dollar as their functional currency may maintain their book-keeping in English and US Dollar by firstly obtaining DGT approval before commencing USD book-keeping.

Indonesia quick tax facts for companies

CIT Rate	22%
BPT Rate	20%
Capital Gains Rates	0.1% - 22%
Basis	Worldwide, with certain exemptions for dividends and business profits
Participation Exemption	Yes
Loss Relief	
Carry forward	Five years
Carry back	No
Double taxation Relief	Yes
Tax consolidation	No
Transfer pricing rules	Yes
Thin capitalization rules	Yes
Fiscal year	Calendar year or accounting/ financial year
A controlled foreign companies rules	Yes
Fiscal year	Calendar year or accounting/financial year
Advance payment of tax	Yes
Income tax return due date	The end of the fourth month after the fiscal year ends; can be extended for a maximum two months from the original deadline by submitting a notification to the DGT
Withholding Tax Rates	
Dividends	20% (non-resident); exempt (resident)
Interest	10%/20% (non-resident); 15%/20% (resident)
Royalties	20% (non-resident); 15% (resident)
Technical service fee	20% (non-resident); 2% (resident)
Branch profit tax	20%
Capital tax	No
Social security contributions (employer contribution)	0.24%-4%
Land and building tax	Maximum 0.5%
Land and building acquisition duty	5%
Transfer tax	0.1% (transfer of shares listed on Indonesia Stock Exchange) 5% (transfer of shares in non-listed resident company by a non-resident) 0%/0.5%/1.0%/2.5% of gross proceeds (transfer of land and/or buildings)
Tax rate on founder shares at initial public offering (IPO)	0.5%
Stamp duty	IDR 10,000
VAT rate	- As from 1 April 2022: 11% - As from 1 January 2025 (at the latest): 12%

About Reanda

REANDA BERNARDI

Established since 1972, Reanda Bernardi, a network firm of Reanda International in Indonesia, provides a full range of assurance, tax and legal, M&A, advisory and consulting services to foster sustainability across generations, nations, and eras. Reanda Bernardi comprises over 100 people, including over 10 partners, across 2 strategic locations in Indonesia, Jakarta head office and Batam branch office. We serve a wide range of client profile, from local and multinational businesses to private and publicly-held entities.

Our services are rendered through separate legal entities, KAP Drs Bernardi & Rekan - registered public accountants, PT Reanda Taxare Divitiae Indonesia - registered tax consultants in Jakarta, PT Reanda Konsultan Indonesia - business and financial advisors, PT Moores Rowland Consulting - registered tax consultants in Batam bonded zone, and Reanda Legal Indonesia - registered lawyers and bankruptcy attorneys and receivers, which highlight different aspects of services we offer; each of which optimizes on our collective resources, both locally and globally, to deliver value to our clients.

Reanda Bernardi's expertise spans various industries unique to Indonesia, including but not limited to energy and mining, forestry and plantation, shipping, and construction. We also cater to the growing demand of high-quality professional services for Chinese investments. Therefore, we have a dedicated China Desk, served by our partners with accounting, tax and legal background who will lead through the foreign direct investment process in Indonesia. This multi-disciplined approach ensures that clients receive a full range of professional services from corporate establishment to finance and tax outsourcing, tax, audits, financial advisory, IPO, M&A advisory, and IT.

Reanda Bernardi is more than just a symbol of skill excellence in accounting and tax. What sets us apart is our commitment to delivering value through our expertise, helping businesses expand globally and optimize their strategies for international success. By upholding high integrity, ethics, and quality in our services, we have earned our reputation as a trusted partner for businesses navigating Indonesia's burgeoning economy.

REANDA INTERNATIONAL

Reanda International, founded in 2010, is a global accounting network specializing in cross-border financial and tax services. Rooted in Asia, Reanda International has pioneered the internationalization of China's CPA profession.

With a mission to build economic connectivity, Reanda International has built a global presence in 58 countries across 5 continents, with over 254 partners and 6,164 employees and more than 140 offices. Reanda International is committed to providing high quality services. Reanda International is a full member of Forum of Firms effective from 1 January 2022. According to the International Accounting Bulletin (IAB) 2023 World Survey, 2023, Reanda International is ranked 24th among the world's leading international networks.

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