October 2018

DOING BUSINESS
IN INDONESIA

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This publication, one of many titles in the "RSM Doing Business In" series, has been written to provide you with a broad overview of issues relevant to undertaking business activities in Indonesia.

It will also introduce you to our Indonesia member firm, whose experience and connections will help to ensure that your business can take advantage of every opportunity to become success in Indonesia.

CONTENTS

GENERAL INTRODUCTION

Indonesia in Brief

Demographics

Indonesia is the 4th most populous nation in the world. Apart from its remarkable fiscal and political transformations during the last decade, Indonesia is also under going a major structural shift in terms of demographics. This provides for dynamic labour market participation, growing at 3.1 million per year. The percentage of productive age group in 2025-2035 would dominate the population. A rapidly urbanizing population also provides for strategic pools of labour force in centres of investment.

Indonesia is the largest island country in the world by the number of islands, with more than 17,000 islands.

Population[1]	
2017	2020 Est.
261,890,900	271,066,400

Total Area	Land Area	Sea Area
1,904,569 km	1,812,197 km	92,371 km

The country shares land borders with Papua New Guinea, East Timor, and the Malaysian Borneo. Other neighbouring countries include Singapore, the Philippines, Australia, Palau, and the Indian territory of the Andaman and Nicobar Islands.

Government

The philosophy of the state is Pancasila and the five principal beliefs are One Supreme God, Humanity, Unity, Democracy, and Social Justice. Indonesia is a republic under the 1945 Constitution.

As in other democratic countries, Indonesia applies the Trias Politica that recognizes the separation of the legislative, executive and judicial bodies. The executive institution is centralized under the president, vice president, and the cabinet of ministers. The cabinet is a presidential cabinet in which the ministers report to the president and do not represent the political parties.

The legislative authority is under the People's Consultative Assembly (MPR) that consists of two bodies namely the Parliament composing of members of political parties and the Regional Representative Council (DPD) composing of representatives from each province in Indonesia.

The People's Consultative Assembly (MPR) is the highest state institution. Upon the Amendment of the 1945 Constitution, the membership of the MPR starting the period of 1999-2004, was amended to include not only the members of the parliament (DPR) but also the members of the DPD. Formerly the MPR consisted of the parliament members and group representatives.

Indonesia is the third largest democracy in the world after India and the United States.

1) Source: Statistic Indonesia

Inflation by Expenditure Groups in % [2]	2012	2013	2014	2015	2016	2017	Q1-2018
Food Stuff	5.68	11.35	10.57	4.93	5.69	1.26	2.62
Prepared Food	6.11	7.45	8.11	6.42	5.38	4.10	1.12
Housing	3.35	6.22	7.36	3.34	1.90	5.14	0.52
Clothing	4.67	0.52	3.08	3.43	3.05	3.92	1.21
Medical Care	2.91	3.70	5.71	5.32	3.92	2.99	0.90
Education	4.21	3.91	4.44	3.97	2.73	3.33	0.29
Transportation	2.20	15.36	12.14	-1.53	-0.72	4.23	0.02
General	4.30	8.38	8.36	3.35	3.02	3.61	0.99

A robust media and civil society, combined with direct and fair elections, are at the heart of Indonesia's political institutions.

Economic

Following a massive reduction in Indonesia's poverty rate in the last two decades, one in every five Indonesians now belongs to the middle-class group. Recently middle class counts at least 52 million people. Indonesia, already the largest economy in Southeast Asia, is projected to be the world's 7th largest economy by 2030.

The Indonesian economy advanced 5.06% year-on-year in the third quarter of 2017, following a 5.01% growth in the previous two periods but missing market expectations of 5.13%[3]. The expansion was driven by a rebound in government spending while fixed investment and private consumption continued to increase firmly and net trade contributed positively to growth. GDP Annual Growth Rate in Indonesia averaged 5.28% from 2000 until 2017.

Culture

Indonesia has a mix of various cultures and different social patterns. These differences have proven both beneficial and in some instances have caused social unrest. Indonesian people are very polite, friendly and ready to offer their hospitality. The typical decision making process as dictated by Indonesia's culture is done through what is called 'musyawarah dan mufakat'; that is mutual agreement and solidarity. Business decisions are sometimes also made based on 'musyawarah dan mufakat'.

2) Source: Ministry of Trade

3) Source: Trading Economics, http://www.tradingeconomics.com/indonesia/gdp-growth-annual

Tips on Business Culture[4]

- Most Indonesians consider outward displays of respect very important.
- Decision making frequently occurs through consensus. To attempt to force a decision will often have an adverse effect on negotiations.
- Meetings may not necessarily start on time, and mostly due to severe traffic condition (especially in Jakarta).
- RSVPs are frequently not answered, but this does not imply the guest will not come. In fact, for some invitations, you may find guests turn up with one or more friends unannounced.

  Indonesians will frequently not ask for clarification if unsure of a matter. Often they will respond with what they believe you want to hear. Moreover, 'Yes' can simply mean, 'Yes, I hear you' and not 'Yes, I agree'. Ensure that the message has been fully understood.
- Always have plenty of business cards, and treat other peoples' cards with respect when they are handed to you. Never give or offer your business card (or any items) with your left hand.
- Invitations to business functions often state lounge suit/batik. Long-sleeved batik shirts are regarded as formal wear, (i.e. equivalent to a dark business suit) and are frequently worn by both Indonesians and resident businessmen in Jakarta. Trousers, shirts and ties are common business attire. Women's business clothing is becoming dressier.
- Alcohol is not widely consumed. However, Indonesians generally tolerate alcohol consumption.
- When formally addressing letters to Indonesians all names should be written in full. With titles included in conversation the same name is often used in both formal and informal contexts.
- When presented with tea or coffee, always wait for your host or hostess to drink first. It is also considered polite to at least sample the food or drink offered.
- Avoid pointing, as this is considered to be rude.
- Avoid showing the soles of your feet when seated, as this is considered offensive, particularly if the soles of your feet face anyone in the room. Instead place your feet flat on the ground
- In business, the exchange of gifts is not widely practiced.

4) Austrade

TYPE OF BUSINESS ENTITIES

In Indonesia the classification of business organizations can be viewed based upon the types of ownership : private-owned entities, government owned entities and foreign enterprise entities.

Private-owned Entities

The private-owned entities, which are commonly established, include limited liability company, basic partnership, open partnership, limited partnership and cooperative.

Limited Liability Company (PT)

A limited liability or Perseroan Terbatas (PT) Company is an entity established by at least two parties, which must be drawn up in a notarial form approved by the Minister of Law & Human Rights. The Articles must then be published in Lembaran Berita Negara (the State Gazette).

This is the most usual business entity that is used by foreign investors, who establish a PT Company with foreign ownership, typically known as a PMA Company. The basic features of the PT are: (1) the liability of the shareholders are limited to the value of shares they have; (2) the company is managed by a board of directors which is supervised by a board of commissioners; (3) the voting rights of shareholders are based on one share one vote principle; (4) the board of directors and the board of commissioners are responsible to the shareholders' general meeting; (5) at least two independent founders (shareholders) are required to establish the company; and (6) joint and several liability of founders exists until the deed of establishment has been approved by the Minister of Law & Human Rights.

Basic Partnership

The basic partnership is a simple type of business organization which is formed by at least two parties, without any requirements to follow formal procedures or Government approval. It is usually used by lawyers, notaries, accountants, and other similar professionals. Although the assets can be held separately, each partner has limited authority to bind the others. In conducting business, each partner has equal and unlimited liability.

Open Partnership (Firma)

Open partnership or Firma is a specific form of basic partnership, which is commonly used by smaller trading and service enterprises. To establish a Firma, founders must draw up a partnership agreement in a notarial form, which is registered with the Ministry of Law & Human Rights.

In terms of asset management and liability, an open partnership is the same as a basic partnership. However, each partner may bind the partnership to third parties and give several liabilities to some partners.

Limited Partnership (CV)

An extended form of open partnership is a limited partnership. This organization has one or more silent partners which are not involved in management of the organization. As with other partnerships, a limited partnership allows partners to hold the assets separately. Management must be executed by active partners with unlimited liability. The silent partner has limited liability according to their capital contribution.

Cooperative (Koperasi)

Article 3 of the 1945 Constitution of the Republic of Indonesia states that cooperatives shall have an important role in Indonesia's economy and development. A cooperative is a type of business established and executed by its members where all of its income will be used for the members' welfare. In the establishment of the cooperative, the articles of association should be approved and validated by the head of the Regional Cooperative Office. The cooperative is then supervised by the government agency.

Other characteristics of cooperative are: (1) the liability of the members is limited to the amount of their contribution capital, (2) every member has one vote in the annual members' general meeting, (3) the cooperative is managed by a board of executives and supervised by a board of supervisors who are responsible to the annual members' general meeting.

Government-owned Entities

It should be noted that the major forms of government-owned entities are Perusahaan Perseroan or Persero (state-owned enterprise), Perusahaan Daerah (regional-owned enterprise) and Perusahaan Umum or Perum (public enterprise).

State-owned Enterprise (BUMN)

A BUMN is formed and majority owned by the Indonesia Government (central government), which involves the pertinent technical Ministry and Ministry of Finance according to the Commercial Code. Basically, the features of the BUMN are the same as a PT in the private sector.

Regional-owned Enterprise (BUMD)

The BUMD is established by the local government. The establishment should be approved by the Governor and legalized by the Ministry of Internal Affairs. The main characteristics of the BUMD are that it is a separate legal entity, usually small or medium-sized corporation, controlled by the local government.

Public Enterprise (Perum)

Perum is formed by the central government to provide services on public utilities such as electricity, post and telecommunications, etc. Technically, it is supervised by the relevant technical Ministry and its operation is controlled by the Ministry of Finance. The main characteristic of Perum is that it specially operates public utilities for the community, and it is not a profit enterprise.

Foreign Enterprise Entities

The common business forms established by foreign investors in Indonesia are (1) foreign joint venture company, (2) branch of a foreign company, and (3) representative office.

Foreign Joint Venture Company (PMA)

A PMA Company is a PT Company that is established by foreign investors. It may also involve Indonesian investors. The joint venture partners may be legal entities (corporations) or individual persons.

PMA (Penanaman Modal Asing) means foreign investment capital. As a PT Company, the PMA Company is also subject to the Company Law. The minimum Issued & Paid Up Capital for a PMA Company is IDR 2.5 billion whilst the minimum planned investment is IDR 10 billion) per Line of Business.

Branch of Foreign Company

Foreign companies are permitted to open branch offices under certain limited conditions.

Production-Sharing Contracts (PSC) are a form of branch office operation in the oil & gas sector. The PSC is a business agreement between the Government and a foreign company (or an Indonesian company) to explore for oil and gas where all revenues will be distributed to the Government and contractor in accordance with the agreement. Other forms of participation in the oil and gas sector are technical assistance contracts and joint operation agreements.

Representative Office

The Government allows foreign companies to open a representative office in Indonesia. In general, the application will be submitted for approval to the Capital Investment Coordinating Board (BKPM) or Online Single Submission (OSS) system, depending on how quickly the administration for these applications transitions from BKPM to the OSS following the implementation of the OSS system in July 2018.

There are 4 types of representative office:
- Foreign Company / Investment Representative Office (KPPA)
- Foreign Trade Representative Office (KP3A)
- Foreign Construction Services Representative Office (BUJKA)
- Oil & Gas Representative Office (KPPA Migas)

A Foreign Investment Representative Office (KPPA) is permitted to investigate or supervise the foreign company/group's investment activities in Indonesia. It is not permitted to manage any company in Indonesia or to generate income from Indonesia.

A Foreign Trade Representative Office (KP3A) is licensed to undertake intermediary activities, handling promotional activities, and gathering information for the head office abroad. It may not perform operational business or trading activities such as accepting orders, bidding for tenders, signing contracts, importing, exporting, and distributing.

A Foreign Construction Services Representative Office (BUJKA) is allowed to engage in construction and construction consulting activities by entering a joint operation agreement on a project-by-project basis with an Indonesian entity as its partner.

An Oil & Gas Representative Office (KPPA Migas) is intended to investigate investment opportunities in the oil & gas sector.

The representative of all of these representative offices may be an Indonesian individual or a foreign citizen. The license for all Representatives Offices are generally valid up to 3 years (with renewal possible), with the exception of Foreign Trade Representative Office. The license for a Foreign Trade Representative Office is for an initial period of 1 year that can then be renewed for up to 3 years.

FOREIGN EXCHANGE CONTROLS

There are limitations on the ability to transfer/bring Rupiah into or outside Indonesia. There are, however, no exchange controls on foreign currency in the Indonesian banking system and accordingly, investors may freely transfer foreign currency funds to / from abroad. Repatriation of profits, costs related to expatriate employment, expenses (including loan principal and interest, royalty and technical fees) and capital are also permitted.

No prior permits are necessary to transfer foreign exchange. In addition, there are no restrictions on outward direct investment. However there is a reporting requirement to Bank Indonesia by the banking intermediary where funds transferred exceed US$10,000 or if more than US$ 100,000 of US$ or equivalent is purchased or sold during a month. The purpose of the second threshold is to avoid currency speculation.

Indonesia has limited foreign exchange controls. The rupiah has been, and in general is, freely convertible within or from Indonesia. However, to maintain the stability of the rupiah and to prevent the utilisation of the rupiah for speculative purposes by non-residents, Bank Indonesia has introduced regulations to restrict the movement of rupiah from banks within Indonesia to offshore banks, an offshore branch of an Indonesian bank, or any investment denominated in rupiah by foreign parties and/or Indonesian parties domiciled or permanently residing outside Indonesia, thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all people and legal entities that are domiciled, or who plan to be domiciled, in Indonesia for at least one year.

