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# Indonesia Investment Guide 2026



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# Contents


## CEO's Message

## Profile of Indonesia 1
General Overview; Economic Overview; Political Overview

## Investment Opportunities 16
Investment Needs; Priority Sectors; The New National Capital City; Economic Zone as Strategic Investment Location

## Starting a Business 34
Forms of Foreign Business in Indonesia; Establishment Process of a Foreign Business

## Operating a Business 48
Labour Environment; Land Environment; Export and Import; Utilization of Domestic Products; Investment Protection; Contract Signing; SNI Certification; Non–Tax Compliance Requirements; Book-keeping Requirements; Audit Requirements; Sustainability Reporting Requirements

## Exiting a Bussiness 72
Liquidation Procedures

## Taxation 74
Corporate Income Tax (CIT); Individual Income Tax; International Tax Agreements; Value Added Tax; Luxury-Goods Sales Tax; Carbon Tax; Customs and Excise; Other taxes; Accounting for Tax; Early Tax Refund; Tax Audits and Tax Assessments; Tax Dispute and Resolution

## About Reanda

## References



# CEO’s Message

With over 50 years serving the business community, Reanda Bernardi is a trusted advisor to businesses and stakeholders in Indonesia and globally, committed to high-quality service and client success.

Since 2024, we have published the Indonesia Investment Guide to keep stakeholders informed on current developments, offering essential insights into Indonesia's economic landscape, investment climate, tax regulations, and business framework — a resource for existing clients and prospective foreign investors alike.

This edition reflects legislation and conditions as of 31 August 2026. President Prabowo's administration has introduced major policy initiatives and regulatory reforms reshaping the investment environment, particularly in resource management, energy transition, and institutional governance.

Key policy priorities under President Prabowo's administration include food and energy self-sufficiency, accelerated downstreaming of natural resources, and a robust energy transition pathway targeting net-zero emissions by 2060.

Major developments affecting businesses include the establishment of Danantara, Indonesia's new Sovereign Wealth Fund, and the enactment of Law No. 4/2026 on the Development and Strengthening of the Financial Sector (UU P2SK), which brought about IDX demutualization and the planned Indonesia Commodity Exchange (ICOMEX).

We strongly recommend investors seek advice from professionals before finalizing investment decisions in light of these evolving policy frameworks. Reanda Bernardi remains well-positioned to provide comprehensive guidance on navigating these regulatory changes and capitalising on emerging opportunities. We welcome your feedback to help shape future editions. Thank you for trusting Reanda Bernardi.

*Michelle Bernardi*

**CEO**
**1 September 2026**



# 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



## Indonesia Regional Population Data

| No. | Province | Capital | Island | Total Area (in Square KM) | Population (in Million) 2025 |
|---|---|---|---|---|---|
| 1 | **Nanggroe Aceh Darussalam** | Banda Aceh | **Sumatra** | 57.956 | 5,63 |
| 2 | **North Sumatra** | Medan | **Sumatra** | 72.981 | 15,79 |
| 3 | **South Sumatra** | Palembang | **Sumatra** | 91.592 | 8,93 |
| 4 | **West Sumatra** | Padang | **Sumatra** | 42.297 | 5,91 |
| 5 | **Bengkulu** | Bengkulu | **Sumatra** | 19.919 | 2,14 |
| 6 | **Riau** | Pekanbaru | **Sumatra** | 87.023 | 6,81 |
| 7 | **Riau Islands** | Tanjung Pinang | **Riau Archipelago** | 8.201 | 2,21 |
| 8 | **Jambi** | Jambi | **Sumatra** | 50.160 | 3,77 |
| 9 | **Lampung** | Bandar Lampung | **Sumatra** | 34.623 | 9,52 |
| 10 | **Bangka Belitung** | Pangkal Pinang | **Bangka-Belitung** | 16.424 | 1,55 |
| 11 | **West Kalimantan** | Pontianak | **Borneo** | 147.307 | 5,77 |
| 12 | **East Kalimantan** | Samarinda | **Borneo** | 129.066 | 4,27 |
| 13 | **South Kalimantan** | Banjarbaru | **Borneo** | 38.744 | 4,32 |
| 14 | **Central Kalimantan** | Palangkaraya | **Borneo** | 153.564 | 2,85 |
| 15 | **North Kalimantan** | Tanjung Selor | **Borneo** | 75.467 | 0,75 |
| 16 | **Banten** | Serang | **Java** | 9.662 | 12,54 |
| 17 | **DKI Jakarta** | Jakarta | **Java** | 664 | 10,68 |
| 18 | **West Java** | Bandung | **Java** | 35.377 | 50,76 |
| 19 | **Central Java** | Semarang | **Java** | 32.801 | 36,23 |
| 20 | **Special Region of Yogyakarta** | Yogyakarta | **Java** | 3.133 | 3,78 |
| 21 | **East Java** | Surabaya | **Java** | 47.922 | 42,09 |
| 22 | **Bali** | Denpasar | **Bali** | 5.780 | 4,46 |
| 23 | **East Nusa Tenggara** | Kupang | **Flores-Sumba** | 47.931 | 5,74 |
| 24 | **West Nusa Tenggara** | Mataram | **Lombok-Sumbawa** | 19.708 | 5,73 |
| 25 | **Gorontalo** | Gorontalo | **Sulawesi** | 12.435 | 1,24 |
| 26 | **West Sulawesi** | Mamuju | **Sulawesi** | 16.787 | 1,53 |
| 27 | **Central Sulawesi** | Palu | **Sulawesi** | 61.841 | 3,16 |
| 28 | **North Sulawesi** | Manado | **Sulawesi** | 13.852 | 2,27 |
| 29 | **Southeast Sulawesi** | Kendari | **Sulawesi** | 38.140 | 2,84 |
| 30 | **South Sulawesi** | Makassar | **Sulawesi** | 46.717 | 9,56 |
| 31 | **North Maluku** | Sofifi | **Halmahera** | 31.982 | 1,37 |
| 32 | **Maluku** | Ambon | **Maluku** | 46.813 | 1,97 |
| 33 | **West Papua** | Manokwari | **Papua** | 102.949 | 0,59 |
| 34 | **Papua** | Jayapura | **Papua** | 319.036 | 1,07 |
| 35 | **Central Papua** | Nabire | **Papua** | 58.800 | 1,49 |
| 36 | **Highland Papua** | Jayawijaya | **Papua** | 83.415 | 1,48 |
| 37 | **South Papua** | Merauke | **Papua** | 109.557 | 0,55 |
| 38 | **Southwest Papua** | Sorong | **Papua** | 37.410 | 0,64 |

## Indonesia fact sheet

| | |
|---|---|
| **Location** | 6°8' North latitude to 11°15' South latitude and from 94°45' to 141°05' 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.<br>**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.<br>**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)<br>• Association of Southeast Asian Nations (ASEAN)<br>• G20<br>• World Trade Organization (WTO)<br>• Asian Development Bank (ADB)<br>• Asia-Pacific Economic Cooperation (APEC)<br>• Organisation of Islamic Cooperation (OIC)<br>• Belt and Road Initiative (BRI)<br>• World Bank<br>• International Monetary Fund (IMF)<br>• Non-Aligned Movement (NAM)<br>• Indian Ocean Rim Association (IORA)<br>• Multilateral Investment Guarantee Agency (MIGA)<br>• Brazil, Russia, India, China, and South Africa (BRICS) 2025 |
| **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)<br>• Patimban (Subang)<br>• Tanjung Perak (Surabaya)<br>• Belawan (Medan)<br>• Makassar Port (South Sulawesi)<br>• Benoa Port (Bali) |

# 1.2. Economic Overview

Indonesia is the largest economy in Southeast Asia, the world's fourth-largest economy in Asia by purchasing power parity, with a GDP (PPP) of approximately $5.45 trillion — around seventh globally on a PPP basis — and is a member of the G20. Indonesia held the G20 Presidency in 2022 (hosting the Bali Summit).

## Economic indicators of Indonesia

| MAIN INDICATORS | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Population (in million) | 272.68 | 275.77 | 278.69 | 281.60 | 284.44 |
| GDP at current price (IDR billion) | 16,970,800 | 19,588,400 | 20,892,400 | 22,139,000 | 23,821,100 |
| Real GDP at basic price (IDR billion) | 11,120,600 | 11,710,400 | 12,301,400 | 12,920,300 | 13,580,500 |
| Annual GDP growth rate at basic price (%) | 3.70 | 5.31 | 5.05 | 5.03 | 5.11 |
| GNI at current price (IDR billion) | 16,700,000* | 19,236,000* | 20,516,000* | 21,741,000* | 23,393,000* |
| GDP at current price per capita (USD) | 4,349 | 4,784 | 4,920 | 4,960 | 5,083 |
| GNI per capita (USD) | 4,280* | 4,698* | 4,831* | 4,872* | 4,992* |
| Wholesale inflation rate (%) | 2.1* | 4.5* | 3.8* | 1.5* | 2.3* |
| Salary and wage inflation rate (%) | 1.09* | 1.09* | 7.50* | 3.57* | 6.50* |
| Consumer Price Index (CPI) (%) | 1.87 | 5.51 | 2.61 | 1.57 | 2.92 |
| Remittance income (IDR billion) | 130,000 | 160,000* | 216,600 | 254,000* | 288,000 |
| Tourism income (IDR billion) | 7,865 | 63,260 | 223,110 | 279,600* | 303,400* |
| USD/IDR exchange rate (periodic average) | 14,300 | 14,850* | 15,250* | 15,850* | 16,400* |



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

| COUNTRY | 2021 | 2022 | 2023 | 2024 | 2025 | 2026** |
|---|---|---|---|---|---|---|
| Indonesia | 3.7 | 5.3 | 5.0 | 5.0 | 5.1 | 5.2 |
| Singapore | 9.7 | 4.1 | 1.8 | 5.3 | 5.0 | 5.0 |
| Malaysia | 3.3 | 8.9 | 3.6 | 5.1 | 5.2 | 4.6 |
| Thailand | 1.6 | 2.6 | 2.0 | 2.9 | 2.4 | 1.8 |
| Vietnam | 2.6 | 8.1 | 5.1 | 7.1 | 8.0 | 7.2 |
| Philippines | 5.7 | 7.6 | 5.5 | 5.7 | 4.4 | 4.4 |
| Brunei | -1.6 | -1.6 | 1.4 | 4.1 | 0.7 | 1.6 |
| Cambodia | 3.0 | 5.1 | 5.0 | 6.0 | 5.2 | 4.5 |
| Laos | 2.5 | 2.7 | 3.7 | 4.0 | 4.4 | 4.0 |
| Myanmar* | -18.0 | 3.0 | 0.8 | -0.7 | -2.2 | 2.4 |
| Timor Leste | 1.5 | 4.0 | 2.4 | 4.3 | 3.9 | 3.8 |
| China | 8.4 | 3.0 | 5.2 | 5.0 | 5.0 | 4.6 |

* Myanmar: fiscal year (April-March). ** 2026 = projection.
Sources: ADB Asian Development Outlook (April 2026).

### 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 |
| 5.1 | Economic Growth (%) | 5.10 | 5.70 |
| 16 | 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 | 2038 | 2036 |
| 32.8 | Contribution of Investment* | 33.10 | 38.10 |
| 21,1 | Contribution of Industry* | 22.50 | 26.00 |
| 13.5 | Contribution of Agryculture* | 7.80 | 7.40 |

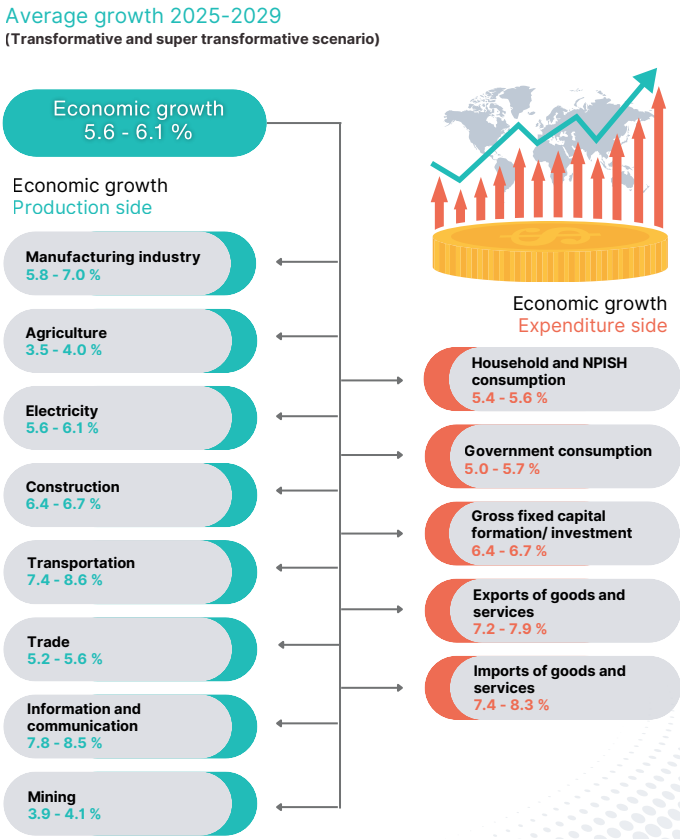
**Source:** Ministry of National Development Planning/National Development Planning Agency (BAPPENAS), 2019.

* 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:




**Source:** Ministry of National Development Planning/National Development Planning Agency (Bappenas), National Plan for the period of 2025-2029.

## State Revenue and Expenditure Budget (APBN) 2026

State Revenue and Expenditure Budget (APBN) for Fiscal Year 2026, as set out in Law No. 17 of 2025 and Presidential Regulation No. 118 of 2025, consists of the State Revenue budget, State Expenditure budget, and Budget Financing. This budget shapes the operating environment for business in 2026.

### Overview of Indonesia State Budget for Fiscal Year 2026

| Indicator | FY2026 |
|---|---|
| State revenue | IDR 3,153.6 trillion |
| State expenditure | IDR 3,842.7 trillion |
| Fiscal deficit | IDR 689.1 trillion |
| Deficit-to-GDP ratio | 2.68 percent |
| Central government spending | IDR 3,149.7 trillion |
| Transfers to regions (TKD) | IDR 693.0 trillion |
| Debt financing (net) | IDR 832.2 trillion |
| Interest payments | IDR 599.4 trillion |

## State Revenue

State revenue is heavily concentrated in taxation. The Government has introduced the Core Tax system starting from 2025 fiscal year, targeting improved administration and compliance. For business, ambitious collection targets historically correlate with more intensive supervision, audits, and taxpayer clarification requests. Companies operating in Indonesia should expect closer scrutiny of VAT reconciliations, transfer pricing documentation, and non-tax revenue obligations.