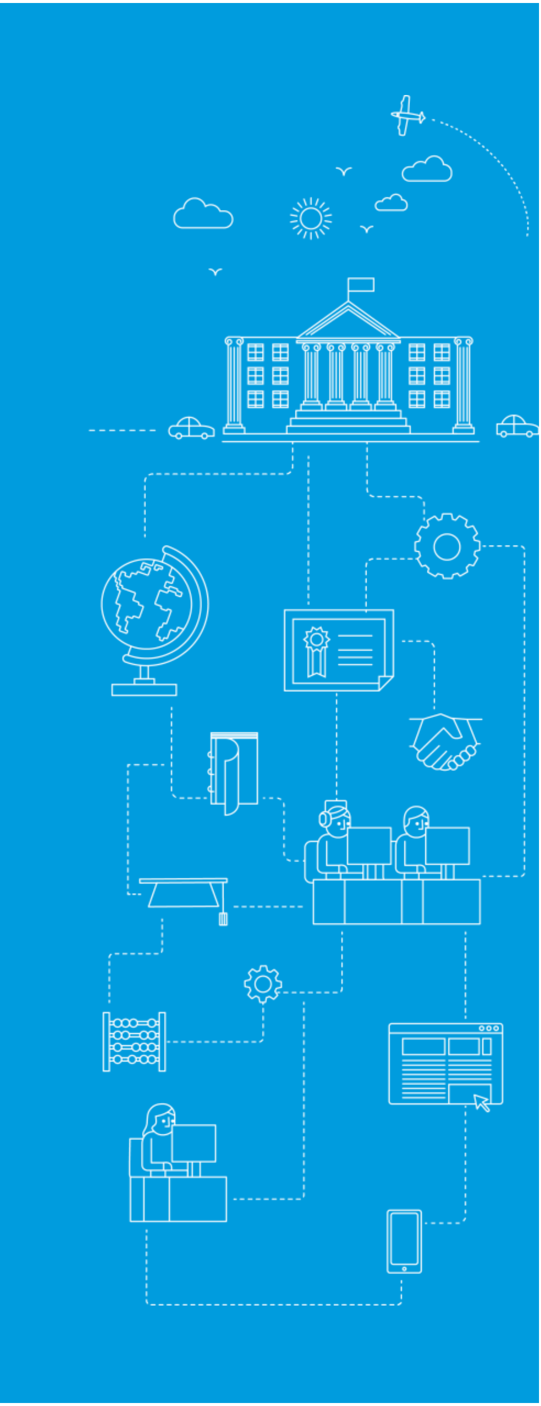
Bank Indonesia Regulation No. 16/22/PBI/2014 on Foreign Exchange Reporting and Reporting of Implementation of Prudential Principles in the Management of Non-Bank Offshore Loans (PBI 16/22) requires bank institutions, non-bank financial institutions, non-financial institutions, state/regional-owned companies, private companies, business entities and individuals to submit a report to Bank Indonesia on their foreign exchange activities. The report have to include:

- Trade activities in goods, services and other transactions between residents and non-residents of Indonesia
- The position and changes in the balance of foreign financial assets and/or foreign financial liabilities
- Any plan to incur foreign debt and/or its implementation

Indonesian companies are required to submit a foreign exchange report for any activities stipulated under PBI 16/22, to

Bank Indonesia, by no later than the fifteenth day of the subsequent month. Any plan to obtain an offshore loan is required to be submitted to Bank Indonesia by no later than 15 March of the respective year when the plan is formulated by the company. In the event there is a change to the company's plan to obtain an offshore loan, an amendment to such report must be submitted to Bank Indonesia by no later than 1 July of the year of such change.

Effective 1 July 2015, transactions within Indonesia (excluding transactions with foreign parties) shall be denominated and settled in Rupiah. Penalties apply for failure to comply or for refusing to accept Rupiah.



TAXATION

The Indonesian income tax structure is based on a self-assessment system and combines a series of withholding taxes on day to day business dealings with a broad-based value added tax on revenues. The taxation system in Indonesia has been through extensive revision and modernization with the latest amendments (re: Value Added Tax) effective from 1 April 2010.

The principal taxes can be classified into three broad areas:

1. State (national) Taxes (i.e. determined at a national level, although actual collection and/or budgetary allocation might occur at a local level);
   This type of tax includes income tax, valued added tax, sales tax on luxury goods, stamp tax, property tax (on land and buildings).

2. Regional Taxes;
   This type of tax includes entertainment restaurant tax, non metallic mineral and rock tax, Street Lighting Tax, land and building tax, Tax on Acquisition of Land and Building.motor vehicle tax, road tax, advertisement tax, etc.

3. Custom and Excise Taxes;
   This type of tax includes export tax, import duty, and special taxes on tobacco, sugar, alcohol and gasoline.

Income Tax Concept of Income Taxation

Tax residents of Indonesia are taxed on their worldwide income, irrespective of whether the income is remitted to Indonesia or not, with a credit for tax paid offshore in accordance with both Agreements on the Prevention of Double Taxation ("DTA") and where there are no agreements. The definition of income according to Indonesian law is very broad and generally relates to any increase in economic prosperity received or accrued by a taxpayer whether originating from inside or outside Indonesia. The definition applies equally to both individuals and businesses operating via corporate entities. In this regard corporate entities are classified as "Badan". Badan are defined as including permanent establishments, foundations and other Indonesian legal structures.

Income Subject to Taxation

Income is defined as worldwide income of individuals or corporate entities and would include the following income sources:

1. Wages and salaries
2. Commissions
3. Bonuses
4. Pensions
5. Compensation for work performed
6. Lottery prizes and awards
7. Interest
8. Capital gains on property
9. Dividends
10. Royalties
11. Foreign exchange gains
12. Insurance and reinsurance premiums
13. Rents and compensation received in connection with the use of assets
14. Refunds of tax payments
15. Gain from revaluation of assets

Business Expense and Taxable Income

Subject to specific provisions regarding allowable expenses, taxable income is calculated on generally accepted accounting principles (and referring to Indonesian Accounting Standards) – that is, full accrual based accounting.

Deductions allowed against income in the determination of taxable income are broadly defined as costs incurred in earning, collecting and maintaining income. These costs include depreciation, amortization, lease payments, interest, royalties, service fees, employee remuneration, business insurance premiums, some intercompany charges, travel costs, and pension contributions to pension funds approved by the Minister of Finance.

In particular there are no tax deductions for the following expenses:

1. Distributions of profits (e.g. dividends)
2. Provisions to a reserve fund (e.g. provisions for doubtful debts or provisions for retirement) – in general these are only deductible when realised
3. Life, health and scholarship insurance premiums (unless included as assessable income for the employee)
4. Benefits in kind provided to employees. These include the provision of housing, home-leave travel, etc. (It should be noted that these non-deductible benefits are not assessable in the hands of the employees)
5. Gifts not related to business activities
6. Donations (unless to specified recipients)

7. Income tax payments
8. Costs incurred for the personal benefit of shareholders
9. Excessive compensation for work performed by shareholders or other parties with a special relationship to the taxpayer
10. Administrative sanctions in the form of interest, fines and similar as well as criminal sanctions related to implementation of the tax laws and regulations

Depreciation

Depreciable property is defined as tangible property owned and used in business or owned for the production, recovery and securing income with a useful life of more than one year. This may be depreciated using the straight-line or declining balance method, as follows:

- Category 1: 50% (declining balance) or 25% (straight-line) on assets with a useful life of four years (furniture/ equipment constructed of wood/ rattan; office equipment; computers, printers and scanners; special tools for related industries/services; motor vehicles for public transport; certain telecommunications equipment).
- Category 2: 25% (declining balance) or 12.5% (straight-line) on assets with a useful life of eight years (furniture and equipment constructed of metal; air conditioners; cars, buses, and lorries; containers; light industrial machinery; logging equipment; construction equipment; heavy vehicles for transport; warehousing and most telecommunications equipment).
- Category 3: 12.5% (declining balance) or 6.25% (straight-line) on assets with a useful life of 16 years (machinery for general mining other than oil and gas; machinery for textiles, chemicals and machine-building industries; heavy equipment, docks and vessels for transport; and assets not included in other categories).
- Category 4: 10% (declining balance) or 5% (straight-line) on assets with a useful life of 20 years (including heavy machinery for construction, locomotives, railway coaches, heavy vessels and docks).
- Building category: 5% (straight-line) on permanent buildings with a useful life of 20 years, or 10% (straight-line) on non-permanent buildings with a useful life of 10 years.

More comprehensive lists of the assets included in each category are set out in certain Minister of Finance (MoF) regulations for companies operating in oil and gas or mining industries under government contracts, and special facilities might apply to investment in remote locations.

Losses

Losses may be carried forward for a maximum of 5 fiscal years.

The 5 years period may be extended for up to 10 years under tax facilities available for investment in certain designated industries in particular areas.

Taxpayer Classification

Taxpayers are classified as:

1. Resident taxpayers
2. Non-Resident taxpayers

Resident Taxpayer

Any individual residing in Indonesia, present in Indonesia for more than 183 days in any 12 month period, or present in Indonesia within a fiscal year who intends to reside in Indonesia, will be classified as a resident of Indonesia. Resident taxpayers also include companies, partnerships and cooperatives that are domiciled or incorporated in Indonesia.

A foreign company can be considered a resident for tax purposes if they are considered to have a permanent establishment in Indonesia. Indonesian income tax legislation defines a permanent establishment as an "establishment regularly used to carry on business in Indonesia by an organization or enterprise not set up or domiciled in Indonesia."

Generally three characteristics mark a "permanent establishment" (PE):

- there must be a business activity;
- there has to be an establishment, a physical facility such as an office, or work site, or the provision of services in Indonesia for more than 60 days in any 12 month period; and
- the activities have to be performed on a regular basis (it can in fact be assumed to be regular if the activity is performed twice).

It should be noted that the definition of a PE might be adjusted where a DTA exists between Indonesia and the country of tax domicile of the foreign company or enterprise.

For example, in many DTA a foreign company will not be deemed to have a PE in Indonesia if foreign staff are providing non-construction related services and are present in Indonesia for less than 90 days in any 12 month period. This is an extension to the abovementioned 60 days period.

As this area is complex it is recommended that professional advice is sought for each situation. If a foreign company is deemed to have a PE in Indonesia it will be liable to Indonesian taxation and withholding tax on the after-tax taxable profit.

Non-Resident Taxpayer

Taxpayers who do not reside in Indonesia and do not have a PE are not considered taxpayers for Indonesian tax purposes.

However, it should be noted that where a non-resident taxpayer receives income from activities in Indonesia, they may be liable for Indonesian withholding tax on the payment of this income. There is relief available under various DTA, however, effective 1 January, 2010, the non-resident must complete and provide a form (either Form DGT-1 or DGT-2) to confirm that:

- the non-resident is indeed a tax resident of the tax treaty country (or a traditional Certificate of Tax Residence/Domicile can be provided);
- they do not have a PE in Indonesia;

- if the income is related to interest, royalties or dividends then this income earned is beneficially owned by them; and
- that the relevant structure/ transaction is not created for the purposes of obtaining a benefit under the DTA (anti-treaty shopping).

Tax for Oil & Gas and Mining Industries

Certain contract based concessions are available in Indonesia. These include Production Sharing Contracts (PSCs) and Contract of Works (CoWs).

Companies engaged in upstream oil and gas and geothermal industries typically have to calculate Corporate Income Tax (CIT) in accordance with their PSCs.

In January 2017, the government introduced the "gross split" PSC regime to incentivize petroleum activities. A fundamental difference between the traditional PSC and this regime is that total gross production is split between the government and the contractor and consequently there is no allocation of production for first tranche petroleum, cost recovery or profit share, as in the traditional PSC.

Certain companies engaged in metal, mineral and coal mining are governed by a CoW for the CIT calculation. Different provisions may apply to them pertaining to corporate tax rates, deductible expenses and how taxable income is calculated. Such contract-based concessions are no longer available to new mining projects since the enactment of the Mining Law in 2009.

Under the 2009 Mining Law, a form of license (IUP) was introduced and the Law abolished the use of Kuasa Pertambangan (KP) or CoWs. However, an existing CoW continues to apply until the end of the contract. Existing KP concessions should be converted into IUP licenses to conform with the 2009 Mining Law.

Some key points of the 2009 Mining Law are:

- License: A form of license was introduced called a "Izin Usaha Pertambangan or IUP". An IUP may be issued by Regional, Provincial or Central Governments. Tax regulations follow the general tax rules.
- Tender requirements: a mining business license ("Wilayah Usaha Pertambangan or WIUP") must be issued through a tender. The winner will be awarded the IUP.
- State Reserve Area (IUPK): the Government has the right to determine certain areas to be IUPK.
- Foreign ownership: IUP or IUPK can be awarded to Indonesian legal entities. Foreign ownership is possible subject to the BKPM provisions. This is unlike the old regime where KPs could not be owned by foreign investors. In general, though, foreign ownership is limited to 49%.
- Terms and sizes of IUP: Terms and sizes of IUP are determined for exploration and production for both coal and metals mining.
- Royalties: Holders of IUP/IUPK are required to pay certain percentage-

based royalties to the government. An additional royalty is imposed on an IUP/IUPK of 5% of total sales.

- Processing: In principle most ore are required to be processed in Indonesia.

On 1 August 2018, the President of Indonesia signed the Government Regulation ("Peraturan Pemerintah") no. 37 year 2018 ("PP-37") on the basis of Article 31D of the Income Tax Law, to regulate treatment of Taxation and Non-Taxation State Revenue (Penerimaan Negara Bukan Pajak, "PNBP") in the Mineral Mining Sector.

PP-37 sets the tone that the *lex specialis* tax clauses would no longer be recognized for the new licences issued – the prevailing income tax regulations should apply in general. However, certain exceptions exist which are not as per the general tax rules. For example, PP-37 stipulates that in determining the gross income of mining production, the amount subject to tax should be based on the higher of actual price or market price, unless the actual price is not more than 3% lower than the market price or the market price is unavailable. This is seen as a deviation from general tax principles and general accounting treatment for revenue recognition.

Special rules are stipulated under PP-37 for a Special Mining Business Licence for "Production Operations" ("IUPK-OP") issued up to 31 December 2019, in modifying certain treatment of corporate income tax, providing terms for other taxes / PNBP obligations and administrative requirements.

From the overview of PP-37, there are concerns that the payments to the central and regional government for their regulated share of mining are being regarded as 'profit sharing' and hence non-deductible, which is seen as not aligning with the general tax principles. Mining companies with CoW provisions have concerns also whether the withholding tax provisions should follow the general tax regulations or the provisions of the CoW (this has been disputed by the tax office for many years). It is also noted that the application of maximum 5 years tax loss carry forward provision may not be sufficient to compensate the significant preliminary investment in mineral mining activities.

PP-37 is seen as a step forward in building a sector-relevant tax framework for mineral miners, however, the government may still need to consider the need for bespoke tax reliefs / incentives to attract new investors.

Transfer Pricing

Indonesia is following the OECD countries and is focussing more attention on transfer pricing.

Under Article 18(3) of the Income Tax Law, the Director-General of Taxation has the authority to re-determine income and deductions between related parties and to ensure that the transactions reflect the prices and conditions that would have been made between independent parties. The provision also presents the various methods that could be used in computing such arm's length prices.

Related parties are deemed to exist in the following circumstances:

Criteria	Threshold Amount
Gross revenue in the preceding tax year	Exceeding IDR 50 billion
Tangible goods transactions in the preceding tax year	Exceeding IDR 20 billion
Services, royalties, interest or other transactions in the preceding tax year	Exceeding IDR 5 billion
Related party transactions with an affiliated party located in a jurisdiction with a tax rate lower than that in Indonesia	Any value

- Where a taxpayer directly or indirectly participates in 25% or more of the capital of another taxpayer, or where a company participates in 25% or more of the capital of two taxpayers, in which case the latter two taxpayers are also considered to be related
- Where a taxpayer directly or indirectly controls another taxpayer or there are two or more taxpayers under common control
- Where there is a family relationship by blood or marriage

The annual corporate tax return now requires the disclosure of the types of transactions, the value of the transaction, the transfer price and the pricing method used to determine the transfer price.

The disclosure requirements include formal confirmation of the issues that have been considered by the taxpayer in relation to related party transactions.

The Indonesian tax authorities have issued detailed transfer pricing guidelines, which, in principle, are in line with the OECD's approach. The Minister of Finance issued regulation No. 213/PMK.03/2016, effective from 30 December 2016, to implement the three-tiered approach to transfer pricing documentation to support the OECD's BEPS action 13 initiative. The three-tiered documentation approach refers to the master file, local file and country-by-country report (CbC Report).

Based on this regulation, taxpayers having related party transactions in the current year and meeting any one of the stipulated thresholds/conditions are required to prepare the master file and local file for the current year - please refer to above table.

In other cases, the taxpayer is not required to prepare full transfer pricing documentation but must still conduct its related party transactions in accordance with arms-length principles and, presumably, be able to show how the pricing did follow arms-length principles. At a minimum this will require formal agreements, invoices and evidence of the benefits obtained (e.g. where payments are made for services received).

A CbC Report might also be required depending on the global consolidated revenue of the group.

Thin Capitalisation

Commencing the 2016 Tax Year (e.g. from 1 January 2016 for December year-end companies) a tax deduction will only be granted for borrowing costs if the company's debt-equity ratio is no more than 4:1. If the ratio exceeds 4:1 then there will be a proportionate reduction to the amount of borrowing costs that can be claimed as a deductible expense (after also considering any transfer-pricing adjustments). The ratio applies to most companies with specific exclusions (e.g. banks, insurance, infrastructure, and those subject to government agreements such as mining contracts of work that have a specified debt-equity ratio).

The regulation defines debt, equity and borrowing costs. Borrowing costs include arrangement costs and guarantee fees – not just interest; debt includes interest-bearing trade payables, and equity includes retained earnings plus non-interest bearing loans from related parties. The ratio is calculated using the average month-end balances for debt and equity.

The implementing regulation issued in 2017 further regulated some loan or debts that are not allowed to be included in determining the ratio. Loans obtained from overseas must be reported in the annual Corporate Income Tax Return or no deduction is permitted for the related borrowing costs.

Income Tax Rates

The Income Tax Law applies to resident and non-resident taxpayers.

For resident taxpayers, the Indonesian income tax rate is applied progressively to the taxable income of both individuals and corporate bodies.

Income Tax Rates for Individuals

Annual Income	Tax Rate
Up to IDR 50,000,000	5%
IDR 50,000,001 to IDR 250,000,000	15%
IDR 250,000,001 to IDR 500,000,000	25%
Over IDR 500,000,000	30%

An allowance (deduction) for non-taxable income is available based on marital status and the number of dependents.

The allowance for non-taxable Income is determined based on the status of the individual at the beginning of the calendar year.

Annual Taxable Profit for Corporation

Annual Taxable Profit	Tax Rate
All taxable profit	25%

Where a foreign company is deemed to have a PE, then it will also be subject to this rate of tax and also withholding tax on the after-tax taxable profit.

Allowance for Non-Taxable Income (per 27 June 2016)

A dependent is a member of the family by blood or by marriage in the direct lineage, as well as adopted children who are fully supported by the individual. Please see table on the next page for details.

Individual Taxpayer Status	Annual Allowance (IDR)
Single with no dependents	54,000,000
Married with no dependents	58,500,000
Married with 1 dependent	63,000,000
Married with 2 dependents	67,500,000
Married with 3 dependents	72,000,000
Married with no dependents and with combined income	112,500,000
Married with 1 dependent and with combined income	117,000,000
Married with 2 dependents and with combined income	121,500,000
Married with 3 dependents and with combined income	126,000,000

Income Tax Facilities

Indonesia provides tax facilities for investments in certain designated Industries and designated industries in particular areas. Only domestic corporate taxpayers may qualify for these tax facilities (not PE).

The tax facilities provided are as follows:

- Investment allowance at 30% of the amount of the qualifying investment (in fixed assets), to be amortized equally over 5 years
- Accelerated depreciation (double the general rates of depreciation available under the Income Tax Law)
- Reduction in the rate of withholding tax (from 20% to 10%) for dividends payable to non-residents
- Extensions of tax loss carry forward periods from 5 to up to 10 years (the extension is based on specific criteria)

Indonesian incorporated companies (i.e. excluding PE) are also entitled to an "SME" tax break if their revenue is less than IDR 50 billion, as follows:

- Corporate taxpayer with revenue up to IDR 4.8 billion will receive a 50% reduction in the rate of tax applying to the taxable profit
- There is a pro rata reduction in the tax break for revenue greater than IDR 4.8 billion up to IDR 50 billion (using the ratio: IDR 4.8 billion/revenue = amount of taxable profit that will receive the 50% reduction in the rate of tax). Thus a company with revenue of IDR 4.8 billion will be subject to 12.5% tax on 10% of the taxable profit and 25% tax on the remaining 90% of taxable profit
- Income tax on business income earned by Taxpayers whose gross turn-over does not exceed IDR 4.8 billion per year; the entire taxable income is subject to tariff 50% out of the applicable corporate income tax rate

The abovementioned profits-based tax system was amended by Government Regulation no. 46 year 2013 (PP 46/2013)

that was effective on 1 July 2013.
PP 46/2013 was recently replaced by Government Regulation no. 23 year 2018 (PP23/2018) that was effective on 1 July 2018.

In accordance with PP23/2018 certain individuals and certain corporate taxpayers (including companies, but excluding PE) with gross turnover that does not exceed IDR 4.8 billion during the tax year are subject to a final tax of 0,5% of the gross turnover (i.e. whether there is a taxable profit or not). This final tax should be paid on a monthly basis based on the turnover for the previous month.

This final tax is not applicable for several types of income:

- Income that is already subject to other final tax (e.g. construction services)
- Income from independent services (e.g. income earned by lawyers, accountants, doctors)
- Overseas income
- Income that is excluded as a tax object

Compared to PP46/2013, a taxpayer can elect to not be subject to the final tax and instead be subject to the usual taxable profits-based calculation. This might be appropriate if tax losses are expected during start up (as these are lost if PP23/2018 is applied). However, once an election is made, it is not possible to return to the final tax regime in a future year.

PP23/2018 is intended to have temporary application. That is, taxpayers that use the final tax must transition to normal taxable profits-based tax within the following periods:

- For individual taxpayers – after 7 years
- For companies – after 3 years
- For open partnership, limited partnership and cooperatives - after 4 years

The period commences the later of the date that the taxpayer first registered for tax or 1 July 2018.

Tax Holiday

Indonesia does offer income tax holidays for investments in stipulated industries of IDR 500 billion or more. Refer page 39– Investing in Indonesia.

Withholding Taxes

Indonesian taxes are also collected via a system of withholding taxes. This system has been progressively widened. There are five types of withholding tax and these are detailed as follows:

1. Withholding tax under Article 22 of the Income Tax Law relates to import activities and other specified activities. With regard to imports, the taxpayer is required to pay 2.5% of the import value at the time of customs clearance if they hold an import licence (API) or 7.5% if they do not. Effective 6 January, 2014 the rate increases to 7.5% for the import of most consumer-type goods whether the importer has an API or not. A further revision occurred in September 2018 that increases the rate for certain consumer goods. This tax becomes a prepayment to be applied against the importer's year-end tax liability.

2. Withholding tax under Article 23 relates to payments made for a range of services performed within Indonesia. For example, if a local company uses a company that provides a service i.e. consulting, the payer is required to withhold tax at a predetermined rate and this tax becomes a prepayment to be applied against the service provider's year-end tax liability. This withholding tax also applies with respect to payments for rent of motor vehicles and non-property assets. The amount to be withheld will vary depending on the type of service or rental and therefore professional advice is recommended as to the amount to be withheld.

3. Article 21 Withholding Tax. The principle under this section is the same as under Article 23, however it refers to the payment of fees, salaries and wages to individuals (and also partnerships). An example of this is the payment of audit fees to a public accounting firm. Once withheld (and evidence provided) the tax is available as a credit against the recipient's year-end tax liability.

4. Article 26 Withholding Tax relates to the payment of funds to non-residents and includes interest, royalties, technical service fees, dividends, fees for services rendered, etc.

5. Final Taxes. Final withholding taxes are levied on certain classes of income. The taxes are calculated as a defined percentage of the gross payment. This tax is not a prepayment of income tax and cannot be credited against tax payable on other sources of income.

   The income subject to final tax is not subject to further tax at year end.

Failure to deduct the withholding tax and remit the funds to the State Treasury will generally result in the payer having to pay the tax that should have been withheld plus penalties.

It should be noted that under Articles 21, 22 and 23 the funds that are withheld/paid are prepayments of the year-end tax payment for the relevant taxpayer. If at year-end the tax withheld is in excess of the tax liability, any request for refund of the tax overpayment will result in a tax audit of the taxpayer's activities before the refund is granted.

Final Tax

Final tax has been regulated in relation to the following:

a. Transfer of title of land/building (on transfers by individual and corporation)
   - 2.5% of gross value (normal)
   - 1% on the transfer of low cost housing that is sold by a resident taxpayer whose core business is the transfer of land and buildings

b. Rent of land and buildings, and other payments related to the use of land and buildings, at the rate of 10%

c. Income from Construction and Construction Consulting Services are subject to Final Tax as follows:
   - 2% of gross income for construction contracting services which are performed by a services provider that has a small business qualifica-

tion (i.e. is qualified to undertake contracts of IDR 1 billion or less)

- 4% of gross income for construction contracting services which are performed by a services provider that does not have a business certification/qualification (known as a SBU)
- 3% of gross income for a construction contracting services which are performed by a services provider that has obtained a business certification/qualification (SBU)
- 4% of gross income for construction planning or supervision services which are performed by a services provider that has a business qualification (SBU)
- 6% of gross income for construction planning or supervision services which are performed by a services provider that does not have a business qualification

d. Income from shipping business

- 1.2% of gross income (resident taxpayer)
- 2.64% of gross income (non-resident taxpayer)

e. Securities traded on the Indonesian Stock Exchange

- 0.1% of gross transaction
- Additional 0.5% for founding shareholders/founder (at the time of Initial Public Offering, unless the founder wishes to have normal taxable income/tax calculations apply at a future time when the shares are sold)

f. Dividends received by individual taxpayers who are tax residents of Indonesia, at the rate of 10%

g. Interest income from the local bonds at the rate of 15%

h. Income subject to final income in accordance with PP 23/2018 (at the rate of 0.5%)

Tax Instalment

Under Article 25, taxpayers that are not subject to final taxes are required to prepay monthly instalments of income tax for the current tax year, based on the previous year's tax liability (after adjusting that year's taxable profit to exclude the impact of irregular income/expenses and then deducting credits for taxes withheld/paid under Articles 21, 22 and 23). These instalments are deducted from the gross year-end tax liability to determine the final amount of tax payable at year end.