## Key Spending Priorities and Investment Relevance

The 2026 State Budget maintains headline fiscal discipline while executing a significant reallocation of resources from regional governments to centrally managed priority programmes, most notably nutrition, food security, and defense.

Agriculture, food processing, logistics, defence-related industry, healthcare, and central infrastructure benefit from the reallocation. Businesses exposed to regional government spending, particularly regional infrastructure and procurement in resource-producing areas, face a contraction

| Priority area | Allocation and relevance |
|---|---|
| **Nutrition and food security** | **The Free Nutritious Meals programme, delivered through the National Nutrition Agency (IDR 268 trillion), creates sustained demand across agriculture, food processing, cold chain, packaging, and logistics.** |
| **Energy and fertiliser subsidies** | **Energy subsidies of IDR 210.1 trillion (electricity IDR 104.6 trillion, LPG IDR 80.3 trillion, fuel IDR 25.1 trillion) and fertiliser subsidies of IDR 46.9 trillion support purchasing power and input costs.** |
| **Infrastructure** | **Central infrastructure spending remains substantial, led by the Ministry of Public Works (IDR 118.5 trillion). Regionally delivered infrastructure, however, contracts sharply (see below).** |
| **Healthcare** | **IDR 153.1 trillion under the health function, supporting continued demand in medical services and pharmaceuticals.** |

| Priority area | Allocation and relevance |
|---|---|
| **Human capital** | **Education function spending of IDR 459.7 trillion, alongside vocational and higher education budgets.** |
| **Defence and security** | **Defence IDR 337.4 trillion and public order IDR 242.6 trillion, both materially increased.** |

## Danantara, the new Sovereign Wealth Fund of Indonesia

Danantara Indonesia, formally known as the Badan Pengelola Investasi Daya Anagata Nusantara (BPI Danantara), is Indonesia's strategic state investment and asset-management institution, established in 2025. Danantara is not simply a single holding company. It sits at the top of an ecosystem that includes investment/asset-management entities and a large portfolio of Indonesian SOEs. It operates as a long-term investment platform with a mandate to manage and optimize government investments and strategic state-owned enterprise (SOE) assets.

**Main entities within the Danantara structure**

- BPI Danantara (Danantara Indonesia): the overarching strategic investment management institution established under Law No. 1/2025. It holds the state mandate and coordinates the investment and operational holding structures.
- Danantara Asset Management (DAM): the operational/asset-management arm, responsible for managing and transforming the portfolio of state-owned companies and strategic assets. Its portfolio spans energy, financial services, manufacturing, mining, food and fertilizer, healthcare, plantations, telecoms/media, insurance, tourism and infrastructure.
- Danantara Investment Management (DIM): the investment-management arm, responsible for making and managing strategic investments and developing investment opportunities alongside domestic and international partners.

- Danantara Development Management Fund (DDMF): this arm is to support long-term strategic projects such as national car project which is targeted for mass production in 2028.
- Danantara Sumberdaya Indonesia (DSI): This arm is a new state-owned enterprise, began operating on 1 June 2026 to strengthen governance and optimize the value of Indonesia's strategic natural-resource commodity exports. DSI's initial coverages are coal, palm oil, and ferroalloys. DSI is building transaction-level visibility covering factors such as price, volume, quality, HS classification, shipping vessels and destination markets.

| Entity | Primary role | Foreign-investor relevance |
|---|---|---|
| Danantara / BPI | Strategic state investment institution | Overall strategic relationship |
| DAM | Manage and transform SOE portfolio | Partnerships with existing SOEs/assets |
| DIM | Investments and strategic partnerships | Capital, JV and project opportunities |
| DSI | Strategic commodity export governance | Commodity trading, exporters and buyers |
| DDMF | Development/public infrastructure financing | Infrastructure and development projects |

## Development and Strengthened Financial Sector

Law No. 4/2026 on the Development and Strengthening of the Financial Sector (UU P2SK), an amendment to Law No. 4/2023, was enacted and promulgated on 17 June 2026 and effective on 17 July 2026. The revision brings sweeping reform to Indonesia's financial sector ecosystem, fundamentally changing the ownership and institutional structure of the Indonesia Stock Exchange (BEI/IDX).

The law covers several areas: (1) strengthening Lembaga Penjamin Simpanan (LPS/deposit insurance) as an independent legal entity and state institution, including its board selection and budgeting mechanisms; (2) expanding OJK's authority to supervise mineral and strategic commodity exchanges and certain public fund management activities; (3) strengthening Indonesia's capital market through demutualization of the Indonesia Stock Exchange, aimed at improving governance, boosting investor confidence, and broadening stakeholder participation; and (4) refining investigation/prosecution mechanisms in the financial sector, aligned with the new Criminal Code.

The most market-relevant piece is IDX demutualization: under Article 8B, the new shareholders will include the Ministry of Finance, Bank Indonesia, and Danantara (Indonesia's sovereign wealth/investment management body). Previously, IDX could only be owned by exchange members (brokers); this opens ownership to outside parties, with a possible future IPO once the initial phase is complete. OJK is finalizing implementing regulations (POJK) targeted for completion around September 2026, separating share ownership from trading-access rights to modernize the capital market.

For foreign investors, demutualization can be viewed as strengthening capital-market governance and boosting investor confidence in the domestic financial market. Demutualization also aligns Indonesia with regional exchanges like Singapore and Hong Kong, where large institutional investors also hold exchange shares. However, the demutualization plan has been cited as a negative sentiment factor contributing to foreign capital outflows and pressure on the IHSG (Jakarta Composite Index) through the rest of 2026 as OJK implementing regulation on demutualization has not been announced.

The second-significant piece is a planned Bursa Mineral dan Komoditas Strategis (BMKS), which will be named as ICOMEX, stands for Indonesia Commodity Exchange. It is essentially a national commodity exchange intended to trade major Indonesian commodities and help establish Indonesian reference prices. The government has targeted 1 January 2027 for operations, with the exchange expected to be supervised by OJK. There is also discussion about whether the existing Indonesia Commodity & Derivatives Exchange (ICDX) could be integrated into ICOMEX. ICOMEX is intended to be like an “Indonesian stock exchange, but for strategic commodities”—where buying and selling activity can help determine prices for Indonesia's key natural resources.

## 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.

### Foreign policy

Indonesia's foreign policy rests "free and active". "Free" means no binding alignment with a great-power bloc; "active" means not passive neutrality but engaged participation in shaping the international order. The principle doesn't bar partnerships; it requires them to be formed on terms of equality that preserve sovereignty. The current Presidency of Prabowo has kept the doctrine's language as multi-alignment. In January 2025, Indonesia has officially become a full member of the BRICS (Brazil, Russia, India, China, and South Africa, hoping to gain greater opportunities to advance sustainable development goals, enhance trade among emerging economies, and strengthen its diplomatic influence in global forums.





# 02
# Investment Opportunities

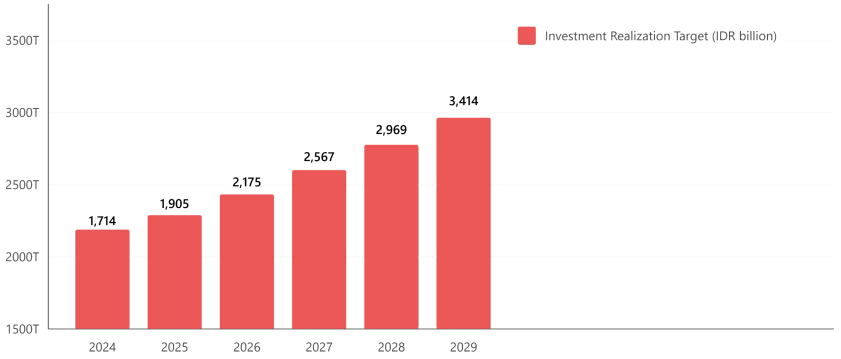
## 2.1. Investment Needs

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 - 2025**

| | 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 |
| 2025 | 1,905.6 | 1,931.2 |

**Investment target**




Source: Ministry of Investment/BKPM, Government of Indonesia (2025-2026)
Data: Indonesia Business Post (Feb 2025), Seven Stones Indonesia (Nov 2024)

Over the next five years (2025–2029), the investment realization target totals roughly IDR 13,030 trillion. For 2026, the Government set the target at IDR 2,175 trillion, representing an 14.2% increase compared to the 2025 realization target. The projected growth accelerates through 2027 (reaching 18.0% growth), before stabilizing at approximately 15–16% annually in the final years, reflecting sustained momentum in attracting both domestic and foreign investment.

## FDI trend by sector

**FDI Trend 2020-2025 by Sector**
(in USD billion, excluding upstream oil, gas, and financial sectors)

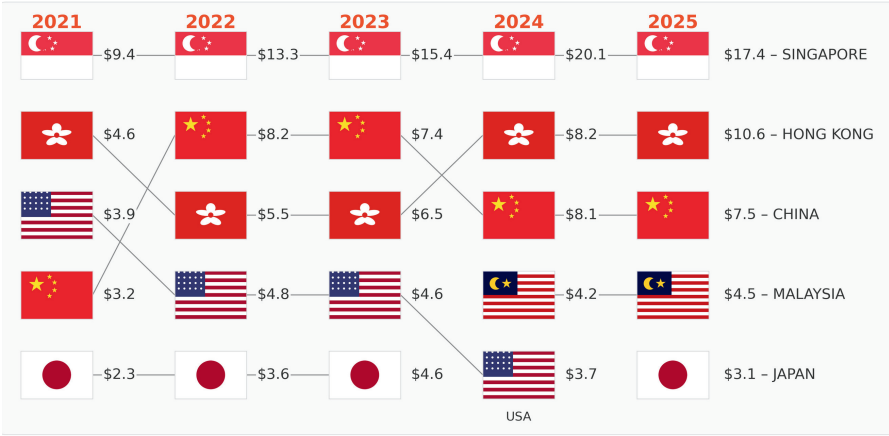
| Sector | 2020 | 2021 | 2022 | 2023 | 2024* | 2025** |
|---|---|---|---|---|---|---|
| **Manufacturing** | 13.2 | 16.6 | 19.3 | 28.7 | ~35.4 | n/a |
| **Services** | 12.2 | 11.5 | 14.2 | 14.8 | ~17.4 | n/a |
| **Mining** | 2 | 3.8 | 4.1 | 4.7 | 5.2 | n/a |
| **Food Crops, Plantations & Livestock*** ** | 1.2 | 1.1 | 1.3 | 1.95 | ~1.9 | n/a |
| *Livestock (separate line in 2020 only)* | 1.2 | — | — | — | — | — |
| **Forestry** | 0 | 0.05 | 0.06 | 0.1 | 0.09 | n/a |
| **Fishery** | 0 | 0.03 | 0.03 | 0.03 | ~0.05 | n/a |
| **Total FDI (all sectors)** | — | — | — | — | **60** | **56.3** |

* 2024: Manufacturing (~35.4) and Services (~17.4) are estimated from BKPM's secondary (~59%) and tertiary (~29%) sector shares of the US$60bn total. Mining (5.2) and Forestry (0.09) are BKPM's actual figures. Food Crops, Plantations & Livestock (~1.9) and Fishery (~0.05) are the remainder of the ~12% primary-sector share.
** 2025: Only the US$56.3bn total is published; BKPM hasn't released a 2025 sector breakdown. Note: BKPM's exclusion basis narrowed in 2025 (oil & gas and financial services only).
*** Livestock: Merged into "Food Crops, Plantations & Livestock" from 2021 onward; 2020 is the last year it was reported separately.

**Projected FDI Trend 2026-2029 by Sector**
**(in USD billion, excluding upstream oil, gas, and financial sectors)**

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

## FDI trend by main country of origin 2021-2025 (in USD billions)




Source: Ministry of Investment and Downstream Industry / BKPM — realised foreign direct investment (PMA), January–December each year.
Excludes upstream oil & gas, banking, non-bank financial institutions, insurance, leasing, household and micro/small enterprises.

## 2.2 Priority Sectors

Priority sectors in 2026 come from two different layers — the legal priority list and the downstreaming roadmap.

**The legal priority list (Presidential Decree 10/2021)**

A sector qualifies as priority sector if it is a national strategic project, capital-intensive, R&D/innovation-oriented, export-oriented, falls within pioneer industries (base metals, oil refineries, renewable energy, sea transport, etc.), or uses high technology. Investors in these sectors are entitled to tax holiday, tax allowance, import duty exemption, and non-fiscal facilities. The list can be viewed in the Regional Investment Potential website www.regionalinvestment.bkpm.go.id.

| No | Project Name | Location | Province | Investment Value (IDR bn) | IRR (%) | NPV (IDR bn) |
|---|---|---|---|---|---|---|
| **A. Industrial sectors** | | | | | | |
| 1 | Fatty Amine Industry | Bontang | East Kalimantan | 1,880 | 16.28 | 743 |
| 2 | Tin Downstream Industry | Gresik | East Java | 4,170 | 17.16 | 2,100 |
| 3 | Bauxite Downstream Industry | Ketapang | West Kalimantan | 37,180 | 17.53 | 21,370 |
| 4 | Natural Rubber Based Medical Instruments | Deliserdang | North Sumatra | 367 | 20.07 | 305.72 |
| 5 | Aircraft Tire Industry from Natural Rubber | Majalengka | West Java | 2,730 | 12.75 | 113.60 |
| 6 | Bioethanol Industry | Bojonegoro | East Java | 2,810 | 12.80 | 659.44 |
| 7 | High Purity Aluminum Ingots Industry | Ketapang | West Kalimantan | 4,480 | 14.46 | 4,650 |
| 8 | Independent Pharmaceutical Salts Industry | Gresik | East Java | 607.95 | 14.52 | 73 |
| 9 | Corn Processing Industry for Animal Feed | Gorontalo | Gorontalo | 797.19 | 16.62 | 501.98 |
| 10 | Cocoa Butter & Cocoa Powder Processing Industry | Polewali Mandar | West Sulawesi | 956.05 | 17.20 | 481.84 |
| 11 | Integrated Soda Ash Industry | Sumenep | East Java | 3,080 | 11.70 | 605.10 |
| 12 | Hazardous and Toxic (B3) Waste Management Industry | Mojokerto | East Java | 1,670 | 15.80 | 187.81 |
| 13 | Aluminum Wire Rod Manufacture | Bintan | Riau Islands | 58.40 | 18.89 | 1,920 |
| 14 | Alumina Refinery Smelter | Karimun | Riau Islands | 7,580 | 9.22 | 4,590 |
| 15 | Copper Recycling Industry with Electrolysis Process | Takalar | South Sulawesi | 3,080 | 32.73 | 1.43 |
| **B. Non-industrial and tourism sectors** | | | | | | |
| 16 | Integrated Shrimp Farming | Kutai Kartanegara | East Kalimantan | 925.16 | 16.73 | 697.31 |
| 17 | Integrated Horticulture Development | Penajam Paser Utara | East Kalimantan | 276.07 | 13.74 | 338.70 |
| 18 | Integrated Poultry Farming | Kutai Kartanegara | East Kalimantan | 1,670 | 13.51 | 462.54 |
| 19 | Water Supply and Management Infrastructure | Balikpapan | East Kalimantan | 481.69 | 10.78 | 106.89 |
| 20 | Integrated Logistics and Warehousing | Balikpapan | East Kalimantan | 665.98 | 20.74 | 553.06 |
| 21 | Renewable Energy Infrastructure (Waste) for Chemical Industry | Balikpapan | East Kalimantan | 1,100 | 13.70 | 416.52 |
| 22 | Buluminung Industrial Estate Development | Penajam Paser Utara | East Kalimantan | 1,700 | 16.03 | 809.75 |
| 23 | Nusantara Convention Center | Balikpapan | East Kalimantan | 1,270 | 12.25 | 336.70 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 24 | Seaweed Farming | Takalar | South Sulawesi | 102.87 | 15.70 | 38.45 |
| 25 | Horticulture of Siamese Honey Tangerine Commodity | Karo | North Sumatra | 170.67 | 21.91 | 181.78 |
| 26 | Fisheries Shrimp Farming Commodity | West Sumbawa | West Nusa Tenggara | 507.18 | 14.60 | 191.29 |
| 27 | Integrated Capture Fisheries with Processing | Central Maluku | Maluku | 549.62 | 11.76 | 66.99 |
| 28 | Banana Plantations Integrated with Processing Industry | Malang | East Java | 742.69 | 18.81 | 293.23 |
| 29 | Integrated Beef Cattle Farming Agribusiness | Kupang | East Nusa Tenggara | 669.73 | 19.26 | 694.89 |
| 30 | Integrated Sugarcane Plantations with Processing Industry | Musi Banyuasin | South Sumatra | 1,060 | 15.13 | 608.37 |

**The down streaming roadmap**

Down streaming is where the real policy focuses. Investment Roadmap covers 28 commodities across 8 main sectors, with investment potential of USD 618 billion through 2040.

The eight sectors are oil, gas, minerals, coal, plantations, forestry, fisheries, and marine. Commodities include palm oil, rubber, coconut, biofuel, salt, seaweed, fish, shrimp, crab, log timber, pine resin, crude oil, natural gas, nickel, bauxite, copper, gold, silver, tin, iron and steel, coal, and asphalt. Here are the key sectors driving Indonesia's downstream roadmap:



1. Oil and Gas Downstream



2. Metal and mineral Processing



3. Agriculture and Plant-Based Processing



4. Renewable Energy and Sustainable Materials



5. Transportation, Warehousing, & Telecommunications

<u>Oil and Gas Downstream</u>

- Refining and Petrochemicals: Investments in domestic refineries reduce dependence on fuel imports.
- LNG Processing: Development of liquefied natural gas (LNG) terminals to enhance energy security.

Metal and Mineral Processing

- Nickel: Essential for EV batteries; Indonesia is the world's largest nickel producer.
- Bauxite: Used in alumunium production, with refining investments increasing.
- Copper: Smelting projects are expanding, especially in partnership with global investors.
- Tin and Rare Earth Minerals: Critical for electronics and renewable energy sectors.

Agriculture and Plant-Based Processing

- Palm Oil: Focus on producing biodiesel, oleochemicals, and food derivatives.
- Rubber: Expanding manufacturing for tires, industrial rubber, and medical-grade latex.
- Coconut: Used for virgin coconut oil, activated charcoal, and cosmetics.
- Nutmeg & Spices: High demand in pharmaceuticals and specialty food industries.
- Seaweed: Processed into hydrocolloids, cosmetics, and biodegradable plastics.

Renewable Energy and Sustainable Materials

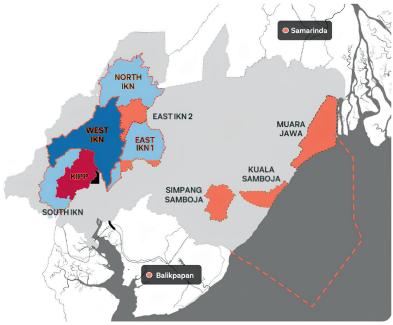
- Biofuels & Green Hydrogen: Efforts to establish Indonesia as a biofuel hub.
- Eco-Friendly Plastics: Projected to exceed $40 billion by 2040, driven by demand for biodegradable materials.

Transportation, Warehousing, and Telecommunications

- Battery and EV Supply Chains: Strong investment in lithium-ion battery production.
- Logistics & Cold Storage: Supporting growth in processed food and pharmaceutical industries.
- Telecom Infrastructure: Expansion of fiber optics and 5G networks to support industrial growth.

## 2.3. The New National Capital City

Based on Law Number 3 Year 2022 on 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.




**Development Areas | 9 Economic Drivers of Nusantara**

1. **Core Government Center Area** (KIPP – 6,671 Ha)
2. **Economic and Financial Center** (West IKN – 17,206 Ha)
3. **Renewable Energy Area** (South IKN – 6,753 Ha)
4. **Tourism and Entertainment** (East IKN 1 – 9,761 Ha)
5. **Education Services** (North IKN – 12,067 Ha)
6. **Research and Innovation** (East IKN 2 – 3,720 Ha)
7. **Agro Commodities, Trade & Logistics** (Simpang Samboja – 2,986 Ha)
8. **Agricultural Industry** (Kuala Samboja – 4,299 Ha)
9. **Fisheries and Agriculture** (Muara Jawa – 9,084 Ha)

| | |
|---|---|
| Total Area | 256,142.87 |
| IKN | 56,180.87 |
| Government area | 6,596 |
| Development area | 193,366 |

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.

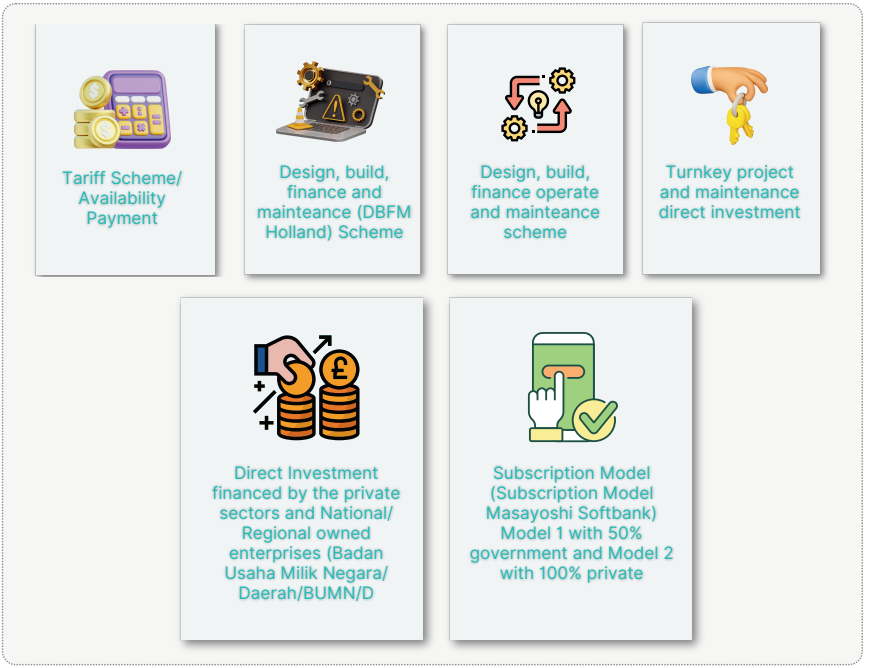
And the third area is IKN East Area which consists of offices, business areas, talent development center, business hotels, and MICE (Meeting, Incentive, Convention and Exhibition). IKN has an area of 256,142.72 ha. 75% of IKN Area will be planned to be a green open space of which 65% become a protected 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 neighbourhoods that support the “10-minute walk” concept and social connectivity. K-IKN are designed in harmony with nature, with a minimum of 50% green space. 80% of trips are undertaken via public transportation or the active mobility of residents.

| 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 wharehousing | 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 | | |

## Development and Funding of IKN

Several key infrastructures in IKN have been completed, such as the Presidential Palace (Garuda Palace) and Nusantara Airport by the end of 2024. Meanwhile, the Parliament building, housing, roads, and basic facilities are still under construction and targeted for gradual completion by the end of 2025. For the 2025–2029 period, the focus is on finalizing the government center and developing innovation hubs and priority economic sectors, with the goal of IKN becoming fully operational as the political capital by 2028.

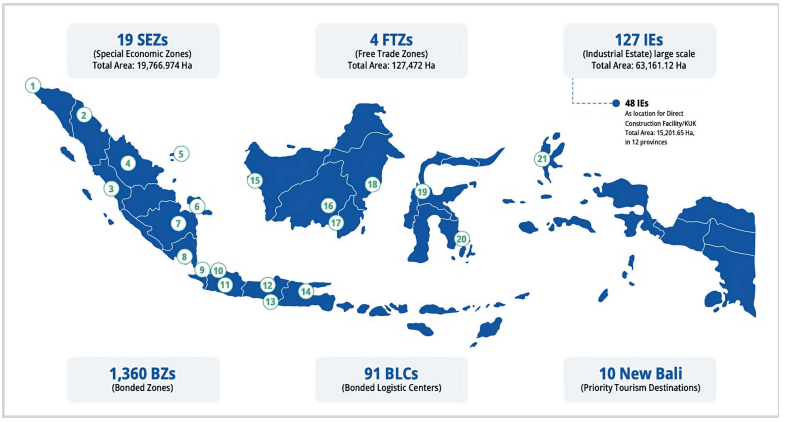
The development of IKN is estimated to cost IDR 466 trillion. Around 20% is financed by the State Budget (Rp76–89 trillion in 2022–2024 and Rp48.8 trillion in 2025–2029), while the remaining 80% relies on PPP schemes and private investment. As of May 2025, private sector commitments have reached IDR 65.6 trillion from 48 companies.




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 Ladong 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)
- VDNI Industrial Estate
- Morowali Industrial Estate
- Stardust Industrial Estate
- Palu Industrial Estate

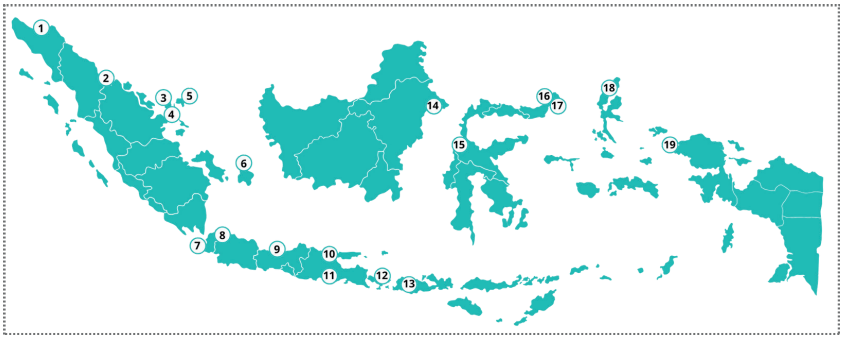
### 20 South Sulawesi

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 slands (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:



## 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 activites that are not eligible to get tax holiday facility.

### Investment provisions for tenants

| 10 years | 15 years | 20 years |
|---|---|---|
| IDR 100 to <500 billion | IDR 500 to < 1 trillion | > IDR 1 trillion |




### b. Value Added Tax

VAT is not collected on:

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



### c. Customs and Excise

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



### d. Sales Tax on Luxury Goods

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



### e. Deferred Import Duties

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




**f. Local Tax**

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



**g. Goods Traffic**

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



**h. Special Facilities for Tourism SEZ**

- ☑ Stores that are located insidue 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 KPBPB, 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

Tourism development refers to Government Regulation No. 50 of 2011. Since 2015, the government has designated 10 priority destinations, with five Super Priority Destinations (SPD): Lake Toba, Borobudur, Mandalika, Labuan Bajo, and Likupang. By 2025, infrastructure in these SPDs continues to progress.

Labuan Bajo stands out with its upgraded international airport, marina, waterfront revitalization, and premium hotels supported by over IDR 4 trillion in investment. Borobudur and Lake Toba are managed by special authorities (BOB and BPODT) to accelerate development.




Beyond the five SPDs, the government has expanded focus to 10 additional major destinations, including Bromo-Tengger-Semeru, Wakatobi, Morotai, the Thousand Islands, and Tanjung Lesung, as part of a diversification strategy to reduce dependence on Bali and distribute tourism-driven economic growth more evenly.



# 03

# Starting a Business

## 3.1. Forms of Foreign Business in Indonesia

In general, foreign investors may conduct business in Indonesia through the following structures:

### 1. Foreign Investment Limited Liability Company (PT PMA/Perusahaan Penanaman Modal Asing)

A foreign investment company (Perusahaan Penanaman Modal Asing or PT PMA) is an Indonesian limited liability company established under Indonesian law and having separate legal-entity status. Subject to the applicable foreign ownership restrictions and sector-specific requirements, a PT PMA may conduct commercial and business activities in Indonesia.

The principal legal framework comprises Law No. 25 of 2007 on Investment, as amended, including by Law No. 6 of 2023, which enacted the Job Creation Government Regulation in Lieu of Law into law. Law No. 6 of 2023 is currently in force.

Foreign ownership is determined by the relevant business field under the prevailing investment list. Under Presidential Regulation No. 49 of 2021, which amended Presidential Regulation No. 10 of 2021 on Investment Business Fields, commercial business fields are generally open to investment unless they are:

- expressly closed to investment; or
- activities that may only be carried out by the Central Government

The applicable foreign ownership, partnership, licensing and other requirements must therefore be checked against the relevant KBLI and sectoral regulations before incorporation. Presidential Regulation No. 49 of 2021 remains in force.

### 2. A Representative Office (RO)

A Representative Office (RO) is an Indonesian office established by a foreign company for activities permitted under the relevant sectoral regulations.