Land and Building Tax

There is an annual tax on land, buildings, and permanent structures (Pajak Bumi dan Bangunan or "PBB"). Taxpayers are those who have "rights over the land" or possess or control the building or "obtain benefits from the land and buildings".

The calculation uses progressive tax rates based on the land and building's assessed values ("NJOP"), whereas the tax rates and NJOP value is determined by each Provincial Government (based on the Regional Tax and Retribution Law).

Although the rates are set by each Provincial Government, there is a cap to the rate which is set by the prevailing Law at 0.3%.

Land and Building Tax Rates, Jakarta (2014)

NJOP Value	Tax Rate
Up to IDR 199,999,999	0,01%
IDR 200,000,000 to IDR 2,000,000,000	0,10%
IDR 2,000,000,001 to IDR 10,000,000,000	0,20%
Over IDR 10,000,000,000	0,30%

Value Added Tax

Valued added tax (VAT) is rendered on the supply of most goods and services supplied in Indonesia. It is also payable on the import of capital goods and services into Indonesia and clients should seek specific advice as to their obligations in this area. Most goods and services are subject to VAT, although strategic goods and services (including "people's essentials" such as rice) are not subject to VAT.

The VAT rate currently is 10% and, by Government Regulation, it can be amended to a minimum 5% or a maximum of 15%.

Although the export of taxable goods is subject to VAT at 0% it is important to understand that most exported services (i.e. services provided for non-residents) are subject to 10% VAT unless the services are actually provided overseas (e.g. during the visit to the client's country). There are a limited variety of exported services that are subject to 0% VAT, as are exported intangibles (e.g. a royalty from licensing software to an overseas client).

Tax Obligation to be a VATable Taxpayer

Starting 1 January 2014, a taxpayer is only required to register for VAT and to charge VAT if they carry out deliveries of VATable goods and/or VATable services exceeding IDR 4.8 billion during a book year.

VAT paid on purchases can only be credited if the taxpayer has registered for VAT. Therefore if the taxpayer has not registered for VAT then any VAT on purchases will become a cost of the business.

VAT Invoice Serial Number

Once registered as a VATable Taxpayer, the taxpayer is required to issue VAT Invoice (Faktur Pajak) for any delivery of VATable goods and/or VATable services. Starting from April 2013, the serial number of Faktur Pajak must be obtained from the Tax Office and therefore the taxpayer is required to routinely submit letters to the Tax Office requesting additional serial numbers.

Commencing 1 July 2015 VATable Taxpayers are required to comply with the e-Faktur system that utilises a software application to allow the Tax Office to pre-validate VAT Invoices.

A VAT invoice is an instrument to levy VAT (for the seller) and to claim VAT credit (for the buyer). All VATable entrepreneurs are required to supply e-VAT invoices.

Entrepreneurs must first obtain an activation code and password and also request an electronic certificate, either from the Tax Office where they are registered or through the DGT website. The e-VAT invoices, including replacement and cancellation, must be generated via an electronic system designated by the DGT, denoted in IDR and signed electronically.

Indonesia does not have a VAT grouping concept. If a company has one or more branches situated in different tax office jurisdictions, the company can file a request for centralization of VAT payment and filing of the VAT return. The centralized payment and filing usually is undertaken by the main/head office, but can be done by an active branch, if certain criteria are met.

Other Indirect Taxes

There are a number of other indirect taxes to be considered including sales tax on luxury goods (the tax rate of sales on luxury goods is determined to a minimum 10% and a maximum 200%), stamp duty on certain documents, regional tax which is due on accommodation, restaurant and entertainment services.

Tax Administration

An employer is obligated to withhold, remit and report tax on income received by an employee in connection with employment.

Individuals who are resident in Indonesia for tax purposes are required to obtain a personal tax registration number (NPWP) and file an individual tax return, unless he or she receives net income below the non-taxable income threshold. To encourage historically low compliance, an employer is required to withhold at a higher rate of tax if the employee does not have an NPWP. The rate of tax is an additional 20% (e.g. at a rate of 36% for salary paid to an employee with annual salary exceeding Rp.500 million, rather than the usual 30%).

Corporate tax returns for the fiscal year ended 31 December must be filed by the following 30 April (or within four months after an alternate year-end date).

Personal tax returns for the fiscal year ended 31 December must be filed by the following 31 March or within three months after an alternate closing date. Any extension granted is usually for a maximum of two months. Any underpayment or late payment of the final tax liability is subject to an interest charge of 2% per month. Failure to respond to a request to lodge a tax return can lead to significant penalties.

Any request for a refund of tax previously withheld will automatically result in an audit of the taxpayer's affairs. A tax audit may also occur where the Tax Office considers that the taxpayer has incurred losses over a number of years or results are inconsistent with prior year's trading. The Tax Office has specific time to notify and conduct an audit. If after the conduct of the audit the taxpayer disagrees with the audit findings then the taxpayer may lodge an objection to the Director General of Taxation in respect of the assessment. The Tax Office has one year from the date of lodgement of the objection to finalize the matter.

Under the new Law on Tax Administration & General Procedures, for assessments raised in relation to tax years commencing 1 January, 2008, a taxpayer that wishes to object may elect to not pay any amounts assessed; however, they will be required to pay an additional 50% penalty if the objection is disallowed. If the objection is in favour of the taxpayer then any amount to be refunded will be with interest on the amount, which was previously over paid. If the taxpayer is still not satisfied with the decision then they may appeal to the Tax Court. This can be extremely time-consuming. If the taxpayer did not settle the taxes prior to the objection process then a penalty of 100% will apply if the Tax Court rules against the taxpayer.

Agreements for the Avoidance of Double Taxation

To avoid accidental double taxation on certain income such as profits, dividends, interests, fees, and royalties, Indonesia has signed agreements (tax treaties) with 68 countries (see table on page 30).

Withholding tax rates applied to income earned by residents of these countries may be reduced based on the provisions of the particular tax treaty. Indonesia has a reasonably broad tax treaty network, with the treaties generally following the OECD model treaty and containing OECD compliant exchange of information provisions.

Generally, for claiming DTA benefits, Indonesia requires that Certificates of Domicile, Form DGT-1 (or Form DGT-2 for certain income recipients) must be completed and filed with the Indonesian Tax Office through the Indonesian withholding tax agent. The form should be stamped by the tax authorities in the country of residence of the party who would like to make use of the DTA or together with an official Certificate of Domicile issued by these tax authorities.

Effective 1 August 2017, to claim DTA benefits, the overseas taxpayer is required to use the modified DGT-1 Form as introduced through DGT Regulation no. 10 year 2017. The modification of the new Form DGT-1 encompasses modification of the beneficial ownership test and a new set of general residency tests (applicable to all types of income from Indonesia).

The general residency tests (Part VI of modified Form DGT-1 number 5 to 10) are:

1. One of the principal purposes of the arrangements or transactions is NOT to obtain a benefit under the tax treaty contrary to the object and purpose of the DTA. This is the main question, which must be supported by the answers to the questions.

2. There are relevant economic motives or other valid reasons for the establishment of the foreign entity. The company must be able to demonstrate there are actual economic motives or other valid reasons for establishing the foreign entity.

3. The entity has its own management to conduct the business and such management has independent discretion. The company must be able to demonstrate the existence of managerial activities within the country of residence. It is critical that the key managerial activities are performed by personnel within that country, serving in managerial roles. It is also important that the management has a certain

level of discretion in making decisions pertaining to its business.

4. The entity has sufficient assets to conduct the business other than the assets generating income from Indonesia. This is in conjunction with the requirement of having active conduct of business. The company having active conduct of business must own sufficient operating assets which generate sufficient income to run the business. The company should not be solely dependent on the income from Indonesia.

5. The entity has sufficient and qualified personnel to conduct the business; There is no tax regulation that specifically indicates the minimum number of employees deemed to be sufficient for a company. It is important to ensure that the company is able to show that it has an adequate number of employees, who are able to conduct the business and are authorized to make the required decisions, rather than surrendering or outsourcing this managerial function to external parties. This fact should be supported by staff costs, as shown in its financial statements.

6. The entity has an active business activity other than receiving dividends, interest and/or royalties sourced from Indonesia. Similar to point (4) this is also in conjunction with the requirement of having active conduct of business. The company having active conduct of business must earn income in a form other than dividends, interest, and/or royalties from Indonesia.

Further, the set of beneficial ownership tests (Part VII of modified Form DGT-1 number 1 to 5) is as follows (this test only applies if the recipient receives dividends, interest or royalties from Indonesia:

1. The entity is not acting as an agent, nominee or conduit

2. The entity has controlling rights or disposal rights over the income, the assets and/or the rights that generate the income

3. No more than 50% of the entity's income is used to satisfy claims by other persons (other than ordinary operating costs or dividends)

4. The entity bears the risk on its own assets, capital and/or liabilities

5. The entity has no contracts which obliges the entity to transfer the income received to third parties

Effective 1 August 2017, a foreign entity that wishes to qualify for the reduced rates as stipulated in the DTA must ensure that it satisfies the tax residency test by ticking "Yes" to all boxes 5 to 10 under Part VI of modified Form DGT-1 (and also all boxes 1 to 5 – under Part VII of modified Form DGT-1, if the claiming of the DTA benefits requires beneficial ownership requirement to be satisfied).

Controlled Foreign Company (CFC) Provisions

A controlled foreign company (CFC) is a foreign company in which an Indonesian tax resident company or individual holds, either directly or indirectly, at least 50% of the total paid-in capital or voting rights (either alone or together with other Indonesian tax resident taxpayers). The CFC rules apply throughout the ownership chain, with the 50% threshold criterion applied at each level of subsidiary.

The CFC rules apply only to unlisted foreign companies. Indonesia does not have a white or black list of countries. If the CFC rules apply, and no dividends are declared or derived from the offshore company, the resident taxpayer must calculate and report the deemed dividend in its tax return.

For directly held CFCs, the deemed dividend is calculated based on the net after tax income of the CFC multiplied by the tax-payer's percentage shareholding.

For indirect CFCs, the tax base is the indirect CFC's net income after tax multiplied by the effective resident taxpayer must calculate and report the deemed dividend in its tax return.

For directly held CFCs, the deemed dividend is calculated based on the net after tax income of the CFC multiplied by the tax-payer's percentage shareholding.

For indirect CFCs, the tax base is the indirect CFC's net income after tax multiplied by the effective shareholding percentage of the direct CFC in the indirect CFC. If no actual dividends are declared and the Indonesian taxpayer fails to calculate and report the deemed dividend, the Minister of Finance is authorized to determine the relevant amount.

The dividend is deemed to be derived either in the fourth month following the deadline for filing the tax return in the foreign country, or seven months after the foreign company's tax year ends if the country does not have a specific tax filing deadline.

List of Countries with Double Taxation Avoidance Agreement with Indonesia		
1. Algeria	25. Democratic People's Republic of Korea	48. Slovakia
2. Australia	26. Republic of Korea	49. South Africa
3. Armenia	27. Kuwait	50. Spain
4. Austria	28. Laos	51. Sri Lanka
5. Bangladesh	29. Luxembourg	52. Sudan
6. Belgium	30. Malaysia	53. Suriname
7. Brunei Darussalam	31. Mexico	54. Sweden
8. Bulgaria	32. Mongolia	55. Switzerland
9. Canada	33. Morocco	56. Syria
10. China	34. Netherlands	57. Taiwan
11. Croatia	35. New Zealand	58. Thailand
12. Czech Republic	36. Norway	59. Tunisia
13. Denmark	37. Poland	60. Turkey
14. Egypt	38. Pakistan	61. Ukraine
15. Finland	39. Papua New Guinea	62. United Arab Emirates
16. France	40. Philippines	63. United Kingdom
17. Germany	41. Portugal	64. United States of America
18. Hong Kong	42. Qatar	65. Uzbekistan
19. Hungary	43. Romania	66. Venezuela
20. India	44. Russia	67. Vietnam
21. Iran	45. Saudi Arabia	68. Zimbabwe (not yet in force)
22. Italy	46. Seychelles	
23. Japan	47. Singapore	
24. Jordan		

Customs

Import Duty & Taxes

Any goods coming from overseas into the Indonesian customs area are treated as "imports" and generally are subject to import duty and import taxes. The importer must register with the Minister of Trade to obtain an Importer Identification Number, known as an API, and must register with the Directorate General of Customs and Excise to obtain a Customs Identification Number (NIK).

Certain exemptions apply (e.g. goods in a bonded zone or warehouse and goods in an import facility for export purposes). Import duty rates vary depending on the type of goods. Preferential tariff rates for are extended to countries that have signed Free Trade Agreements (FTA) and Economic Partnership Agreements (EPA) with Indonesia. Customs duties for selected imported goods that originate from the FTA/EPA partner countries may be reduced or eliminated.

Import taxes comprise Import VAT and Sales Tax on Luxury Goods, and Income Tax. Import VAT is assessed at 10%, the rates of Sales Tax on Luxury Goods currently range from 10-125% depending on the classification of the good) and Income Tax is typically 2.5% for industrial goods (if the importer has an API) and 7.5% for other goods. Import VAT is available as a VAT input credit if the importer is VAT registered, whilst income tax is available as a credit against year-end corporate tax.