An RO generally has a more limited scope than a PT PMA and, depending on its type, may undertake activities such as market research, promotion, liaison, feasibility studies and coordination with the foreign head office.

As a general principle, an RO may not conduct full commercial activities in Indonesia, including entering into sales contracts in its own name, issuing invoices or receiving payments for goods or services, unless the applicable sector-specific rules expressly permit such activities.

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:

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

The precise permitted activities, licensing requirements, term and restrictions depend on the type of RO and the applicable sectoral legislation.

### 3. A Permanent Establishment

A Permanent Establishment (PE) (Bentuk Usaha Tetap/BUT) is principally a tax concept concerning a foreign person or entity that conducts business in Indonesia in a manner that creates a taxable presence under Indonesian tax law.

A PE is distinct from a PT PMA and should not be treated simply as another form of corporate entity. Depending on the facts and the applicable tax rules, a foreign enterprise's activities or physical presence in Indonesia may give rise to a PE and corresponding Indonesian tax obligations.

Representative-office arrangements should therefore be reviewed separately from the corporate and tax PE analysis.

## 3.2. Establishment Process of a Foreign Business

### Pre-investment phase

- Business activity and KBLI assessment
- Foreign ownership and investment-restriction review
- Location and spatial-planning review
- Investment structure and shareholder review
- Company name reservation

→ Deed of Establishment Submission

### Investment/licensing phase

Deed of Establishment Submission

OSS Product

Business Identification Number (NIB) functions as:

- Proof of registration
- Import identification number
- Customs access
- Registration for social security employment and health

→ Tax ID

→ Risk classification and applicable Business Licensing (Perizinan Berusaha/PB)

→ Supporting Business Licenses (PB UMKU), where applicable

→ Environmental and spatial requirements

→ Taxable Entrepreneur

→ Foreign Worker Recruitment Plan

→ Limited Stay Permit

## Pre–construction phase

Location/spatial requirements → Environmental approval, where applicable → Building design and technical approvals → Building Approval (Persetujuan Bangunan Gedung/PBG) → Utility and infrastructure arrangements

## Construction phase

Detailed RKL-RPL Environmental Management and Monitoring Plan → Building Approval → Building Worthiness Certificate

## Operational phase

**OSS Products**

Fulfilment of the applicable Business Licensing and PB UMKU requirements

Hazardous Waste Temporary Storage License

Fuel Storage Tank License

Environmental Report

Power Generator License

Fire Protection System License

Compressor License

Hazardous Waste Transporter

Warehouse Certificate

Bonded Zone

National Agency of Food and Drug

Trademark

Medical Device Distributor License

Halal Certification

## 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. The company name must consist of at least 3 words and must not be the same as, or substantially similar to, an existing company name.
2. Establishment deed drafting: this process is done by a public notary. Investors must determine the following information:

2.1. Scope of business and KBLI

The investor must identify the appropriate business field under the Indonesian Standard Industrial Classification (Klasifikasi Baku Lapangan Usaha Indonesia/KBLI).

A significant recent development is the implementation of KBLI 2025, established by BPS Regulation No. 7 of 2025.

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).

The KBLI classification is important because it determines, among other matters:

- whether the activity is open to foreign investment;
- applicable foreign ownership restrictions;
- the applicable risk level;
- the Business Licensing required;
- PB UMKU requirements;
- minimum investment requirements; and
- sector-specific obligations.

Under the prevailing investment framework, commercial business fields are generally open to investment unless they are expressly closed or reserved for the Central Government. Specific sectors may nevertheless be subject to foreign ownership limits, mandatory Indonesian participation, special licences, geographic restrictions or other requirements.

## Investment business categories

### A. Priority Business Field

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 operatives and micro, small, and medium-sized enterprises (MSMEs)**

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**

Business fields that can be operated by all investors, including cooperatives and SMEs must meet the following requirements:

a. Investment requirements for domestic investors. (These requirements may include requirements regarding investment values, permitted business fields for certain business entities, and business fields which require paid-up capital/certain assets).

b. Requirements for investment with restrictions on foreign capital ownership, however, this requirement does not apply to:

- Approved investments in certain business fields prior to Presidential Regulation No. 10 of 2021.
- Investments which acquire special rights based on an agreement between Indonesia and the country of origin of the investors, unless the provisions under Presidential Regulation No. 10 of 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 business fields that under the applicable regulations, may not be combined 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%.

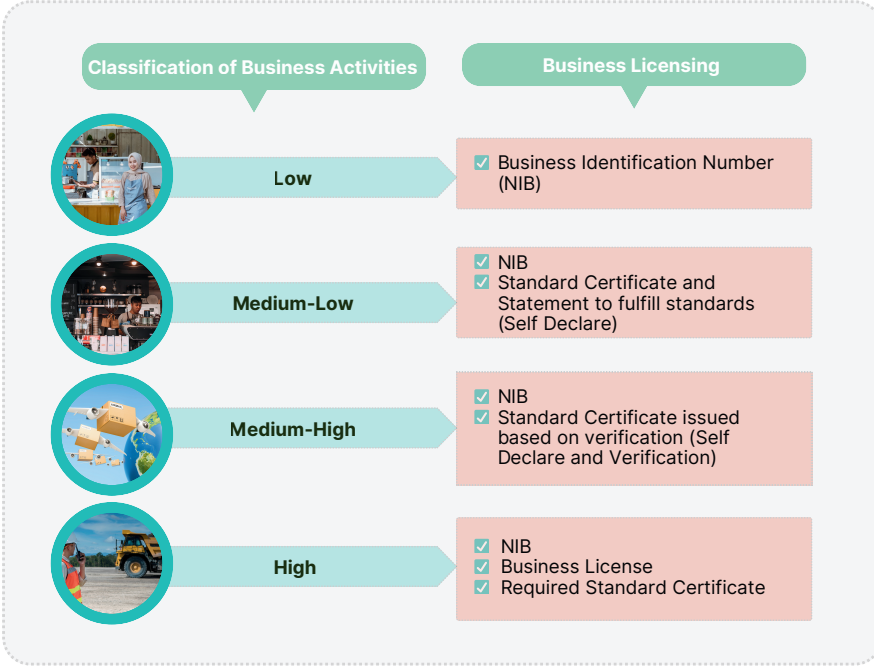
**Provisions for technology-based start-ups**

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 and risk based licensing**

Since the Law No. 11 Year 2020 on Job Creation ("Law 11/2020") was issued, Indonesia has adopted the Risk Based Approach (RBA) business-licensing framework. The current framework is GR 28/2025, which replaced GR 5/2021. The system determines the licensing requirements by reference to the risk associated with the relevant business activity. 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:<br>1. Health<br>2. Safety<br>3. Environment, and/or<br>4. Resource utilization and management | From the results of the risk analysis, the classification of business activities shall be divided into:<br>1. Low<br>2. Medium Low<br>3. Medium High<br>4. High |
| **Potential for harm** | Consists of:<br>1. Almost impossible<br>2. Less likely to happen<br>3. Likely to happen, or<br>4. Almost certain to happen | |
| **Scale of business activity** | 1. Micro<br>2. Small<br>3. Medium<br>4. Large | |




**Paid in capital and minimum investment**

Investors must identify authorized and paid-in capital amount in an establishment deed. Based on the BKPM Regulation No. 5/2025, the minimum paid-in capital for PMA has been reduced from previously IDR10 billion to IDR 2.5 billion, unless a higher amount is required by applicable sectoral legislation.

- **Minimum investment value**

  A PT PMA is generally treated as a large-scale business and must generally have an investment value of more than IDR 10 billion, excluding land and buildings, for each five-digit KBLI business field and each project location.

- Minimum paid-up capital ≠ minimum investment value.

  The IDR 2.5 billion requirement concerns the company's issued and paid-up capital, while the greater-than-IDR 10 billion requirement generally concerns the total investment value applicable to the relevant business activity and project location.

- Retention of paid-up capital

  Under the new framework, the paid-up capital deposited for a PT PMA is subject to a 12-month retention requirement, subject to permitted uses such as asset purchases, construction and business-operating expenses in accordance with the applicable rules.

  Specific sectors may impose higher capital or investment requirements. Such sectoral requirements prevail where applicable.

**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 and Licensing phase

Following incorporation and legal-entity registration, the company should obtain its Business Identification Number (Nomor Induk Berusaha/NIB) through the OSS system.

The NIB is the company's official business identification number and is the basic identifier for starting or conducting business activities in Indonesia.

The applicable Business Licensing and supporting licences are determined through the risk-based OSS process.

The OSS system has been updated to implement GR 28/2025 and remains the principal platform for risk-based business licensing.

## Pre-construction phase

The requirements before construction depend on the nature, location, scale and risk of the proposed project.

1. Spatial and location requirements

   The investor should first verify that the proposed location is compatible with applicable spatial-planning requirements and the relevant business activity.

   For industrial activities, the requirements concerning industrial locations must be assessed under the current industrial-estate framework.

   GR 20/2024 on Industrial Zoning (Perwilayahan Industri) replaced GR 142/2015 and governs the development and location of industrial areas, including Industrial Estates, Industrial Allocation Areas and related industrial spatial planning.

2. Environmental approval

   The current framework is based principally on Environmental Approval *(Persetujuan Lingkungan)* under GR 22/2021.

   Depending on the characteristics and environmental impact of the proposed activity, the required environmental documentation may include:

   - AMDAL and the associated environmental feasibility process;
   - UKL-UPL; or
   - SPPL, depending on the applicable thresholds and classification.

The Ministry of Environment/Environmental Control Agency has also issued Regulation No. 22 of 2025 on the Authority for Issuing Environmental Approvals, which should be considered when determining the competent authority.

## Construction Phase

Before construction or modification of a building, the company must comply with the applicable building regulations.

1. Building Approval *(Persetujuan Bangunan Gedung/PBG)*

   Building Approval or PBG, previously Izin 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. Construction must be undertaken in accordance with the applicable PBG and other prerequisites.

2. Building Function Worthiness Certificate *(Sertifikat Laik Fungsi/SLF)*

   The Sertifikat Laik Fungsi (SLF) certifies that a building satisfies the applicable requirements for safety, health, comfort and convenience and is fit for its intended function. The SLF is generally relevant after construction is completed and before the building is used, subject to the applicable building regulations and exceptions.

## Operational Phase

Once the applicable establishment, spatial, environmental, building and business-licensing requirements have been satisfied, the company may commence the relevant business activities.

Under the current framework, the company must hold the Business Licensing (PB) and any PB UMKU or other supporting approvals required for its particular business activity and risk level.

Depending on the business and sector, additional approvals or registrations may include:

- hazardous and toxic waste (B3) management requirements;
- environmental reporting;

- fuel-storage approvals;
- power-generator requirements;
- pressure equipment/compressor requirements;
- fire-safety requirements;
- warehouse or storage requirements;
- import/customs registrations;
- product-specific distribution licences;
- food and drug approvals;
- medical-device approvals;
- bonded-zone or other customs facilities;
- halal certification where mandatory;
- trademark registration; and
- other sector-specific licences or certifications.

These requirements are not universal. The applicable obligations should be determined by reference to the company's KBLI, risk level, products, location and sector-specific regulations.

The company must also comply with continuing reporting and supervision obligations under the current risk-based licensing framework, including applicable investment-realization reporting and other OSS reporting requirements.



# 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 of 2021 regarding the Utilization of Foreign Workers and the Regulation of the Minister of Manpower Number 8 of 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 generally required to obtain RPTKA approval from the Ministry of Manpower, subject to applicable exemptions. 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/DKPTKA) amounting to USD 100 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 DKPTKA. 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.

## Type of employees

There are 3 categories of employees:

- **Contract Employees** - Contract employees are based on employment agreements for a certain period of time or for a certain work (Specified Time Work Agreement/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.

- **Permanent Employees** - Permanent employees are employed under an indefine-term employment agreement *(Perjanjian Kerja Waktu Tidak Tertentu*/PKWTT). A probation period may be included in a PKWTT employment agreement, provided that it complies with the applicable regulations.

- **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

Indonesia has a statutory minimum wage system. The applicable minimum wage may comprise the provincial minimum wage (UMP) and, where applicable, the regency/city minimum wage (UMK) and sectoral minimum wages.

The principal framework is Government Regulation No. 36 of 2021 on Wages, as amended, most recently by Government Regulation No. 49 of 2025. GR 49/2025 introduced further changes to the wage-setting framework following the Constitutional Court's consideration of the wage regulations. It applies from 17 December 2025.

For 2026, provincial, regency/city and applicable sectoral minimum wages were required to be determined and announced by the relevant governors and apply from 1 January 2026. Employers must comply with the applicable minimum wage and with their obligations concerning the company's wage structure and scale. The applicable minimum wage is not necessarily the appropriate benchmark for senior management or expatriate remuneration. Under tax audit, compensation for foreign employees usually is benchmarked against 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

Indonesia's mandatory social security system is administered principally by:

- BPJS Kesehatan (Health Security), which administers the national health insurance program; and
- BPJS Ketenagakerjaan (Social Security), which administers employment-related social security programs.

Social security generally includes:

- Jaminan Kecelakaan Kerja (JKK) – Work Accident Protection;
- Jaminan Kematian (JKM) – Death Protection;
- Jaminan Hari Tua (JHT) – Old Age Protection;
- Jaminan Pensiun (JP) – Pension Protection; and
- Jaminan Kehilangan Pekerjaan (JKP) – Job Loss Protection.

The JKP framework was amended by Government Regulation No. 6 of 2025, which amended Government Regulation No. 37 of 2021. The amendments include changes to eligibility, contribution requirements, claims and evidence of termination. Related implementing rules were also amended in 2025. For the contribution rate and tax treatment, refer to Tax Section - 6.3 Contribution Rate.

Enrollment to BPJS is mandatory for every company. Non-compliance may affect access to certain public services.

## Immigration

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

- Visitor visa: foreigners who come to Indonesia for pre-investment activities may use a visitor visa for either one trip or several trips.
- Limited stay visa: A 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 a limited-stay permit and should not be treated as equivalent to 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. 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.

Foreign nationals should ensure that the activities performed in Indonesia are consistent with the activities permitted by their visa and residence permit, as well as with the applicable TKA/RPTKA requirements where employment is involved.

## 4.2. Land Environment

There are several types of land ownership in Indonesia:

### 1. 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.

### 2. Right to build (Hak *Guna Bangunan/HGB*)

Right to Build (HGB) is the right to construct and own buildings on land owned by another party. It can be held by Indonesian citizens, Indonesian legal entities, and foreign investment companies (PMA), and may also be transferred to another party. On state land or right-to-manage land, it is valid for up to 30 years, extendable for 20 years, and renewable for 30 years. On freehold land, it is valid for up to 30 years and can be renewed through a new Right to Build grant.

### 3. 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 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.

### 4. 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.

### 5. 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.

### 6. 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

### 7. 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 intending to conduct import or export activities in Indonesia must generally have a Business Identification Number (Nomor Induk Berusaha/NIB) obtained through the Online Single Submission (OSS) system. The NIB serves as the company's business identification and, for import purposes, may also function as the Importer Identification Number (Angka Pengenal Importir/API), subject to the applicable requirements.

The current import framework is principally regulated under Minister of Trade Regulation No. 16 of 2025 on Import Policy and Arrangements (Permendag 16/2025), as amended by Permendag No. 37 of 2025 and Permendag No. 18 of 2026. Permendag 16/2025 replaced the previous Permendag 36/2023 framework and has been amended to further streamline import licensing and electronic processing.

For imports conducted for business purposes, the NIB functions as an API and is classified as either:

1. General Importer Identification Number (API-U) – applicable to an importer that imports goods for trading or transfer of ownership.
2. Producer Importer Identification Number (API-P) – applicable to an importer that imports goods for its own use, including as capital goods, raw materials, auxiliary materials and/or materials supporting its production or business activities.

An importer generally has only one type of NIB that is valid as an API. Under the current regulations, an API-U may be changed to an API-P subject to specified conditions, including requirements relating to existing import licences and the status of ongoing import activities.

**Import and Export Licensing**

Possession of an NIB/API does not necessarily mean that a company can import any type of goods without further approval.

Certain goods are subject to prohibitions and restrictions (larangan dan/atau pembatasan/Lartas). Depending on the HS code and characteristics of the goods, an importer may need additional business licensing in the import sector, including an Import Approval (Persetujuan Impor/PI), an Importer Registration/Registered Importer approval, a Producer Importer approval, a Surveyor Report (Laporan Surveyor), or other technical documentation.

Under the current framework, additional import licensing may be required before the goods enter the Indonesian customs territory. Certain goods are also subject to verification or technical tracing, particularly goods that may affect national security, health, safety or the environment, essential goods, certain capital goods imported in non-new condition, and strategic industrial goods.

Applications for import-sector business licensing are processed electronically through the relevant government systems, including INSW (Indonesia National Single Window), with integration with OSS and customs systems. The current regulations also require confirmation of the taxpayer's tax status for the issuance of import-sector licensing.

Accordingly, before commencing an import transaction, the company should:

1. identify the correct HS code;
2. determine the applicable customs tariff;
3. check whether the goods are subject to Lartas;
4. determine whether an import approval, registration, technical verification or other licence is required;
5. check applicable Indonesian product standards and technical regulations; and
6. determine whether preferential tariff treatment is available under a relevant trade agreement.

## Import duty and import taxes

Import duty is generally calculated based on the customs value of the imported goods. For ordinary imports, the customs value is generally based on the CIF value (cost, insurance and freight), subject to the applicable customs valuation rules.

In addition to import duty, an Indonesian importer may be liable for import taxes, including:

- Value Added Tax (VAT/PPN);
- Income Tax Article 22 on imports (PPh Article 22); and
- Sales Tax on Luxury Goods (PPnBM), where applicable.

The applicable rates depend on the goods, HS code, customs valuation, importer status and any applicable preferential tariff or exemption.

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%, which depends on the specific HS code and the applicable agreement. A valid Certificate of Origin or other prescribed proof of origin is generally important to claim preferential tariff treatment.

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 Free Trade Zone and Free Port (Kawasan Perdagangan Bebas dan Pelabuhan Bebas/FTZ) such as Batam, Bintan and Karimun, 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 for Investment and Manufacturing

Investors engaged in qualifying industrial or other eligible activities may obtain customs facilities for the importation of machinery, capital goods, raw materials and other inputs. One commonly used facility is historically referred to in practice as the "Master List" facility. The facility provides import-duty exemption for qualifying machinery and/or goods and materials used for the establishment or development of an industry in the context of investment, subject to the applicable requirements and approval.

The customs framework for this facility is principally based on MoF Regulation No. 176/PMK.011/2009, as amended by subsequent regulations, together with the applicable investment regulations. The Directorate General of Customs and Excise continues to identify this as an investment facility.

The relevant imported machinery, goods and materials must meet the requirements prescribed by the applicable regulations and approvals. The facility should therefore be assessed before the importation is undertaken.

## Import Quota and Import Approval

Certain goods are subject to quantitative restrictions or other import controls. Where applicable, an importer must obtain an Import Approval (Persetujuan Impor/PI) or other required import-sector licence before the goods enter the Indonesian customs territory.

A PI is not required for every imported product. Whether a PI or other import licence is required must be determined by reference to the relevant HS code and the applicable commodity-specific regulation.

Under the current framework, commodity-specific import controls may be contained in separate Ministry of Trade regulations. The Ministry of Trade has issued a number of commodity-specific regulations under the 2025 import-policy framework, including regulations covering textiles, agricultural and livestock products, chemicals and hazardous materials, electronics and telematics, certain industrial goods, consumer goods and goods in non-new condition.

## Export Requirements

Export activities are principally governed by Minister of Trade Regulation No. 23 of 2023 on Export Policy and Arrangements, as amended several times, most recently by Permendag No. 5 of 2026 and Permendag No. 12 of 2026. Permendag 5/2026, effective from 1 April 2026, was introduced partly to simplify export licensing, while Permendag 12/2026 subsequently amended rules concerning suspension, freezing and revocation of export-sector business licences.

An exporter generally requires an NIB and must comply with the applicable customs and export declaration requirements. Additional export-sector licensing is required only for goods subject to specific export controls, such as certain regulated or restricted goods.

Depending on the goods and applicable HS code, exporters may be required to obtain, among other things:

- an export-sector business licence or approval;
- Registered Exporter status;
- Export Approval (Persetujuan Ekspor/PE);
- technical verification or a surveyor report;
- a certificate of origin; and/or
- other technical documents required by the relevant ministry or agency.

The specific requirements depend on the HS code and the regulatory treatment of the goods. Therefore, the statement that exporters generally require a separate "business licence from the Ministry of Trade" should be qualified.

## Export Proceeds (DHE) Policy in the Natural Resources (SDA) Sector

Indonesia has significantly strengthened its Foreign Exchange Export Proceeds (Devisa Hasil Ekspor/DHE) regime for natural resources (Sumber Daya Alam/SDA). The principal framework is Government Regulation No. 36 of 2023, as amended, most recently by Government Regulation No. 21 of 2026.

The current framework is supplemented by Bank Indonesia regulations, including Bank Indonesia Regulation No. 5 of 2026 and PADG No. 16 of 2026, both effective from 1 June 2026.

The DHE SDA rules primarily affect the repatriation, retention and use of export proceeds.

## Mandatory repatriation and placement of SDA DHE

Under the current rules, SDA exporters are generally required to repatriate 100% of their SDA export proceeds into the Indonesian financial system. For non-oil-and-gas SDA sectors, including mining other than oil and gas, plantations, forestry and fisheries, 100% of DHE SDA must generally be placed for a minimum of 12 months.

For the oil-and-gas sector, the required retention is generally at least 30% for a minimum period of three months. The current regime therefore differs from the previous framework under which the retention requirement was generally 30% for three months and was linked to an export-value threshold.

The previous voluntary treatment for SDA export proceeds below USD 250,000 has also been removed. Bank Indonesia expressly removed the previous voluntary-placement mechanism for DHE SDA arising from export declarations with an export value below USD 250,000.

Accordingly, the earlier USD 250,000 threshold should not be retained as a general exemption from the current DHE SDA regime.
Following the regulatory changes effective from 1 June 2026, the general rule is that the repatriation and placement of DHE SDA must be conducted through state-owned banks.

There are, however, specific exceptions for qualifying exporters under the special bilateral-trade arrangement described below.

DHE SDA may be placed through various permitted instruments. These include, subject to the applicable conditions:

- a special DHE SDA account;
- eligible banking instruments;
- foreign-currency securities or instruments issued by Bank Indonesia;
- certain foreign-currency Government bonds or Government Islamic securities issued in the domestic primary market; and
- other instruments expressly permitted under the Bank Indonesia regulations.

The 2026 framework therefore provides exporters with more options for managing retained DHE rather than requiring all funds simply to remain as idle cash balances.

## Use of DHE SDA

The DHE SDA regime does not mean that an exporter is completely prohibited from using the retained funds.

Subject to the applicable requirements and documentation, DHE SDA may generally be used for specified purposes, including:

- payment of taxes and other government obligations;
- payment of dividends in foreign currency;
- procurement of goods and services, including capital goods, in accordance with the applicable rules;
- repayment of qualifying foreign-currency loans; and
- conversion into Indonesian Rupiah, subject to the applicable limits and procedures.

For non-oil-and-gas DHE SDA, the current framework limits the amount that may be converted from foreign currency into Rupiah to a maximum of 50%, subject to the detailed Bank Indonesia rules.

The use of DHE SDA is subject to supporting documentation and the specific conditions prescribed by Bank Indonesia and the relevant regulations.

## Special treatment for certain mining exporters under bilateral trade arrangements

An important development in 2026 is the introduction of a special regime under Article 18A of PP No. 36 of 2023, as amended by PP No. 21 of 2026.

For the implementation of a qualifying bilateral trade agreement, memorandum of understanding or other trade arrangement, DHE SDA originating from the mining sector may qualify for more flexible treatment.

For an eligible exporter using this facility:

- at least 30% of mining-sector DHE SDA must remain placed for at least three months;
- the DHE SDA may be placed at an eligible foreign-exchange bank designated by Bank Indonesia, rather than being restricted solely to the normal Himbara placement arrangement; and
- conversion of the relevant mining-sector DHE SDA into Rupiah may be conducted through the designated foreign-exchange bank.

This is an optional facility, not a general reduction of the DHE SDA requirement for all mining exporters. Exporters that do not qualify for, or do not elect to use, the Article 18A facility remain subject to the ordinary DHE SDA requirements.

As of September 2026, the Government has identified the United States, China, Hong Kong, Australia and Canada for purposes of implementing this special arrangement, subject to the prescribed eligibility criteria. The facility applies to qualifying exporters and is not automatically available merely because a foreign shareholder is incorporated or resident in one of those jurisdictions. The implementation of the Article 18A facility applies to relevant Export Declaration Documents (Pemberitahuan Pabean Ekspor/PPE) from 1 September 2026.

For foreign investors in the mining sector, this exception may therefore be particularly relevant when assessing the impact of DHE SDA on group cash management, dividend distributions, foreign-currency financing and treasury arrangements.

## Single export gateway for strategic natural resources

A major additional development in 2026 is Government Regulation No. 24 of 2026 on the Governance of Strategic Natural Resource Commodity Exports, which became effective on 1 June 2026. GR 24/2026 establishes a framework under which the Government may designate certain natural-resource commodities as strategic natural resources and subject their exports to centralized governance.

The first commodities designated under the framework are coal, palm oil, and ferro alloys.

Additional strategic natural-resource commodities may subsequently be designated by the Government through the prescribed inter-ministerial process. This single export gateway is part of the Government's plan to launch ICOMEX by 1 January 2027.

## SOE Exporter Requirement

For designated strategic natural-resource commodities, the basic rule is that exports may only be conducted by a designated state-owned export enterprise, either:

- as the owner/exporter; or
- as the sole intermediary for the export transaction.

This represents a significant change for private and foreign-invested companies engaged in the affected commodities because the exporter of record and commercial export structure may need to be adjusted to comply with the new framework.

The framework may also regulate:

- export controls;
- technical verification and tracing;
- transportation arrangements;
- export insurance; and
- other mechanisms considered necessary by the Government.

Detailed implementation is governed by the relevant ministries and agencies.

## Commodity-specific implementing regulations

The Ministry of Trade has issued three implementing regulations effective from 1 June 2026:

- Permendag No. 15 of 2026 – Export Policy and Arrangements for Strategic SDA Commodities – Coal;
- Permendag No. 16 of 2026 – Export Policy and Arrangements for Strategic SDA Commodities – Palm Oil; and
- Permendag No. 17 of 2026 – Export Policy and Arrangements for Strategic SDA Commodities – Ferro Alloys.

These regulations establish the commodity-specific export requirements and replace the relevant provisions previously governed under the general export regulations.

## Transition for existing exporters

The new system does not mean that all existing private exporters immediately ceased to be able to export on 1 June 2026.

For example, the Ministry of Trade's implementation guidance provides that non-BUMN coal exporters may continue under their existing arrangements through 31 December 2026, subject to the applicable requirements. The Exporter Registration (Eksportir Terdaftar/ET) for non-BUMN coal exporters is stated to remain valid until 31 December 2026.

## 4.4. Utilization of Domestic Products

### Domestic component level (*Tingkatan Komponen Dalam Negeri/TKDN*)

PT PMA should be aware of Indonesia's requirements concerning the use of domestic products and the Domestic Component Level (Tingkat Komponen Dalam Negeri or TKDN). The current TKDN certification framework is principally governed by Government Regulation No. 29 of 2018 on Industrial Empowerment, as amended, and Minister of Industry Regulation No. 35 of 2025 on the Requirements and Procedures for Certification of TKDN and Company Benefit Weight (Bobot Manfaat Perusahaan/BMP) ("Permenperin 35/2025"). Permenperin 35/2025, effective from 11 December 2025, replaced the previous TKDN calculation and certification framework under, among others, Minister of Industry Regulation No. 16/M-IND/PER/2/2011 and Minister of Industry Regulation No. 2 of 2014.

TKDN measures the percentage of domestic content incorporated in goods, industrial services, or a combination thereof. The regime is intended to promote the use of Indonesian products and support domestic industrial development. TKDN requirements may apply to government procurement and other procurements subject to statutory domestic-product requirements, including certain procurements by government institutions, state-owned enterprises and other designated entities.

For goods, TKDN is principally calculated based on direct materials, direct labour and factory overhead. For industrial services, the calculation takes into account labour, work equipment and/or facilities, and general services. For combined goods and services, the respective TKDN values are weighted according to their acquisition values. Permenperin 35/2025 also provides for an additional TKDN component relating to qualifying intellectual capability (brainware), including research and development activities, subject to the prescribed requirements and limits.

TKDN may affect eligibility, evaluation and preference in government procurement. In general, domestic products meeting the applicable TKDN and BMP requirements receive preference under the government procurement framework. Companies participating in such procurement should ensure that their tender documentation and delivered products are consistent with the applicable certified TKDN and BMP values.