Free Trade Agreements (FTA) & Other Agreements

Indonesia has implemented the following trade related agreements with other countries:

- ASEAN -China FTA (ACFTA)
- ASEAN – Korea FTA (AKFTA)
- ASEAN – India FTA (AIFTA)
- ASEAN – Australia – New Zealand FTA (AANZFTA)
- Indonesia – Pakistan Preferential Trade Agreement (IPPTA)
- Indonesia – Japan Economic Partnership Agreement (IJEPA).

Duty Relief/Exemption/Deferral

The Indonesian government offers duty relief, duty exemption and duty deferral concessions to foreign and domestic investors in order to promote the development of local and export industries. These might reduce or eliminate import duties and/or import taxes.

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 Ministry of Trade.

EMPLOYMENT

Labor Relations

Indonesia's labour pool is estimated at more than 100 million with the potential work force growing at 2.3 million per annum. As Indonesia has evolved from a predominantly agricultural economy to a mixed economic base, the role of women has also evolved with many employed in manufacturing and service related professional industries.

The Ministry of Manpower is the government agency that regulates all employment practices in Indonesia. It continuously reviews conditions of employment, maintains relationships between employers and labor unions through collective labor agreements and reviews the development of manpower training programs. Industrial disputes are referred to a labor court for resolution.

In terms of the investment, investors have full authority to appoint their own management, but the enterprise must use Indonesian manpower (except in positions where suitable Indonesian applicants are not available). Employers of expatriates are required to implement training programs for Indonesian employees and it is necessary for foreign companies to have an Indonesian national(s) employed as a counterpart to every expatriate employee. The employment of local staff requires careful planning to ensure the rights of employees adhere to manpower rules. The Manpower Law (No. 13/2003) and its related implementing regulations should be carefully reviewed and understood by management.

Working Conditions

Traditional working hours are eight hours per day; five days a week. Overtime is required to be paid to all "non-decision-making" personnel.

Salary & Wages

Salaries and wages are paid at least every month. Indonesian employees are also entitled to receive a 13th month salary that is paid prior to the annual religious celebration of the particular employee, i.e. Hari Raya Lebaran (Idul Fitri), Christmas, Nyepi, or Waisak. This is known as THR. Regional minimum wage rates (UMR) are regulated by the Department of Manpower and Transmigration, and companies are free to compensate employees over and above this minimum wage. The UMR vary between provinces.

Minimum Wage Rate in Several Cities (2018)[5]

City	Minimum Wage (IDR)
Jakarta	3,648,035
Denpasar	2,363,000
Bekasi	3,915,353
Surabaya	5,583,312

5) Ministry of Manpower of the Republic of Indonesia

Tax should be deducted from the salaries that are paid to employees, however, in the past employers often paid the income tax due on salary and wages because employees did not have personal tax registrations and were only focused on their take-home salary.

As a consequence, many salaries were negotiated on a "net/take-home basis", and therefore care should be taken that new employees understand whether an offered salary is gross (with tax to be deducted) or net.

Social Security Obligation

In general, employers are also expected to comply with:

1. The Safety Act which basically requires employers to provide protection against fires, industrial accidents and defective building structures.
2. The Worker Social Insurance Program which requires employers to adopt a paternal role and are responsible for the health and well-being of employees and their families. Companies are required to comply with this program by registering and enrolling their employees in BPJS-Ketenagakerjaan (Employment) and BPJS-Kesehatan (Health). Expatriates that work in Indonesia for more than 6 months are also required to be enrolled unless (for BPJS -Employment only) they have similar cover in their home country.

The contribution rates (as a percentage of salary) are:

1. For BPJS-Ketenagakerjaan (Employment):
   - Retirement/pension – 5.7%, of which 3.7% is contributed by the employer and 2% is contributed by the employee
   - Death – 0.3% contributed by the employer
   - Accident – between 0.24%-1.74% (based on sector risk), contributed by the employer
   - Pension – 3%, of which 2% is contributed by the employer and 1% is contributed by the employee (subject to a maximum monthly contribution of IDR 161,880 and IDR 80,940, respectively, based on a stipulated ceiling salary of IDR 8,094,000 per month
2. For BPJS-Kesehatan (Health):
   - 4% contributed by the employer
   - 1% contributed by the employee

with both subject to a maximum monthly contribution of IDR 320,000 and IDR 80,000, respectively, based on a stipulated ceiling salary of IDR 8,000,000 per month).

Union

Employees have the right to form Unions and/or to enter into collective bargaining agreements.

Termination of Employment

The Manpower Law is protective of employees. Except in the case of resignation, an employer is required to document the basis for termination and seek approval from the regional office of the Department of Manpower for proposed terminations. In most cases it will be necessary to provide compensation (in the form of severance, gratuities and/or compensation) depending on the reason for termination. In the absence of terms in an employment agreement or collective bargaining agreement no compensation is required if the employee resigns .

Foreign Personnel

The basic concept relating to expatriate employment is that expatriates can be employed in positions that cannot be filled by local personnel. Foreign investors have the authority to appoint their own management, but must use local personnel, except in positions where suitable local personnel are not available. Expatriate personnel are permitted employment on the condition that regular training will be provided, either locally or abroad to enable gradual "Indonesianization" of the expatriate's position. In practice, there is limited supervision of this requirement except in oil & gas, mining and banking.

An exception to this relates to Directors and Commissioners of PMA Companies, who can always be foreign personnel.

Working permits for expatriates are valid for a period of a year or less (and can be extended). Normally there are no obstacles in obtaining approval to employ expatriates where the government believes qualified local people are not available to fill the positions. The government regularly announces a list of positions that are closed to non-Indonesian personnel.

ACCOUNTING

Accounting Standard

Companies are required to present their financial statements to their Annual General Meeting of Shareholders not later than 6 months after the year-end. The financial statements should be prepared in accordance with Indonesian Accounting Standards or an explanation included why this has not occurred.

Indonesian Accounting Standards (PSAK) is moving into compliance with IFRS. IFRS should be applied for the preparation of financial statements for financial years commencing on 1 January 2012.

Financial Year End

The common financial year-end is 31 December; however, companies are permitted to adopt a different year-end provided this is stipulated in the company's Articles of Association.

It is also possible to change a financial year-end by revising the Articles of Association. The revised year-end will only be effective for tax purposes if the revision occurs before the commencement of the new-year and following lodgement of an application to the Director General of Taxation. The revision of a year-end will result in a part-year for tax before commencing a full year using the new year-end; during the transition it is not possible to have a tax year exceeding 12 months.

Use of English and Foreign Currencies for Accounting/Reporting

A company's books and records should be maintained in Rupiah currency and Indonesian language unless the company has applied for and received approval from the Minister of Finance to use English and/or USD for the functional currency. It is not possible to use other languages or currencies.

An application to use English and/or USD must be submitted within 3 months of the establishment of the company or, if the request is for a future year, not later than 3 months before the commencement of the financial year when the company wishes to use English and/or USD.

Location of Books and Records

A company's books and records should be held in Indonesia at the company's legal domicile.

Audit

Under Minister of Industry and Trade Decree No. 121/MPP/Kep/2/2002 regarding Submission Procedures for a Company's Annual Financial Report, the following must submit audited annual financial statements (Laporan Keuangan Tahunan Perusahaan (LKTP)) to the Minister of Trade:

- Publicly-listed companies
- Companies that collect or manage public funds (such as banks and insurance companies)
- Companies issuing debt instruments
- State-owned enterprises
- Companies with assets 25 billion rupiah or more
- Bank debtors whose financial statements are required for auditing by the bank
- Foreign companies which are domiciled and do business in Indonesia

Although there is no requirement under Tax Law for a taxpayer to be subject to a financial audit, if there was a financial audit then the taxpayer is required to submit the audited financial statements together with the Corporate Tax Return.

INTELLECTUAL PROPERTY RIGHTS

In accordance with its obligations under WTO's Trade Related Aspects of Intellectual Property Rights (TRIPs) Agreement, Indonesia has enacted a number of intellectual property (IP) laws that include at least the minimum levels of protection offered in WTO member states. These instruments include: Law no. 15 of 2001 on Trademarks; Law no. 19 of 2002 on Copyright; Law no. 14 of 2001 on Patents; Law no. 31 of 2000 on Industrial Designs; Law no. 30 of 2000 on Trade Secrets; Law no. 32 of 2000 on Integrated Circuit Designs; and Law no. 29 of 2000 on Protection of Plant Varieties. A topical issue is the lack of protection against acts of unfair competition.

Intellectual Property Rights (IPR) consists of two categories, copyrights and industrial property rights: Copyright is the exclusive right for the creator or the recipient of copyright to publish or duplicate its creation or to give permission for the creation without prejudice to the restrictions under the applicable rules and regulations. Whereas, the industrial property rights consist of:

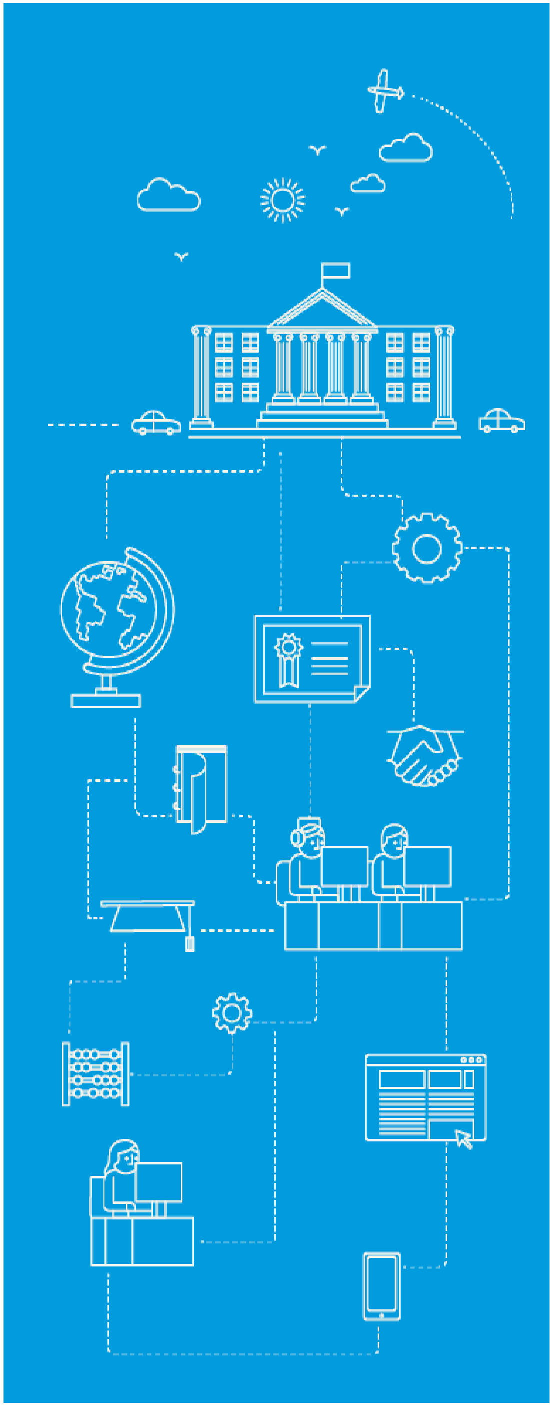
- Patent
- Trademark
- Industrial design
- Integrated circuit layout design
- Trade secrets
- Varieties of plants

Despite having a sound legal framework, enforcement of IPR in Indonesia is problematic. Socialization of intellectual property is a fundamental issue in a culture where ownership of intangible property has not historically been recognized and where sharing is encouraged. Despite the existence of formal criminal and civil enforcement options, corruption at various levels of judicial and executive authorities and the absence of the rule of law create uncertainty in proceedings.

Managing intellectual property in Indonesia needs to start with an exhaustive filing strategy. Getting a portfolio of rights registered with a wide scope of coverage is necessary to compensate for the limited protection available against acts of unfair competition, lack of recognition of unregistered IP rights (with the exception of copyright), and the time it takes to secure registration. Then when exploiting an existing portfolio, it is important to manage expectations – it is unlikely that elimination of counterfeit product from the market will ever be possible, but disruption of counterfeiting activity is certainly achievable - and be aware of both local and applicable foreign corruption laws.

In Indonesia, appreciation towards IPR is still modest; therefore sometimes some people consider IPR is not necessary. However, the IPR is in fact useful to protect the businessmen from the possibility of unauthorized use of the rights. Therefore, it is important for the Exporter to prepare the products in relation to the IPR before conducting Export activities so that the products receive legal protection.

As a consequence from the membership in the World Trade Organization (WTO), Indonesia shall adjust any rules and legislation related to IPR with the TRIPs standards. As one of the evidences that Indonesia has put serious attention in protecting IPR, Indonesia has an authorized institution that manages the Intellectual Property Rights, namely Directorate General Intellectual Property Rights (Ditjen HKI) under the Department of Justice and Human Rights of Republic of Indonesia.



ASSET VALUATION

The Regulation of the Minister of Finance Number 125/PMK.01/2008 dated 8 September 2008 regulates, among others, that Valuation Service covers Property Valuation Service and Business Valuation Service.

Property Valuation Service consists of:

a. land and building together with their facilities, as well as other development on the land
b. installation and equipment that is assembled and / or standalone used in production process
c. means of transportation, heavy equipment, communication devices, medical devices, laboratory equipment as well as office utilities, equipment and furniture, and military equipment
d. agriculture, plantation, livestock, fishery, and forestry
e. mining

Business Valuation Service consists of:

a. Business entity
b. Equity
c. Stocks / securities, including their derivatives
d. Company rights and obligations
e. Intangible assets
f. Economic loss / damage due to a certain activity or event to support various corporate actions or on material transactions
g. Normality opinion

In addition to services mentioned above, Public Valuer can provide other services related to Valuation activity, such as:

a. Property development consultation
b. Asset information system design
c. Property management
d. Business feasibility study
e. Property agent service
f. Project funding control

Public Valuer License is classified into Property Valuation and Business Valuation. To obtain the license, valuer submits a written application to the Secretary-General attention to the Head of the Center for Accountant and Valuer Service Development by meeting set of requirements.