## TKDN Certification

Under Permenperin 35/2025, TKDN and BMP are verified through Independent Verification Institutions (Lembaga Verifikasi Independen or LVI) appointed by the Minister of Industry, with the certification process administered through the Ministry of Industry's SIINas (Sistem Informasi Industri Nasional). Accordingly, TKDN verification should not be described as being conducted exclusively by Sucofindo.

A TKDN Certificate is generally valid for five years, subject to the applicable requirements concerning surveillance, re-verification and withdrawal. PT PMA should maintain adequate records supporting its domestic materials, components, labour, production activities and other relevant cost components to substantiate its certified TKDN.

Given that TKDN requirements may vary depending on the product, industry and procurement mechanism, PT PMA should assess the applicable requirements on a product- and project-specific basis.

## 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:

- annual reporting: starting from financial year 2025, annual report must be notarized
- Investment realization reporting
- Manpower and employee welfare reporting
- Expatriate utilization reporting
- Company loan reporting
- 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:

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

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

## 4.11. Sustainability Reporting Requirements

Sustainability reporting in Indonesia is undergoing an important transition as Indonesia has set a target to achieve net-zero emissions by 2060, and reducing greenhouse gas emissions by 32% by 2030—and up to 43% with international support—as part of the Nationally Determined Contribution (NDC).

Historically, sustainability reporting requirements for financial services institutions, issuers and public companies have been primarily governed by OJK Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies ("POJK 51/2017").

POJK 51/2017 establishes a regulatory framework for sustainable finance and requires relevant entities to implement sustainable finance principles, prepare a Sustainable Finance Action Plan (Rencana Aksi Keuangan Berkelanjutan or RAKB), and publish a Sustainability Report (Laporan Keberlanjutan). The regulation applies to financial services institutions ("LJK"), issuers and public companies, with implementation requirements phased according to the type and size of the entity.

In parallel, the Ikatan Akuntan Indonesia ("IAI"), through its Dewan Standar Keberlanjutan ("DSK IAI"), has developed the Indonesian Sustainability Disclosure Standards (Standar Pengungkapan Keberlanjutan or SPK), which are substantially converged with the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board ("ISSB").

On 1 July 2025, IAI approved PSPK 1 – General Requirements for Disclosure of Sustainability-related Financial Information and PSPK 2 – Climate-related Disclosures. Both standards are effective for annual reporting periods beginning on or after 1 January 2027, although early application is permitted.

Accordingly, Indonesian companies should view sustainability reporting as having two important dimensions:

- Regulatory sustainability reporting under POJK 51/2017, which focuses on the implementation of sustainable finance and broader economic, social and environmental performance; and
- Sustainability-related financial disclosures under IAI's SPK, which focus on sustainability-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, access to finance or cost of capital.



# 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:

- 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.
- 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.
- Make payments to creditors, including to employees.
- 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.
- Distribute the liquidation proceeds to shareholders (if any).
- Undertake a general meeting of shareholders granting acquittal and discharge of the liquidator.
- 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.
- Announce the result of liquidation in a newspaper.

It takes approximately two years to complete a liquidation process.




# 06
# Taxation

# 6.1. Corporate Income Tax (CIT)

## Basis of taxation

Resident companies in Indonesia are generally taxed on their worldwide income. Non-resident companies are generally taxed on Indonesian-source income, including income attributable to a permanent establishment ("PE") in Indonesia. A foreign company carrying on business through an Indonesian PE generally has tax obligations similar to those of an Indonesian resident corporate taxpayer.

A company is generally regarded as an Indonesian tax resident if it is established or domiciled in Indonesia. Indonesian tax residents and Indonesian PEs are subject to the Indonesian self-assessment regime.

Taxable income is generally calculated based on accounting income, subject to the tax adjustments required under Indonesian tax legislation. In general, expenses incurred to obtain, collect and maintain taxable income are deductible, subject to specific deductibility restrictions. Differences between accounting and tax treatment can therefore result in temporary or permanent tax adjustments.

Indonesia does not have a consolidated corporate income tax filing regime; each taxpayer generally calculates and reports its own taxable income.

Foreign companies without an Indonesian PE generally discharge Indonesian income tax liabilities on Indonesian-source income through withholding tax imposed on payments made by Indonesian parties.

## Rates of tax

The standard corporate income tax ("CIT") rate is 22% of taxable income. This rate continues to apply for 2026.

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 taxpayers with annual gross turnover of not more than IDR 4.8 billion may instead be subject to final income tax at 0.5% of gross turnover, subject to the eligibility conditions and time limitations under the applicable regulations.

## 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 taxpayer intends to change the fiscal periods.

## Deemed profit margin

Certain industries are subject to specific Article 15 income tax regimes based on deemed profit rather than actual net profit.

| Industry/Activity | 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. Resident recipients

Dividends distributed by an Indonesian company to an Indonesian resident corporate taxpayer are generally exempt from income tax.

Dividends received by an Indonesian resident individual can also qualify for non-taxable treatment where the applicable reinvestment requirements in Indonesia are satisfied. Otherwise, domestic dividends received by resident individuals are generally subject to final income tax, currently at up to 10%.

Dividends received from foreign companies by Indonesian resident taxpayers may qualify for exemption where the applicable reinvestment/business-use requirements are satisfied. The detailed requirements differ depending on the nature of the foreign investment and should be assessed under the current implementing rules.

b. Non-resident recipients

Dividends paid by an Indonesian resident company to a non-resident are generally subject to 20% final withholding tax, unless a lower rate is available under an applicable double taxation agreement ("DTA").

Application of treaty rates is subject to the relevant treaty requirements, including beneficial ownership and the required certificate of residence/domicile documentation.

c. The Controlled Foreign Corporation (CFC) rules

Indonesia applies CFC rules under which certain passive income of a controlled foreign company may be treated as a deemed dividend received by an Indonesian taxpayer.

A foreign entity can generally fall within the CFC regime where it is at least 50% owned, directly or indirectly, by an Indonesian taxpayer or collectively by Indonesian taxpayers. The rules cover specified passive income, including dividends, interest, rentals, royalties and certain gains from the disposal or transfer of assets. Listed foreign companies meeting the relevant recognised-stock-exchange condition are generally outside the CFC regime.

## Taxation of capital gains

Capital gains are generally included in taxable income and subject to the normal CIT rate.

An important exception applies to the transfer of land and/or buildings, which is generally subject to final income tax at 2.5% of the transaction value or government-determined value, as applicable.

## Taxation of interest income

Interest received by an Indonesian resident company from time deposits and savings is generally subject to 20% final income tax, subject to the applicable exemptions and special rules.

Interest on bonds is generally subject to 10% final income tax under the current regime.

Other interest income received by an Indonesian resident taxpayer is generally taxable at the normal CIT rate, with 15% Article 23 withholding tax generally applying to interest payments to Indonesian resident recipients. The withholding tax generally constitutes a tax credit against the recipient's CIT liability.

Interest paid to a non-resident is generally subject to 20% Article 26 withholding tax, subject to a lower DTA rate where applicable.

## Utilization of tax losses

Tax losses may generally be carried forward for five tax years following the year in which the loss was incurred.

There is generally no carry-back of tax losses.

Certain approved tax incentives can extend the loss carry-forward period beyond five years, subject to specific conditions. Under the tax allowance regime, for example, the carry-forward period can be extended to a maximum of 10 years.

## Key tax incentives

a. Tax reduction for public companies

Public companies meeting the statutory requirements may apply the 3-percentage-point CIT reduction, producing an effective CIT rate of 19%.

The principal requirements include:

- at least 40% of paid-up shares being publicly owned;
- the shares being held by at least 300 individual shareholders, subject to the applicable requirements; and
- the relevant public ownership and shareholder conditions being maintained for the required period.

b. Income Tax incentive for medium enterprises

The Companies with an annual gross 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. Final Tax regime for small enterprises

Eligible taxpayers with gross turnover not exceeding IDR 4.8 billion may be subject to final income tax at 0.5% of gross turnover, subject to the taxpayer's legal form, eligibility and applicable time limitation.

d. Tax holiday

For qualifying pioneer-industry investments, the principal benefits include:

- **100% reduction of CIT** for qualifying investment plans of at least IDR 500 billion; and
- **50% reduction of CIT** for qualifying investment plans of at least IDR 100 billion but less than IDR 500 billion.

For the 100% reduction, the period can range from 5 to 20 years, depending on the investment value, followed by a 50% CIT reduction for two subsequent years.

For the 50% reduction, the facility is generally available for five years, followed by a 25% CIT reduction for two subsequent years.

This facility is provided to firms in pioneer industries which have a wide range of connections, provide additional value and high externalities, introduce new technologies, and have strategic value for the national economy. Currently this facility is available for the business sectors with specific Indonesian Standard Classification of Business Field (Klasifikasi Baku Lapangan Usaha/KBLI) as listed in the regulation. Business sectors outside this list may also apply by fulfilling the self-assessed quantitative scoring system to justify their nature as a pioneer industry.

Generally, an application must be submitted via the Online Single Submission (OSS) system, which will verify the eligibility of the application and pass it on to the MoF. Under the latest regulation, proposals can be submitted to the MoF until 31 December 2025.

Under the latest Tax Holiday regulation, a taxpayer who has obtained a Tax Holiday facility but also falls under a qualifying taxpayer being part of a multinational enterprise group that is subject to Global Minimum Tax under Pillar Two rules, is subject to an additional domestic top up tax under this rule. This domestic top up tax would also apply to those who have obtained the Tax Holiday facility prior to 9 October 2024.

e. Tax allowance

   Eligible Indonesian companies investing in certain designated business areas or in certain designated regions may obtain a tax allowance.

   The principal facilities include:

   1. a reduction in taxable income equal to 30% of the qualifying investment in tangible fixed assets, including land, allocated at 5% per year over six years from commercial production;
   2. accelerated depreciation of qualifying tangible fixed assets and accelerated amortisation of qualifying intangible assets;
   3. reduced dividend withholding tax rate of 10%, or the applicable lower DTA rate, for dividends paid to non-resident shareholders; and
   4. an extension of tax-loss carry-forward periods to more than five years but not more than 10 years, subject to the relevant conditions.

Eligibility generally depends on criteria such as high investment value/export orientation, high labour absorption or high local content. Applications are generally made through the Online Single Submission ("OSS") system and are subject to approval by the Ministry of Finance.

f. Other investment and regional incentives

Indonesia also provides tax and customs incentives for investments in designated areas and sectors, including:

- Special Economic Zones ("KEKs");
- Free Trade Zones;
- certain industrial zones;
- the Nusantara/IKN area; and
- certain qualifying investment projects.

Depending on the applicable regime, benefits may include CIT reductions, accelerated depreciation, VAT and import-tax facilities, customs exemptions and other incentives.

g. Super deduction facility

The super deduction facility will be given to certain industries as follows:

- facility for labour-intensive industries; in the form of a reduction in net income of 60% of the amount invested in the form of tangible fixed assets (including land utilised for main business), spread throughout a certain period;
- facility for human resources development in certain competencies; in the form of a reduction in gross income of up to 200% of the amount spent for this activity;
- facility for certain R&D activities in Indonesia; in the form of reduction in gross income of up to 300% of the amount spent for this activity.

h. Other investment and regional incentives

Indonesia also provides tax and customs incentives for investments in designated areas and sectors, including:

- Special Economic Zones ("KEKs");
- Free Trade Zones;
- Certain industrial zones;
- The Nusantara/IKN area; and
- Certain qualifying investment projects.

Depending on the applicable regime, benefits may include CIT reductions, accelerated depreciation, VAT and import-tax facilities, customs exemptions and other incentives.

## 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 related parties must comply with the arm's-length principle.

The principal current regulation is Minister of Finance Regulation No. 172/2023 ("PMK 172/2023"), which replaced and consolidated the earlier transfer-pricing documentation, Mutual Agreement Procedure and Advance Pricing Agreement regulations.

Where applicable, taxpayers must prepare and maintain three-tier transfer-pricing documentation consisting of:

- Master File;
- Local File; and
- Country-by-Country Report ("CbCR").

The Master File and Local File requirements generally apply where specified thresholds are met, including, among other criteria:

- prior-year gross turnover exceeding IDR 50 billion;
- prior-year related-party transactions exceeding IDR 20 billion for tangible goods; or
- related-party transactions exceeding IDR 5 billion for each category of services, interest, intangible-property transactions or other specified transactions; or
- transactions with related parties in jurisdictions having a lower income tax rate than Indonesia, subject to the regulation.

The transfer-pricing documentation must be available in accordance with the current rules and, generally, no later than the deadline for the annual CIT return. DGT guidance states that documentation supporting an APA should be available at the same time as the tax return, i.e. no later than four months after the end of the fiscal year.

The DGT may recalculate taxable income or deductible expenses where transactions do not comply with the arm's-length principle. Current rules also provide mechanisms for corresponding adjustments, APAs and MAP procedures.

## Transfer pricing

| | |
|---|---|
| **Filling deadline** | Annual corporate tax returns must be filed within 4 months from the end of the book year and may get a filing extension for up to 2 months.<br><br>Monthly Article 4(2), Article 15, Article 21/26, Article 22, Article 23/26 and Article 25 returns are by the 20th day of the following month. |
| **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 interest, which is based on monthly Ministry of Finance interest rate plus the statutory surcharge.<br><br>Late filings are subject to the following penalties:<br>• Monthly income tax return: IDR 100,000 (for income taxes)<br>• Monthly VAT return: IDR 500,000<br>• Annual corporate income tax return: IDR 1,000,000 |
| **Payment of corporate income tax** | 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. Monthly Article 25 instalments generally operate as prepayments against the current-year CIT liability. |

### Global minimum tax/Pillar Two

Indonesia has issued MoF Regulation No.136/2024, effectively from 1 January 2025, and the implementing administrative procedures, PER-6/PJ/2026, which was issued on 4 May 2026, as an implementation of the OECD/G20 Global Anti-Base Erosion ("GloBE") rules. This regulation introduced:

- the Income Inclusion Rule (IIR);
- the Undertaxed Profits Rule (UTPR); and
- a Qualified Domestic Minimum Top-Up Tax (QDMTT)

The rules generally apply to multinational enterprise groups with consolidated annual revenue of at least EUR 750 million, subject to the detailed scope and exclusions in the regulation.

This development is particularly important when assessing the economic value of tax holidays and other CIT incentives for large multinational groups, because a tax incentive reducing the Indonesian effective tax rate may result in a domestic top-up tax under Pillar Two.

## 6.2 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 taxpayer, 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. As amended by Government Regulation No. 20 of 2026 (effective 22 April 2026), the 0.5% final income tax facility is now limited to: (a) individual taxpayers; (b) sole proprietorships established by a single individual; and (c) cooperatives. The regulation removed the facility for limited partnerships (CV), firms, limited liability companies (PT), and Village-Owned Enterprises (BUMDes). Existing beneficiaries in these categories may continue using the facility for the remainder of their eligibility period under the previous rules. For cooperatives, the facility is available for up to four years from the initial date of business registration. The calculation of gross turnover for determining eligibility now includes aggregated income from the husband, wife, and their respective owned entities with single individual shareholders. 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:

| | 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 taxpayer 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 taxpayers 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 gain

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 taxpayer, 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 assessable 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 losses

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: | | |
| By Indonesia insurance companies | 50% | 10% |
| By Indonesia reinsurance companies | 10% | 2% |
| Sale of non-listed Indonesian company shares by non-residents | 5% | 1% |

| | ENI | Effective Tax Rate |
|---|---|---|
| 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 jewelleries, diamonds, gold, luxurious watches, antiques, paintings, cars, motorcycles, yachts and light aircrafts with sale value of above IDR 10 million | 25% | 5% |

## Statutory obligation of employers

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

## Social security and retirement contributions

The social security system is administered by:

1. Social Security Agency for health insurance (BPJS Kesehatan) - covering health insurance
2. Social Security Agency for worker's social security (BPJS Ketenagakerjaan) - covering accidents insurance, old age savings, death insurance, unemployment insurance, and pensions.

The current premium contributions are as follows:

| Areas Covered | As a percentage of regular salaries/wages | |
|---|---|---|
| | Borne by employers | Borne by employees |
| Working Accident Protection | Borne by employers | |
| Death Insurance | | |
| Unemployment Insurance for workers affected by lay-off | Reallocated from Death Insurance & Woking Accident Protection | |
| Old Age Saving | 3.7% | 2% |
| Health Care Insurance* | 4% | 1% |
| Pension** | 2% | 1% |

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.

| | |
|---|---|
| **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 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. Monthly Article 25 instalments generally operate as prepayments against the current-year CIT liability.** |

## 6.3 International Tax Agreements

### Double Tax Agreements

Indonesia's Double Taxation Agreements (DTAs/tax treaties) provide for tax benefits in the form of withholding tax exemptions for service fees and for reduced withholding tax rates on dividends, interest, royalties and branch profits received by tax residents of its treaty partners. Tax exemption on service fees is typically granted only if the foreign party earning the income does not have a PE in Indonesia.

To claim the reduced rates, the foreign party must, at a minimum, present its Certificate of Domicile (CoD) to the ITO through the Indonesian party paying the income. Without this document, either in the form prescribed by the DGT or in the form of the treaty partner country (subject to certain conditions), the party is not entitled to the tax benefit and tax is withheld at a rate of 20%.

Foreign entities must answer the following questions in the DGT prescribed Form based on actual facts and circumstances:

1. The non-individual has relevant economic substance either in the non-individual's establishment or the transaction itself.
2. The non-individual has the same legal form and economic substance either in the non-individual's establishment or the transaction itself.
3. The non-individual has its own management to carry on the business, and such management has an independent discretion.
4. The non-individual has sufficient assets to carry on the business other than assets that generate the income from Indonesia.
5. The non-individual has sufficient and qualified personnels to carry on the business.
6. The non-individual has business activity other than receiving dividend, interest, and/or royalty sourced from Indonesia.
7. The purpose of the transaction is to obtain the benefit directly or indirectly under the DTA that is contrary to the object and purposes of the DTA.

8. The non-individual is acting as an agent, nominee, or conduit.
9. The non-individual has a controlling right or disposal right on the income or the assets or the rights that generate the income.
10. No more than 50% of the non-individual's income is used to satisfy any claim by another person.
11. The non-individual assumes risk on its own assets, liabilities, or capital.
12. The non-individual has an obligation to transfer the income received to a resident of third country/jurisdiction.

## 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.

| | 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 |

## Tax Information Exchange Agreements

Indonesia has Tax Information Exchange Agreements (TIEAs) with San Marino (pending the exchange of ratification documents), Bermuda, Guernsey, Isle of Man, Jersey, and the Bahamas.

## Mutual Administrative Assistance in Tax Matters

Indonesia signed the Convention on Mutual Administrative Assistance in Tax Matters on 3 November 2011 and ratified it on 17 October 2014. Indonesia has also signed Multilateral Competent Authority Agreements on the automatic exchange of:

1. Financial Account Information using the Common Reporting Standard;
2. Crypto-Asset Reporting Framework; and
3. Transfer Pricing documentation in the form of Country-by-Country Report.

## Multilateral convention to implement tax treaty related measures to prevent base erosion and profit shifting

Indonesia signed and ratified the Multilateral Instrument (MLI) on 7 June 2017 and 13 November 2019 respectively. Indonesia has submitted notification to OECD (as the depositary of the MLI) to confirm the completion of internal procedures on 28 April 2020. This MLI has entered into force on 1 August 2020. By 27 November 2023, Indonesia has put 60 tax treaties to be covered by the Convention, whereby the applicability of the MLI is subject to whether or not those jurisdictions also included Indonesia in their notifications.

As part of the implementation of the Organisation for Economic Co-operation and Development (OECD)'s Pillar Two framework, Indonesia has made the following progress:

- Global Anti-Base Erosion (GloBE) – Indonesia has issued the domestic tax regulation to implement the GloBE rules in Indonesia on 31 December 2024 (PMK-136/2024). Under this regulation, the Income Inclusion Rule (IIR) which enforces a 15% global minimum effective tax rate for multinational enterprise groups with annual consolidated turnover exceeding EUR 750 million operating in multiple jurisdictions, Undertaxed Profits Rule (UTPR) will be applicable starting on or after 1 January 2025 and on or after 1 January 2026 respectively.

Indonesia also adopts the Qualified Domestic Minimum Top-up Tax (DMTT) rule under the regulation which will be applicable starting on or after 1 January 2025.

- Subject-to-Tax Rule (STTR) – Indonesia signed the MLI on 19 September 2024 to facilitate the Implementation of the Pillar Two STTR. Indonesia's provisional position contains the list of 29 tax treaties that Indonesia wishes to be covered and will be confirmed upon the deposit of its instrument of ratification.

### US FATCA

Indonesia has principally agreed to sign the Inter-Governmental Agreement (IGA) 1 for FATCA compliance purposes.

## 6.4 Value Added 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 of Tax

The VAT rate is 12% effective from 1 January 2025 under Law No. 7 of 2021 (UU HPP), formalized through Ministry of Finance Regulation No. 131/2024 (MOF Reg. 131/2024) issued on 31 December 2024. However, the government has decided to implement the 12% rate by using Other Value as Tax Base (Dasar Pengenaan Pajak/"DPP Nilai Lain") of 11/12, resulting in an "effective" VAT rate of 11% using the Other Value as Tax Base (DPP Nilai Lain) methodology for most taxable goods and services. Effective VAT rate of 12% is only applicable to certain luxurious goods.

This may be increased or decreased to 15% or 5% by issuing a GR after consultation with the Parliament. However, VAT on the export of taxable tangible and intangible goods as well as export of services is fixed at 0%. Certain limitations for the zero-rated VAT apply to export of services.

**VAT on e-commerce**

Indonesian VAT will be imposed on the utilisation of certain intangible goods and services provided from overseas to Indonesian customers through an electronic system. Foreign sellers, foreign service providers, or foreign e-commerce marketplaces and domestic e-commerce marketplace will be appointed as VAT Collectors if their activity in the Indonesian market meets either of the following thresholds:

- transaction value with customers in Indonesia exceeding IDR600 million in a year or IDR50 million in a month; or
- access to their e-commerce platform from Indonesia exceeds 12,000 users in 12 months, or 1,000 users in one month.

The appointed VAT Collectors must collect and pay the VAT from customers as well as submit reports through the designated electronic tax filing system provided by the DGT.

## Registration

Entrepreneurs exceeding IDR 4.8 billion 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.

## Filling 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. Taxpayers must also comply with electronic invoicing requirements (e-Faktur) when issuing VAT invoices. The DGT continues to provide technical guidance on VAT compliance, including updates on invoice issuance procedures under the new rate structure.

## 6.5 Luxury-Goods Sales Tax

### Basis of Tax

Luxury-goods sales tax (LST) is levied on deliveries or imports of certain manufactured taxable goods. A particular item will only attract LST once, i.e., tax will be charged either on importation of the goods or on delivery by the (resident) manufacturer to another party. Whether or not the particular item is subject to LST depends on other factors, including capacity, size, or price.

To ascertain whether or not a particular item is subject to LST and to identify the LST rate, reference should be made to the Customs Book using the relevant Harmonised System (HS) code.

### Rates of Tax

The LST rates are currently between 10% to 95%. According to the VAT and LST Law, the LST rate may be increased up to 200%.

### Filling requirements

LST must be accounted for every month together with VAT. The importer or the manufacturer of the goods is held responsible for the settlement of the LST.

### LST incentives

LST incentive is available for “green” motor vehicles in the form of LST base reduction (currently to 0% to 931/3% of the LST base) that will effectively lower the applied LST or mean there is even no LST for certain motor vehicles.

## 6.6 Carbon Tax

### Basis of Tax

Carbon Tax is imposed on carbon emissions which have a negative impact on the environment. Carbon Tax can be imposed to individual or body, which:

a. carries out activities that emit a certain level of carbon; and/or
b. purchases carbon content goods.

Carbon Tax on emission-generating activities has not been fully implemented whilst Carbon Tax on purchase of carbon content goods has not been implemented.

This Carbon Tax is calculated through the mechanism of "cap and trade" of emission. Besides Carbon Tax deduction via emission trading, other mechanism (unknown at this stage) under the environment regulations is also allowed.

The first (and only) industry adopting the "cap and trade" mechanism and consequently is subject to Carbon Tax is Coal-Fired Power Plant. The Carbon Tax can be expanded to other industry subject to readiness of respective industry and possibly other factors. Pursuant to Government Regulation No. 40 Year 2025 ("GR-40") concerning National Energy Policy/Kebijakan Energi Nasional, the Carbon Tax can be expanded to, among others, transportation and industrial (non-power generation) sectors.

Purchase of carbon content goods could also be subject to Carbon Tax via collection by the seller (appointed as Carbon Tax collector).

### Rates of Tax

Emitting certain level of carbon emission is subject to Carbon Tax at the rate of currently at the least of:

a. carbon credit price in the domestic carbon market per kg CO2e; or
b. IDR30/kg CO2e.

### Reporting requirements

Carbon emitter is required to record the carbon emission activities, self-remit (not yet implemented) and report (not yet implemented) the Carbon Tax on annual basis.

The Carbon Tax collector is required to record the relevant sales, remit and report the Carbon Tax on monthly basis (not yet implemented).

## 6.7 Customs and Excise

### Import duty

Import duty is generally payable at rates from 0% - 150% on the customs value of imported goods.

Customs value is calculated on Cost, Insurance and Freight level (CIF).

| Group | Goods | Rate (%) |
|---|---|---|
| Automobiles | Passenger and commercial | 5 to 50 |
| | Battery electric vehicles for road transportation | 10 to 50 |
| Automobile components | Incompletely Knocked Down | 0 to 7.5 |
| | Part by Part | 0 to 10 |
| Vessels | Ships, boats and floating structures | 0 to 5 |
| Aircraft | Balloons, helicopters, aeroplanes, parachutes, and aircraft launching gear | 0 |
| Electronic goods | Camera, refrigerator, cellular phone and others | 0 to 20 or, IDR21,450/minute |
| Textile, textile products and accessories | Bags, footwear, harnesses, apparels, and clothing accessories, etc. | 0 to 35 |

| Group | Goods | Rate (%) |
|---|---|---|
| Beverages, ethyl alcohol and alcoholic drinks | Ethyl alcohol, juice, beer, wine, spirits and other beverages | 5 to 150 or, IDR14,000/ltr |
| Essential oils and resinoids | Odoriferous substances | 5 to 150 |
| Agricultural products | Animal and vegetable products | 0 to 20 or, IDR450/kg |
| Furniture | Bedding, mattresses, lamp and lighting fittings, and others | 0 to 20 |
| Toys | Toys, games and sport requisites, parts and accessories thereof | 5 to 20 |
| Plastic | Plastics and article thereof | 0 to 25 |
| Rubber | Rubber and article thereof | 0 to 15 |
| Wood | Wood and article thereof | 0 to 25 |
| Steel | Steels and article thereof | 0 to 20 |
| Others | Chemicals, pharmaceutical products, software, works of art, arms and ammunition, musical instrument, and others | 0 to 40 |

On top of normal import duty rates, there are several additional import duty rates on certain products such as anti-dumping, safeguard, compensation, and requital import duty rates.

ASEAN duty rates Limited relief is given to Association of South East Asian Nations (ASEAN) countries on imports of goods that have fulfilled the origin criteria i.e. wholly obtained or not wholly obtained from the origin country and have been directly shipped between such countries.

Indonesian Government implements the ASEAN Trade In Goods Agreement (ATIGA) since 1 January 2010. This scheme is intended to increase inter-ASEAN trade by reducing duty rates on most goods to 0% import duty.

**Import duty relief/exemption/deferral**

The Indonesian Government offers import duty relief, exemption, and/or deferral concessions to foreign and/or domestic investors in order to promote the development of local and export-oriented industries. This concession usually combined with other tax facilities such as VAT and income tax. Certain entities that import goods related to Research and Development (R&D) activities can also be granted with import duty and/or excise exemptions.