INVESTING IN INDONESIA

Indonesia presents many opportunities for investment and market development supported by its economic growth, government policies, and natural resources.

In terms of its strategic geographical position on the cross road of two continents and two great oceans commanding international sea lines, Indonesia is a potential geographical base for the development of exports of goods and services. A large population of approximately 260 million also makes Indonesia a viable market with increased domestic demand. In addition, relatively low wage rates offer a cost effective source of manpower for investors. In recent years this together with a China-Plus Policy has encouraged textile, footwear and clothing manufacturers to relocate part of their production from China where labour costs are subject to significant inflationary pressure.

Indonesia's rich natural resources also offer comparative advantages for investment. Its energy fuels, minerals (e.g. now the largest exporter of thermal coal in the world), and abundant forests will support the availability of raw materials, which are useful to maintain the status of production processes.

Provinces in Indonesia	
1. Aceh	20. Yogyakarta
2. North Sumatera	21. East Java
3. Riau	22. Bali
4. West Sumatera	23. West Nusa Tenggara
5. Jambi	24. East Nusa Tenggara
6. Riau Islands	25. North Sulawesi
7. Bengkulu	26. Gorontalo
8. South Sumatera	27. Central Sulawesi
9. Bangka Belitung	28. West Sulawesi
10. Lampung	29. South Sulawesi
11. West Kalimantan	30. South East Sulawesi
12. North Kalimantan	31. North Maluku
13. East Kalimantan	32. Maluku
14. Central Kalimantan	33. West Papua
15. South Kalimantan	34. Papua
16. Banten	
17. Jakarta	
18. West Java	
19. Central Java	

Investment Steps

Investors intending to invest should go through step-by-step procedure in accordance with the prevailing laws and regulations in Indonesia. The procedure includes legal entity establishment and potentially applying for licenses for fiscal and non-fiscal facilities granted by government. The procedure for investing and doing business in Indonesia consists of three steps:

- Preparation: Establishment of an Indonesian legal entity and initial licenses to conduct investment in Indonesia
- Construction/Investment: Acquisition/construction of the facilities and infrastructure and/or set up of office; applying for operational licenses
- Ready for Production or Operation

The Indonesian government has encouraged investment by issuing regulations, which offer advantages for both domestic and foreign investors.

Investment Incentives

Import Duty Facility

Incentive Exemption from import duty on the import of machinery and equipment and up to 2-years supply of raw materials for production. The import duty facility for machinery and equipment is granted for a period of 2 years with a potential extension of 1 year (or as per the investment approval).

The import duty facility for raw materials is also for 2 years, with a possible extension of 1 year if the import quota has not been utilized. If the company will use at least 30% locally produced machinery and equipment then the import duty facility for raw materials is 4 years.

Criteria

Import duty facility is granted to the following:

- Industries that manufacture goods
- Certain service industries:
  a. Tourism and culture
  b. Public transportation
  c. Public health services
  d. Mining
  e. Construction
  f. Telecommunication
  g. Port

Import duty facility may be granted to the extent that the relevant machines, goods and materials that:

- are not produced in Indonesia
- are produced in Indonesia but the they do not meet the required specifications
- are produced in Indonesia but the quantity is not sufficient for the needs of the industry

Tax Allowance

Incentive

- An additional tax deduction of 30% of the investment, deducted over 6 years at 5% each year.
- Accelerated depreciation and amortization.

- Withholding tax on dividends which are paid to non-residents is reduced from 20% to 10%, or a lower rate according to an applicable avoidance of double taxation agreement.
- An increase of the tax loss carried forward period from the standard 5 years up to 10 years (depending on fulfillment of certain investment criteria).

Criteria

Eligible industries are listed in the regulations. As of 2015 there are 149 business segments.

Tax Holiday

Incentive

A taxpayer can be granted a tax holiday facility for a period of between 5 and 20 years, starting from the commencement of its commercial production.

The tax holiday is a reduction of 100% from the corporate tax otherwise payable during the initial period, followed by a reduction of 50% for the following 2 years. The period is determined by the value of the realised investment, subject to a minimum realised investment of IDR 500 billion.

Criteria

The tax holiday is only available for investments into "pioneer" industries. The pioneer industries are in the following business sectors:

- Integrated upstream basic metal
- Integrated oil and gas refinery
- Integrated petrochemicals (from oil, gas, or coal)
- Integrated inorganic basic chemicals
- Integrated organic basic chemicals (from agriculture, plantation, or forestry products)
- Integrated pharmaceutical raw materials
- Semi-conductor and other main components of computers which are integrated with computer manufacturing
- Main components of communication equipment which are integrated with smartphone manufacturing
- Main components of health equipment which are integrated with manufacturing of irradiation, electro-medical, or electro-therapy equipment
- Main components of industrial machinery (such as electric engines or combustion engines) which are integrated with machinery manufacturing
- Main components of machinery (such as pistons, cylinder heads or cylinder blocks) which are integrated with motor vehicle manufacturing
- Robotics components which are integrated with the industry for making manufacturing machines
- Main components of vessels which are integrated with vessel manufacturing
- Main components of aircraft (such as engines, propellers, rotors or structural components) which are integrated with aircraft manufacturing

- Main components of trains (such as engines or transmissions) which are integrated with train manufacturing
- Power plant machinery
- Economic infrastructure

The details of these industries and the related products are to be further regulated by BKPM.

In addition to the above, an investor may also propose that another industry is added to the list. The regulation provides a process for this that requires the involvement of the responsible ministry, the Minister of Finance and BKPM.

Business Practice Enhancement in Indonesia

As governments over the past decade have increasingly understood the importance of business regulation (or de-regulation) as a driving force of competitiveness, they have turned to the World Bank's Doing Business reports as a repository of actionable data providing useful insights into good practices worldwide. This also applies to Indonesia, and as cited from the World Bank Group Doing Business 2018 Report (Measuring Regulatory Quality and Efficiency, Comparing Business Regulations for Domestic Firms in 190 Economies, World Bank Group), Indonesia has improve its ranking from 91 in 2017 to 72 in 2018.

Reformation that makes it easier to do business in Indonesia noted in the World Bank report were:

- Starting a Business: Indonesia made starting a business in Jakarta easier by reducing the time needed to register with the Ministry of Manpower.
- Getting Credit: Indonesia improved access to credit by enabling searches of the collateral registry by the debtor's name. This reform applies to both Jakarta and Surabaya.
- Paying Taxes: Indonesia made paying taxes easier and less costly for companies by introducing an online system for paying social security contributions and by reducing both the rate paid by employers and the ceiling for the contributions. This reform applies to both Jakarta and Surabaya.

Investment Opportunities in Infrastructure

The Government of Indonesia is consistently sustaining the momentum of Public Private Partnership (PPP) development in order to accelerate the provision of infrastructure.

PPP projects are offered by the Indonesian government to the private sector through its Ministry for Economic Affairs and Bappenas (National Development Planning Agency).

Important part of the Indonesian government's intention 'to become one of the ten major world economies by 2025' is the Master plan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI). This recently unfolded long-term program envisages a high degree of cooperation between the central government, local governments, state owned enterprises and the private sector. The private sector in fact has a vital role to play in this master plan (in the form of PPP schemes) as it is expected to contribute the bulk of financing.

Potential Infrastructure Projects[6]	
1. Road	8. Dam
2. Railway	9. Irrigation
3. Seaport	10. Technology
4. Airport	11. Smelter
5. Industrial Zone	12. Oil Refinery
6. Housing	13. Fishery
7. Water & Sanitation	14. Sea Dike

Investment Opportunities in Food and Agriculture

Indonesia currently possesses 8 million hectares of plantation area with total production approximately 32.1 million tons. Indonesia is one of the largest producers of the products below:

- Palm Oil
- Rubber
- Cocoa

The increasing domestic demand for agricultural and forestry products is due to population growth, high public consumption, and increasing number of middle class population.

Indonesia is well known as a major exporter of plantation products, especially palm oil. Palm oil industries are benefited the most as result of increasing external demand and the wider sector participation in the global economy. The majority of Indonesia's palm oil production is exported. The most important export destination countries are China, India, Malaysia, Singapore and the Netherlands.

The Indonesian government has issued an incentive in the form of tax allowances, tax holiday and import duty exemption to increase private involvement in production and investment in the plantation sector.

Production and Export of Palm Oil[7]

	2013	2014	2015	2016
Production (mio tons)	30.0	31.5	32.5	32.0
Export (mio tons)	22.4	21.7	26.4	27.0
Export (USD)	20.6	21.1	18.6	18.6

Investment Opportunities in Energy

Indonesia's rapidly expanding economy has helped boost domestic energy demand. With vast potential of energy resources, Indonesia has become an energy supplier for both neighboring countries and the world's major economic power such as Japan and China. However, the growing demand for domestic industry and household consumption makes the need for optimization more important.
The government is finding ways to develop new sources of energy and balance local needs with the advantages of exports.

6) Bappenas .go.id

7) Production and Export of Palm Oil Indonesia http://www.indonesia-investments.com/business/commodities/

8) Ministry of Energy, and Mineral Resources and Trading Economics at http://www.indonesia-investments.com

9) Summary of Indonesia's Energy Sector Assessment, Pradeep Tharakan, ADB Papers on Indonesia, December 2015

Indonesia Data on Natural Resources[8]

Crude Oil	March 2016 Increased to US$ 34, 19 per Barrel
Natural Gas	The third-largest gas reserves of the Asia Pacific region
Thermal Coal	Indonesia is one of the world's largest producers and exporters of
Geothermal	The biggest geothermal energy resource in the world for 40%

As a large middle-income country with a growing economy, a critical component of Indonesia's future strength will be its ability to harness and manage sustainable sources of energy. If the Indonesian economy continues to grow at its current rate, Indonesia's Ministry of Energy and Mineral Resources (MEMR) estimates that domestic demand for energy will also rise by around 7% per year, with electricity demand alone projected to nearly triple between 2010 and 2030.

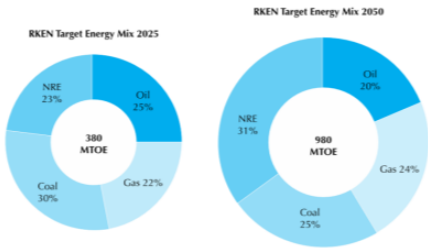
Energy Demand Forecasts[9]

The government's overall strategy for its energy sector is outlined in Presidential Decree No. 5/2006 on National Energy Policy (Kebijakan Energi Nasional, or KEN) which emphasizes diversification, environmental sustainability, and maximum use of domestic energy resources.

KEN was revised in 2014, setting a target energy mix of oil (25%), gas (22%), coal (30%), and new and renewable energy (NRE) (23%), for a total of 380 MTOE by 2025.

Projected Energy Mix

Industrial Zones



The unprecedented industrial development of Indonesia is driving greater demand for industrial land. The development of industrial estates aims to control the use of space, increase efforts of environmentally sound industrial development and accelerate the growth of industry, improves the competitiveness of industry and investment, and provide certainty in the planning and construction of infrastructure. To support the objectives, the issuance of Law No. 3 in 2014 on Industry encourages manufacturers to locate their plants within the available industrial estate.

In 2018, the member of Indonesia Industrial Estate Association (HKI) consists of 83 company members occupying 75,288.49 hectares in 18 provinces in Indonesia. There are 9,179 industrial manufacturing facilities for companies from Japan, Korea, Singapore, United Kingdom, Germany, United States, Australia, Taiwan, China and Malaysia. This facilities support a wide range of industries such as electronics, automotive, food and beverage, chemical, steel, pharmaceutical, footwear, and wood processing.

Bonded Area

The Indonesian government has established a system of duty-free or bonded zones in various strategic locations. These bonded zones combine the characteristics of a free-trade zone and an industrial estate. Each location is supported by an infrastructure comprising advanced systems for cargo handling, shipping, and communications to enable manufacturers to import, store, and transport goods and components free of all duty when used in the production of goods for export.

Bonded zones popular among investors are:

- Batam Island, 20 km south of Singapore, is administered by the Batam Authority to whom investors can apply for investment approvals. Applications from foreign investors are processed by the Investment Coordinating Board (BKPM) with assistance from the Batam Authority.
- The free-trade zone located in the main port area of Tanjung Priok (Jakarta) is administered by PT. Kawasan Berikat Nusantara (KBN), a semi government organization. Investors wishing to set up their projects in bonded areas may make an application through the Bonded Area Authority to BKPM.

A company residing outside the bonded area may apply for bonded zone facilities through the Directorate General of Customs, Ministry of Finance if 75% of the company's production is exported.

Licensing Procedures in BKPM

A company is obliged to have operational license from regional and/or related ministries. Principal License is granted by the Central Government (BKPM) / Provincial Government / Municipality Government (under their authority) as an initial government approval that must be obtained before conducting investment in Indonesia.

Business License is a license which must be obtained by the company to commence production / operations that produce goods or services. This license granted by Government (BKPM) / Provincial Government / Municipality Government, which is required to be obtained in order to start production / operational activities to produce goods or services, unless stated by the sectoral regulations.