## Export duty

Export duty can be calculated based on a certain percentage of customs value (ad valorem) or specifically based on duty rate/quantity in a certain currency. Customs value is determined by the Director General of Customs and Excise in accordance with the price benchmark set by Minister of Trade.

| Group | Goods | Rate (%) |
|---|---|---|
| Leather and wood | Leather made from certain furry animals, veneer, chip wood, processed wood | 2% to 25% |
| Cocoa beans | | 0% to 7.5% |
| Palm fruit, Crude Palm Oil (CPO) and its derivative products | Fresh fruit bars, CPO, Crude Palm Kernel Oil (CPKO), hydrogenated CPO/CPKO, Palm Fatty Acid Distillates (PFAD), biodiesel | USD0 to USD431 / Metrics Ton |
| Refined mineral products | Certain metals | 5% to 7.5% |
| Certain mineral products | Certain nickel and bauxite | 10% |
| Pine resin | | 25% |
| Gold products | Doré, granules, lumps, ingot, cast bars, minted bars | 7.5 to 15% |

## Excise

Excise is imposed on certain goods for which distribution and consumption needs to be controlled due to their potential negative effect on society. Currently, goods subject to excise are alcoholic products and tobacco products.

| Group | Rate |
|---|---|
| Ethyl alcohol | IDR20,000/litre |
| Alcoholic drink | IDR16,500/litre to IDR152,000/litres |
| Ethyl alcohol concentrate | IDR1,000/gram or IDR228,000/litre |
| Tobacco products | IDR10 to IDR110,000/stick or gram or millilitre for certain tobacco products |

## Import duty incentives

**Masterlist facility**

The Indonesia Investment Coordinating Board may also provide import duty exemption through the issuance of a Masterlist facility for importing machinery and raw materials. An importer can also obtain an exemption from VAT, LST, and/or Article 22 Income Tax by applying to the DGT for approval.

## 6.8 Other taxes

### Land and building tax

Land and building tax (Pajak Bumi dan Bangunan/PBB) is a tax on property chargeable on all land and/or buildings, unless exempted. Each regional Government has to issue a regulation (Peraturan Daerah/PERDA) to regulate PBB in its territory.

The scope of PBB under Central Government and the Regional Government (Hubungan Keuangan antara Pemerintah Pusat dan Pemerintahan Daerah/HKPD) Law covers all land and building except for the following industries, such as forestry, plantation, mining, and other industries located in national waters outside the territory of regional area, which are governed by separate regulations.

Under HKPD Law, the PBB rate is maximum 0.5% and the tax due is calculated by applying the tax rate on a certain percentage of NJOP (ranging from 20% to 100%) deducted by non-taxable NJOP. Any changes are to be made by issuing a PERDA. The non taxable NJOP is set at IDR10 million at the minimum. In the event that a taxpayer owns or controls more than one PBB object in one area, the nontaxable NJOP is only given to one PBB object for each fiscal year.

### Tax on land and building transfer

A transfer of rights to land and building will give rise to income tax on the deemed gain on the transfer/sale to be charged to the transferor (seller). The tax is set at 2.5% of the gross transfer value (tax base). However, for transfers of simple houses and simple apartments conducted by taxpayers engaged in a property development business, the tax rate is 1%. This tax must be paid by the time the rights to land and building are transferred to the transferee. All the tax paid constitutes a final tax.

## Duty on the acquisition of land and building rights

A transfer of land and building rights will typically also give rise to duty on the acquisition of land and building rights (Bea Pengalihan Hak atas Tanah dan Bangunan/BPHTB) liability for the party receiving or obtaining the rights.

BPHTB is based on the Tax Object Acquisition Value (Nilai Perolehan Objek Pajak/NPOP), which in most cases is the higher of the market (transaction) value or the NJOP of the land and building rights concerned. The tax due on a particular event is determined by applying the applicable duty rate of a maximum of 5% to the relevant NPOP, minus an allowable non-taxable threshold. The non-taxable threshold amount varies by region: the minimum is IDR80 million, except in the case of an inheritance, for which starts from IDR300 million.

## 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. Examples of documents subject to stamp duty are as follows:

a. Agreements, certificates, statement letters, or similar documents, and their copies.
b. Notarial deeds and grosse, and their copies and excerpts.
c. Deeds of a Land Deed Officer and their copies.
d. Securities in any form and name.
e. Securities transaction document.
f. Auction documents in the form of excerpts, minutes, copies and grosse.
g. Documents stating a sum of money above IDR5,000,000 which describe the receipt of money or contain an acknowledgement of debt payment or settlement, either entirely or partially.
h.. Documents to be used as instruments of evidence before a court.

### Consumption tax

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

## 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 no later than three months before the beginning of the USD accounting year.commencing USD book-keeping.

The use of a foreign language other than English and a foreign currency other than USD in a company's bookkeeping is prohibited. Irrespective of the currency and the language used, companies typically have to settle their tax liabilities in IDR (except for PSC companies) and file tax returns in Indonesian. For CIT, the assertions must be presented in USD side by side with IDR in the annual CITR.

## 6.10 Early Tax Refund

An early tax refund is available for taxpayers that meet certain criteria, as follows

**A. Golden Taxpayers**

An early tax refund is available for taxpayers that meet certain criteria, as follows

1. Submit tax returns in a timely manner;
2. Have no tax arrears for all types of taxes, except tax arrears which have obtained a permit to pay tax in instalments or that have been audited;
3. Financial Statement audited by a public accountant or the audit board with an Unqualified Opinion for three consecutive years; and
4. Never have been convicted of a tax crime in the last five years.

**B. Taxpayers with low refund values**

An early tax refund is available for taxpayers that meet certain criteria, as follows

1) Individuals that do not have any business or freelance activity that apply for an income tax refund in their AITR;
2) Individuals that have business or freelance activities that apply for income tax refund in their AITR of a maximum of IDR100 million;
3) Companies that apply for an income tax refund in their AITR of a maximum of IDR1 billion; or
4) PKPs that apply for VAT refund in their VAT Return of a maximum of IDR5 billion.

**C. Low-risk PKPs**

Companies that engage in the following business activities are considered as low-risk PKPs:

1) Export activities;
2) Delivering VATable goods and/or services to a VAT Collector; and/or
3) Delivering VATable goods and/or services for which VAT is not collected.

A preliminary tax refund is requested by way of ticking the refund box in the relevant tax return. If the approved tax refund amount is different from the requested amount, the taxpayer can re-apply using a separate letter submitted through the DGT electronic system. The DGT will conduct a formal and/or material examination on all applicants.

## 6.11 Tax Audits and Tax Assessments

An early tax refund is available for taxpayers that meet certain criteria, as follows

### Tax audits

Indonesia uses a self-assessment system under which taxpayers are required to calculate, pay, and report their tax liabilities in accordance with prevailing tax laws and regulations. Therefore, The DGT may conduct a tax audit to test this self-assessment compliance with the tax obligations and issue tax assessment as a result of tax audit.

**Types of tax audit**

The tax audit of a company may cover only a particular tax or all taxes for a particular tax period (a tax month) or tax year. It may be conducted at the company's premises, at the DGT offices, or at both.

**Conditions triggering a tax audit**

Most tax refund request will trigger a tax audit, except for taxpayers eligible for early tax refunds (see pages 100-101). Due to the requirement for the DGT to decide on a refund request within 12 months, a tax audit will typically begin from a few weeks to several months from the refund request date. A CIT refund request will normally trigger a complete tax audit covering all taxes. A refund request of any other tax will normally trigger a tax audit covering only one particular tax. The DGT will likely broaden the tax audit scope to include other taxes.

Other than that event, DGT may also set other criteria to select tax audit target based on risk analysis. This situation is getting more and more common following the implementation of Core Tax system.

Special tax audit may be conducted for certain purposes and will be subject to different timeline and procedures from the general tax audit.

**One-month rule**

Taxpayers being audited are required to provide documents and information requested by the tax auditors within a month of the request date. Failure to provide the documents or information within a month may prompt the DGT to determine the tax liabilities on a deemed profit basis. Where documents and information are not supplied within the one month period, they cannot be used later by the taxpayer to dispute the amount of tax assessed.

As an exception, the following documents can be submitted until before the closing conference document is signed:

- Documents requested by tax auditor that have not been obtained by the taxpayer from the third parties;
- Documents other than the ones requested by the tax auditor.

**Closing conference**

As part of the tax audit process, the tax auditor must provide a list of temporary findings and discuss it with the taxpayer. At the end of a tax audit, the tax auditors will provide the taxpayer with a written notification of the final tax audit findings to which the taxpayer must respond in writing if there is a disagreement. The taxpayer may then reassert its position with regard to the tax audit corrections and present the relevant supporting documents in the closing conference discussion.

If there is still a dispute surrounding a legal basis of an adjustment during the discussion of the tax audit findings, the taxpayer may request a discussion with the Quality Assurance Team (QAT) appointed by the Regional Tax Office or the Directorate of Tax Audit and Collection.

The tax auditors may change some of the suggested corrections in light of the taxpayer's response to the tax audit findings notification, the discussion result with the QAT, and the closing conference discussion.

The results of the final discussion are then summarized in a closing conference document that is signed by the tax auditors and the taxpayer. The taxpayer will have to state Agree or Disagree to each of the proposed corrections in the document. The corrections agreed to in the closing conference document will constitute a basis for the minimum amount the taxpayer must pay of the tax assessment issued based on the document. The disagreed portion has not become a tax arrears until the issuance of the Objection Decision or Tax Court Decision if the taxpayer files for Objection or Appeal respectively.

**Products of a tax audit**

The legal products of a tax audit consist mainly of Tax Assessment Letters (Surat Ketetapan Pajak/SKP) as mentioned above and Tax Collection Letters (Surat Tagihan Pajak/STP), which must be based on the closing conference document. An STP typically serves as a legal instrument to collect administrative tax sanctions not covered in an SKP. In certain other situations, it may also be used by the DGT to collect tax due in a particular tax period (month) within the current year and the interest penalty on this.

## Tax assessments

An SKP applies only to one specific tax for one particular tax period or year and typically takes into account the following factors:

- The tax due;
- The applicable tax credits;
- The resulting balance between the tax due and the tax credits (overpaid, nil or underpaid);
- The administrative penalty (interest or a surcharge).

**Types of tax assessment letters**

The name of an SKP refers to the resulting balance between the tax due and the tax credits. Accordingly, there are three types of SKPs:

- Overpaid Tax Assessment Letter (Surat Ketetapan Pajak Lebih Bayar/SKPLB) if the tax due is less than the taxcredit amount;
- Underpaid Tax Assessment Letter (Surat Ketetapan Pajak Kurang Bayar/SKPKB) if the tax due exceeds the tax credit amount;
- Nil Tax Assessment Letter (Surat Ketetapan Pajak Nihil/SKPN) if the tax due amount is equal to the tax credit amount.

If an SKPKB is issued, this may include administrative penalties in the form of interest based on the applicable MoF Interest Rate, plus a surcharge for a maximum of 24 months, or a 75% surcharge.

Which penalties are applicable will depend on the type of wrongdoing the taxpayer has committed. The penalty amounts are determined by the application of the relevant rate to the underpaid tax amounts. Specific on VAT assessment, if the penalty may result in the application of multiple administrative sanction, the DGT will only apply sanction that has the highest value.

**Payments of tax assessment**

Tax due based on an SKP must be paid within one month after the issuance of the relevant SKP. If the taxpayer does not pay the tax due and not apply for an Objection, the tax due will be collected using a Distress Warrant.

## 6.12 Tax Dispute and Resolution

A tax dispute between a taxpayer and the DGT will typically arise following the issuance of an SKP by the DGT which the taxpayer disputes. An SKPKB, an SKPKBT, and an STP constitute legal tax collection instruments on the basis of which the DGT may issue a Distress Warrant if the taxpayer fails to settle the underpaid tax on time.

The ways available to resolve such tax disputes are as follows:

### Tax objection

A taxpayer who does not agree with an SKP can submit an Objection (Keberatan) to the DGT within three months of the date of issue of the SKP. The Objection must state the amount the taxpayer has calculated as the tax due and set out the reasons for its disagreement with the DGT tax assessment.

The DGT has to issue a decision on the tax objection within 12 months of the filing date of the Objection. If no decision is issued by the DGT within 12 months, the Objection is automatically deemed approved by the DGT.

If the Objection is rejected by the DGT, any underpayment is subject to a surcharge of 30%. However, the underpaid tax and the surcharge are not payable if the taxpayer files an Appeal with the Tax Court in respect of the Objection Decision.

An Objection may also be filed by a taxpayer with the DGT office with respect to tax withheld by a third party. The same time limits on filing the Objection and for the DGT's decision apply to this type of Objection.

## Tax appeal

A taxpayer who does not accept the DGT's Objection Decision can file an Appeal (Banding) with the Tax Court within three months of the receipt of the DGT Objection.

To the extent that the DGT Objection Decision calls for a payment of tax due, according to the Tax Court Law, at least 50% of the tax due must be settled before filing the Appeal.

The Tax Court will typically have to decide on an Appeal within 12 months. Any underpaid tax resulting from the Tax Court Decision is subject to a surcharge of 60%.

## Other avenues for tax dispute resolution

The DGT, following a taxpayer's Correction Request, or by virtue of its official position (ex-officio), may correct or cancel an SKP, an STP, or their derivatives issued on the basis of those letters. The derivatives include, among others:

- Objection Decision Letters;
- Decision Letters on the Reduction or Cancellation of Administrative Sanctions;
- Decision Letters on the Reduction or Cancellation of Tax Assessment;
- Decision Letters on an Early Refund of Overpaid Tax.

The DGT must issue a decision on a Correction Request within six months of the date of filing. If no decision is issued by the DGT within six months, the Correction Request is automatically deemed to have been approved by the DGT.

Taxpayers who do not (fully) accept the DGT Decision on a Correction Request can file a Lawsuit (Gugatan) with the Tax Court within 30 days of the receipt of the DGT Decision. A Lawsuit against the DGT can also be filed with the Tax Court for the execution of Distress Warrant. In this case, the Lawsuit must be filed no later than 14 days after the execution date.

The Tax Court must decide on a Lawsuit within six months.

## Judicial review request to the Supreme Court

A Tax Court Decision is considered to be a final decision with full legal force. However, the parties involved in a tax dispute may file a Judicial Review Request (Peninjauan Kembali/PK) on a Tax Court Decision with the Supreme Court. This can be done only if any of the following conditions prevail:

A Tax Court Decision is considered to be a final decision with full legal force. However, the parties involved in a tax dispute may file a Judicial Review Request (Peninjauan Kembali/PK) on a Tax Court Decision with the Supreme Court. This can be done only if any of the following conditions prevail:

1) The Decision has been based on a perjury, a deception, or false evidence on the part of the opposing party;
2) A piece of important written evidence is found which, had it been considered previously, would have led to a different Decision;
3) Some part of the claim has been ignored without reason;
4) Something which was not demanded was granted;
5) The Decision is clearly inconsistent with prevailing tax regulations.

A Judicial Review Request must be filed with the Supreme Court within an allowable request time limit. For conditions 1 and 2, the time limit is three months after the condition is identified. For conditions 3, 4 and 5, the time limit is three months after the Tax Court decision.

Any underpaid tax resulting from the Supreme Court Decision is subject to a surcharge of 60%.

# 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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