License Processing Time

Licenses	Days
Principle License	3
Expansion of Principal Licence	3
Investment Amendment Principle Licence	5
Investment Company Merger Principal Licence	7
Fixed Business Licence	7
Expansion Business Licence	7
Investment Company Merger Business Licence	7
Amendment Business License	5
Foreign Company Representative Office Licence	5
Master List Licence for Facility for Machinery Import Duties	5
Master List Licence for Facility for Goods and Materials Import Duties	5

Financing

Bank Finance

In general a company will not be able to borrow unless it has a parent guarantee or at least 3 years financial statements.

Lending practices in Indonesia typically require security in the form of land & buildings or fixed assets, cash collateral and/or guarantees.

Onshore lending rates are relatively expensive and it may be cheaper for a foreign investor to arrange funding of working capital and/or investment capital through an offshore parent.

Loan from Overseas

Indonesian individuals and companies (including PMA Companies) are permitted to borrow from overseas, however, they must register these loans with Bank Indonesia (BI) and then submit regular reports regarding the status of these loans. Failure to register and report will result in penalties. Interest payable on loans (and inter-company balances) from overseas are subject to Indonesian withholding tax of 20%, subject to reduction under a Tax Treaty.

In addition, Bank Indonesia has issued regulation (PBI) No. 16/20/PBI/2014 dated 28 October 2014 concerning the Implementation of Prudential Principles in Foreign Debt Management of Non-Bank Corporations.

BI Circular Letter No. 17/3/DSta dated 6 March 2015 provides the guidelines on reporting the application of the prudential principle ("Kegiatan Penerapan Prinsip Kehati-hatian/KPPK").

There are 4 types of reports to be submitted to BI :

- Quarterly KPPK report (this report is presented in US Dollars)
- Quarter IV KPPK report attested by an independent public accountant
- Information regarding the minimum credit rating fulfillment
- Unaudited quarterly financial statements and annually audited financial statements; these financial statements will be presented in the company's functional currency

Capital Market

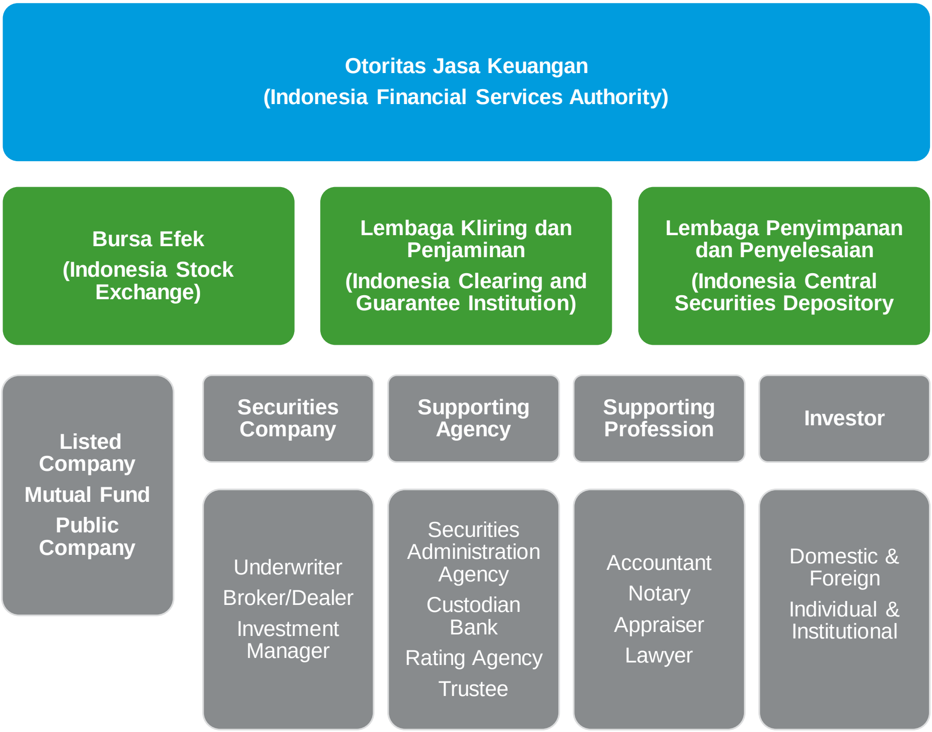
Currently, there are more than 500 companies listed on the Indonesian Stock Exchange. Under the capital market regulations, foreign and domestic investment companies may raise funds by selling shares through the Indonesian Stock Exchange.

Policies and regulations relating to Indonesia's Capital Market have been significantly adjusted over past years to encourage both foreign and domestic investment in the capital markets.

Efforts have been made to ensure that the capital markets are fair, efficient, and liquid. New requirements are designed to improve disclosure, prevent share-price manipulation and raise standards of eligibility for market participants.

To further encourage share ownership a recent tax regulation permits a reduction of the corporate tax rate (from 25% to 20%) for publicly listed companies that also have a minimum spread of shareholders.

Indonesia Capital Market Structure



Financial Services Authority (OJK)

The Financial Services Authority (Otoritas Jasa Keuangan / OJK) is established to ensure that the overall activities within the financial services sector are:

- Implemented in an organized, fair, transparent and accountable manner
- Able to realize the financial system that grows in a sustainable and stable manner
- Capable of protecting the interests of consumers and the society

The main function of OJK is to promote and organize a system of regulations and supervisions that is integrated into the overall activities in the financial services sector.

OJK performs its regulatory and supervisory duties over financial services activities in banking, capital markets, and non-bank financial industries sectors.

Foreign Policy

ASEAN

The Association of Southeast Asian Nations, or ASEAN, was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam then joined on 7 January 1984, Viet Nam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999, making up what is today the ten Member States of ASEAN.

As set out in the ASEAN Declaration, the aims and purposes of ASEAN are:

- to accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations
- to promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter
- to promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields
- to provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres
- to collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communications facilities and the raising of the living standards of their peoples
- to promote Southeast Asian studies
- to maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves

ASEAN Community

The ASEAN Vision 2020, adopted by the ASEAN Leaders on the 30th Anniversary of ASEAN, agreed on a shared vision of ASEAN as a concert of Southeast Asian nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies.

At the 9th ASEAN Summit in 2003, the ASEAN Leaders resolved that an ASEAN Community shall be established.

At the 12th ASEAN Summit in January 2007, the Leaders affirmed their strong commitment to accelerate the establishment of an ASEAN Community by 2015 and signed the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015.

The ASEAN Community is comprised of three pillars, namely:

- the ASEAN Political-Security Community
- ASEAN Economic Community
- ASEAN Socio-Cultural Community

At the 31st ASEAN Summit in November 2017, The ASEAN Secretariat and the United Nations Conference on Trade and Development (UNCTAD) jointly launched the "ASEAN Investment Report 2017: Foreign Direct Investment and Economic Zones in ASEAN".

It examines the roles of different players and the development and contribution of economic zones, including in industrial agglomeration and in enhancing the competitiveness of the investment environment. With the right environment, economic zones can play a catalytic role in facilitating investments and supporting industrial clusters development.

The ASEAN Secretariat also launched a Special Report on "ASEAN at 50: A Historic Milestone for FDI and MNEs in ASEAN" which highlights the astounding progress of ASEAN in attracting FDI over the past 50 years of ASEAN, from one among many developing regions seeking the attention of international investors to a region of choice for many Multi-National Enterprises (MNEs). This Report traces the contours of this transformation of the region: from a poor region with little FDI, trading primarily in commodities to one ready to embrace the digital age.

The ASEAN Member States launched today the Master Plan on ASEAN Connectivity (MPAC) 2025 Video Series at the sidelines of 31st ASEAN Summit to introduce ASEAN Connectivity and MPAC 2025 to the peoples of ASEAN.

The Master Plan on ASEAN Connectivity 2025 aims to achieve a seamlessly and comprehensively connected and integrated Southeast Asia that will promote competitiveness, inclusiveness and a greater sense of community. A video featuring an overview of MPAC 2025 was screened at the launch. The video is the first out of six videos on MPAC 2025 which are being developed by the ASEAN Connectivity Coordinating Committee.

Regional Cooperation

To ensure the accomplishment of its national objectives, Indonesia's Foreign Affairs Ministry has accentuated its diplomatic cooperation in a series of concentric circles. The first concentric circle is with Association of Southeast Asian Nations (ASEAN) which becomes Indonesia's prime pillar in carrying out its foreign policies. In the second concentric circle lies ASEAN + 3 (Japan, China, South Korea). Outside of those circles, Indonesia also builds an intensive cooperation with USA and European Union which serve as Indonesia's main economic partners. In the third concentric circle lie like-minded developing countries.

Through the membership in those organizations, Indonesia voices out its foreign policies and bridges some gaps existing between developing and developed countries. In the global level, Indonesia expects and consistently emphasizes the strengthening of multilateralism in United Nations, particularly in solving any complications of world peace and security. Indonesia also rejects any endeavors taken outside UN framework.

ASEAN Regional Forum

ASEAN Regional Forum (ARF) is a forum established by ASEAN in 1994 for open dialogue and consultation on regional political and security issues, to discuss and reconcile the differing views between ARF participants in order to reduce risk to security. In this regard, ASEAN undertakes the obligation to be the primary driving force. The ARF recognizes that the concept of comprehensive security includes not only military aspects but also political, economic, social and other issues.

ARF participants comprise all 10 ASEAN member countries, 10 ASEAN Dialogue Partners (USA, Australia, Canada, China, India, Japan, Republic of Korea, Russia, New Zealand and European Union), one ASEAN observer (Papua New Guinea), Mongolia, Democratic People's Republic of Korea, Pakistan, Timor Leste, Bangladesh and Sri Lanka.

Asia Cooperation Dialogue

The Asia Cooperation Dialogue (ACD) was inaugurated in June 2002. The ACD aims to constitute the missing link in Asia by incorporating every Asian country and building an Asian Community without duplicating other organizations or creating a bloc against others. A key principle is to consolidate Asian strengths and fortify Asia's competitiveness by maximizing the diversity and rich resources evident in Asia. The core values of the ACD are positive thinking; informality; voluntarism; non-institutionalization; openness; respect for diversity; the comfort level of member countries; and the evolving nature of the ACD process. Currently, the ACD comprises 34 countries.

Asia-Europe Meeting

The establishment of Asia-Europe Meeting (ASEM) as an inter-regional forum aims to develop mutual cooperation between Europe and Asia. Presently it comprises 53 partners: 30 European and 21 Asian countries, the European Union and the ASEAN Secretariat. ASEM subsists in the excess of the tendency in economic growth in the Asia-Pacific, configuration change in political mapping and international trade as well as Asia's increasingly spiralling role in the economic development of the region in which it becomes a main factor for Asian and European leaders to cooperate with each other and set up the ASEM cooperation forum.

Asia-Middle East Dialogue

Asia-Middle East Dialogue (AMED) aims to: Enhance mutual understanding between Asia and the Middle East, both at the people-to-people and Governmental level, and to develop mutually beneficial cooperation between the two regions; Produce policy recommendations that could be considered by member states in the political, economic and social field and develop new initiative concepts that can strengthen the relationship between Asia and the Middle East; and Become a platform that can accommodate all voices of moderation when events happening in the world created a polarization of opinion about religion. Thus, AMED is expected to encourage tolerance, inter-faith understanding and dialogue among civilizations.

Asia-Pacific Economic Cooperation

Asia-Pacific Economic Cooperation (APEC) is a cooperation forum of 21 member economies in the Pacific Rim that was established in 1989. Cooperation in APEC covers not only trade, but also efforts to increase investment and other economic cooperation as a whole. Currently there are 21 economies that become members of APEC, namely Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong-China, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, the Philippines, Peru, PNG, Russia, Singapore, Chinese Taipei, Thailand, the United States, and Viet Nam. Cooperation in APEC is a non-political cooperation which is marked by the membership of Hong Kong-China and Chinese Taipei. It is a form of cooperation that is focused on economy, trade, and investment. Besides the 21 member economies, APEC has three observers namely the ASEAN Secretariat, Pacific Economic Cooperation Council (PECC) and the Pacific Islands Forum (PIF) Secretariat.

The main objective of APEC is to further enhance economic growth and prosperity for the Asia Pacific region. This is done by encouraging and facilitating free and open trade and investment in the region as well as increasing cooperation for capacity building of Member Economies with the goal to be achieved by industrialized economies no later than year 2010 and by developing economies no later than year 2020. The objectives of APEC are listed in the agreement of APEC Summit in Bogor in 1994, better known as the Bogor Declaration.

Brunei-Indonesia-Malaysia-Philippines-East Asia Growth Area

Brunei Darussalam – Indonesia – Malaysia – the Philippines East ASEAN Growth Area (BIMP-EAGA) is officially founded during the 1st Ministerial Conference in Davao City, Philippines on 26 March 1994. The cooperation aims to improve the welfare and economic growth of the people living in the bordering areas of BIMP-EAGA states. BIMP-EAGA cooperation aims to increase trade, tourism, and investments by: Facilitating the free movement of people, goods, and services; Making the best use of common infrastructure and natural resources; and Taking the fullest advantage of economic complementation. Businesspeople are expected to be the motor of the said cooperation, meanwhile the government acts as the regulator and facilitator.

Members of the BIMP-EAGA from Indonesian regions consist of West Kalimantan, East Kalimantan, South Kalimantan, Central Kalimantan, North Sulawesi, Southeast Sulawesi, South Sulawesi, Central Sulawesi, West Sulawesi, Gorontalo, Maluku, North Maluku, Papua, and West Papua.

Coral Triangle Initiative on Coral Reefs, Fisheries, and Food Security

Coral Triangle Initiative on Coral Reefs, Fisheries, and Food Security (CTI – CFF) was developed to establish mechanisms for cooperation among the countries that have the same goals and views about environmental management of marine natural resources and maintain continuity in the Coral Triangle region that includes six countries: Indonesia, Philippines, Malaysia,

ACD Areas of Cooperation	Prime Movers and Co-Prime Movers
Energy	Bahrain, Indonesia, Kazakhstan, Qatar, China, the Philippines and Lao PDR
Poverty alleviation	Bangladesh, Cambodia and Vietnam
Agriculture	China, Pakistan and Kazakhstan
Transport linkages	India, Kazakhstan and Myanmar
Biotechnology	India
E-Commerce	Malaysia
Infrastructure fund	Malaysia
E-Education	Malaysia and Iran
Asian Institute of Standards	Pakistan
SMEs cooperation	Singapore and Sri Lanka
IT development	Republic of Korea and Russia
Science and Technology	The Philippines
Tourism	Thailand, Cambodia, Myanmar, Pakistan and
Financial Cooperation	Thailand and Kazakhstan
Human resource development	Vietnam and Thailand
Environmental education	Japan, Qatar and Bahrain
Strengthening legal Infrastructure	Japan
Road Safety	Oman
Natural Disaster	Russia
Cultural Cooperation	Iran, India and Bahrain

Timor Leste, Papua New Guinea and Solomon Islands.

Multilateral Cooperation

According to Decree of the Director General for Multilateral Affairs of the Ministry of Foreign Affairs No. 00148/PL/II/2010/46/06 on Establishment of Directorate General of Multilateral Affairs Strategic Plan Year 2010-2014, the objective of foreign politics stabilization and enhancement of international cooperation in multilateral affairs is to improve Indonesia's active role in the implementation of international peace and security, advancement and protection of Basic Human Rights and humanitarian cooperation as well as in enhancing cooperation in economy, socio-culture, finance, environment, trade, industry, investment, commodity and protection of intellectual property rights through reinforcement of multilateral cooperation.

Forum for East Asia and Latin America Cooperation

Forum for East Asia and Latin America Cooperation (FEALAC) was established primarily to promote comprehensive cooperation and bi-regional dialogues. Since its establishment, FEALAC is the only inter-governmental cooperation forum that connects East Asian region and Latin American region. Currently, FEALAC represents 40% of the world population, 32%

of the world economy and more than 40% of the world trade.

FEALAC consists of 36 member states comprising 16 East Asian countries including ASEAN (10 ASEAN countries, China, Japan, Mongolia, South Korea, Australia and New Zealand) and 20 Latin American countries (Argentina, Bolivia, Brazil, Chile, Dominican Republic , Ecuador, El Salvador, Guatemala, Honduras, Colombia, Costa Rica, Cuba, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Uruguay and Venezuela).

Colombo Plan

The Colombo Plan was established on 1 July 1951 by Australia, Canada, India, Pakistan, New Zealand, Sri Lanka and the United Kingdom and currently has expanded to include 26 member countries including non -Commonwealth countries and countries belonging to regional groupings such as ASEAN (Association of South-East Asian Nations) and SAARC (South Asian Association for Regional Cooperation). the Colombo Plan is a partnership concept of self-help and mutual-help in development aimed at socio-economic progress of its member countries.

The Colombo Plan was instituted as a regional intergovernmental organization for the furtherance of economic and social development of the region nations. It is based on the partnership concept for self-help and mutual help in the development process with the focal areas being, human resource development and south-south cooperation. While recognising the need for physical capital to provide the lever for growth, the Colombo Plan also emphasised the need to raise the skill level to assimilate and utilise the physical capital more efficiently. In the early years, Colombo Plan assistance from developed to developing countries comprised both transfer of physical capital and technology as well as a strong component of skills development. Hence, while infrastructure by way of airports, roads, railways, dams, hospitals, fertilizer plants, cement factories, universities, and steel mills were constructed in member countries through Colombo Plan assistance, a large number of people were simultaneously trained to manage such infrastructure and the growing economies.

Developing Eight

The D-8 was established through the Istanbul Declaration, at the First Summit of D -8, on June 15th, 1997, in Istanbul, Turkey. The D-8 consists of 8 developing countries, namely Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. The D-8's basic principles are peace instead of conflict, dialogue instead of confrontation, justice instead of double-standards, equality instead of discrimination, and democracy instead of oppression.

G-20

The global economic crisis raised awareness among financial authorities and central banks in various countries that closer integration of financial system required an intensive permanent discussion forum in order to achieve global financial stability through international financial crisis prevention and resolution. Members of the G-20 consist of Canada, France, Germany, Italy, Japan, UK, US, Argentina, Australia, Brazil, China, India, Indonesia, Mexico, South Korea, Russia, Saudi Arabia, South Africa, and Turkey.

Indonesia's role in each G-20 Summit has always been to promote the interests of developing countries and to maintain an inclusive and sustainable global economic system (such as: proposing to establish the global expenditure support fund, preventing any discussion on exit strategy of fiscal stimulus package which could harm the developing countries, and encouraging the achievement of a consensus while acting as a bridge builder).

United Nations

Indonesia officially joined as the 60th United Nations (UN) member state on 28 September 1950 by a gaining unanimous vote from the entire member states. The UN membership was attained a year after the Netherlands' recognition of Indonesia's sovereignty at the Round Table Conference. The UN has ever since given consistent support towards the free, sovereign and independent Indonesian state.

World Trade Organization

World Trade Organization (WTO) is the only international organization regulating international trade. It was founded in 1995 and operates based on a series of agreements negotiated and approved by the majority of states in the world and then ratified by the parliament. The objective of these agreements is to assist producers, exporters and importers of goods and services in conducting their business. Indonesia has been a WTO member since 1995.

Indonesia's involvement and position in the DDA negotiation process are founded on the national interest to encourage economic growth and poverty eradication. In order to attain stronger bargaining position, Indonesia joins in several coalition groups of developing countries, such as the G-33, G-20 and NAMA-11, whose interests are more or less similar to Indonesia. Indonesia has been actively involved in these groups' formulation of collective stance that prioritizes accomplishment of development objectives of the DDA.

Indonesia, acting as the coordinator of G-33, continues to demonstrate its commitment and leadership through routinely holding a series of technical officials and Ambassador / Head of Delegations meetings, Senior Official Meeting and Ministerial Meeting in or outside of Geneva in order to formulate agreements that provide room for the developing countries to protect powerless and underprivileged farmers. As a coalition of developing countries, the G-33 rises to be a group of significant influence upon agricultural negotiations, and the current number of member grew to 46 states.

LISTING RULES IN INDONESIA

There are certain requirements a company needs to fulfill in order to become a public company. However, these requirements are basically not hard to fulfill even for a small company.

The following are the minimum requirements to become a public company that shares are traded in the Bourse:

- Every corporation that has been operating for at least 12 months
- Having at least IDR 5,000,000,000 of net tangible asset
- Has received an Authentic Without Exception opinion from a public accountant registered in the OJK for its latest audited annual financial report
- Has sold at least 150,000,000 shares
- Owned by minority share holder 20% of the paid-up capital for the company who has the equity value up to 500 billion , 15% of the paid-up capital for the company who has the equity value 500 billion-2 trillion, 10% of the paid-up capital for the company who has the equity value more than 2 trillion
- Having at least 500 shareholders

To help the preparation of all documents needed, including the process of public offering, a company has to appoint an Underwriter. The issuing company can appoint one or more Underwriters to support its process of going public.

a) The approval of shareholders through the General Meeting of Shareholders.

b) Appointment of Underwriter to help preparing all documents needed and arranging marketing efforts so that the Public Offering will achieve success. Coordinating with Underwriter, a company need to prepare some documents needed, such as:

   - Financial Report audited by a public accountant registered in the OJK;
   - Corporate budgeting along with its amendments prepared by the notary and approved by the competent authority;
   - Legal audit by a legal consultant registered in the OJK;
   - Report from an independent appraiser, if needed;
   - Several other documents as arranged in the prevailing provisions.

Classification of the Listing Board

The listing is classified into three boards: Main Board, Development Board and Acceleration Board.

The placement of the Issuer and prospective Issuer's Listing depends on the fulfillment of the initial listing requirements on each Board.

Main Board is intended for prospective Issuers and Issuers of big companies that have track records, while the Development Board is intended for companies that have not yet fulfill the listing requirements of the Main Board and companies that are on the state of reorganization.

The new one is Acceleration Board which is intended for small-medium enterprises and start-up companies. But this has not finalized yet.

Corporate Governance

Indonesia is moving forward in the implementation of good governance, and this is becoming more important for companies that have gone public. Annual reports for public companies are no longer considered as merely an obligatory management report presented during general shareholders meeting (RUPS). Annual reports now act as an effective means of communications for all parties in order to explain the company`s performance and future prospects. Making use of annual reports as a mean of information transparency is expected to create good corporate governance, which will benefit the company`s improvement.

In a bid to support good corporate governance in Indonesia, the Government, through the Financial Services Authority in cooperation with Bank Indonesia, Indonesia Stock Exchange, Directorate General for Taxation, Finance Ministry, State-Owned Enterprises Ministry, National Committee on Governance Policy and Association of Indonesian Accountants arranged an Annual Report Award which have been conducted since 2002. The Annual Report Award is open to all kinds of companies, including state-owned enterprises (BUMN) or region-owned enterprises (BUMD), public listed companies and private companies. The competition is also open to pension funds, both of financial institutions or employers.

Governance of Limited Liability Company in Indonesia

In a limited liability company, Indonesia uses a two-board system which is different to most western countries that use a single board system. The role of independent director as in a single board system is represented by one of more commissioners who sit in the Board of Commissioners (BOC). BOC oversees the management of a company run by the executive director(s) who sit in the Board of Directors (BOD).

Governance Code Used for Publicly Listed Company

Aside to the OJK regulations, listed companies are using the ASEAN Corporate Governance Scorecard.

The scorecard was developed in 2012 as part of initiative undertaken in parallel with the efforts to achieve convergence in ASEAN countries as an economic community.

On an annual basis, the Indonesia Financial Services Authority (Otoritas Jasa Keuangan) perform assessment on how publicly listed companies in Indonesia adopt this code.

VISITING INDONESIA

General Visa Information

In general foreigners need a visa to enter Indonesia. However, recently the government allowed an exemption for citizens of a number of countries.

Passport must be valid for at least 6 months from the date of arrival and have valid return ticket. The immigration officer at the port of entry may ask the passenger to produce any necessary documents (such as hotel reservation and proof of finance).

Prior to arrival, foreign passengers are normally given 'arrival and departure' cards and the 'departure' portion is necessary to be kept as it needs to be returned to the immigration officer upon leaving the country.

Visa Free Visit to Indonesia

Through Presidential Regulation no. 21/2016 on Exemptions of Visit Visa the Indonesian government allows citizens of 169 countries to enter – and depart from – Indonesia. This visa-free entry is free of charge. Citizens of countries that are not among the 169 nations that were exempted from the obligation to obtain a visit/tourist visa prior to entree to Indonesia, will need to arrange a visa at an Indonesian embassy abroad.

Visa free entry facility	
Purpose	Leisure, Tourism, Family, Social, Art and Cultural, Government visit, Giving Lecture or attend Seminar, Attend a meeting held by Head Office or Representative Office in Indonesia, Continue journey to another country
Length of stay	30 (thirty) days (not extendable)

Passport holders from the following countries can utilise the visa free entry facility:

Albania, Algeria, Andorra, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cambodia, Canada, Cape Verde, Chad, Chile, China, Czech Republic, Comoros, Costa Rica, Croatia, Cuba, Cyprus, Denmark, Commonwealth of Dominica, Dominican Republic, East Timor, Ecuador, Egypt, El Salvador, Estonia, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guyana, Haiti, Holy See (Vatican City), Honduras, Hong Kong (SAR of China), Hungary, Iceland, India, Ireland, Italy, Ivory Coast, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, Republic of Korea, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Lesotho, Liechtenstein, Lithuania, Luxembourg, Macao (SAR of China), Macedonia, Madagascar, Maldives, Malawi, Malaysia, Mali, Malta, Marshall Islands, Mauritania, Mauritius, Mexico, Moldova, Monaco, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal, New Zealand, Netherlands, Nicaragua, Norway, Oman, Palau, Palestine, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Puerto Rico, Qatar, Romania, Russia, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Sao Tome and Principe, Saudi Arabia, Senegal, Serbia, Seychelles, Singapore, Slovakia, Slovenia, Solomon Islands, South Africa, Spain, Sri Lanka, Suriname, Swaziland, Sweden, Switzerland, Taiwan, Tajikistan, Tanzania, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, United Kingdom, United States of America, United Arab Emirates, Uruguay, Uzbekistan, Vanuatu, Venezuela, Vietnam, Zambia, and Zimbabwe.

Visa on Arrival

The visa on arrival is for those foreigners who want to make a short visit to Indonesia. It is valid for 30 days but can be extended for another 30 days (without the need to leave the country), hence you can visit Indonesia for a total of 60 days. The price of a visa on arrival is USD $35 (for the initial 30 days).

Those who want to extent their visa on arrival are advised to start the process at least one week before expiration.

Visa on arrival	
Purpose	Leisure, Tourism, Family, Social, Art and Cultural, Government visit, Giving Lecture or attend Seminar, Attend a meeting held by Head Office or Representative Office in Indonesia, Business Meeting, Audit, Quality Control, Inspection to Branch in Indonesia, Transit and Join a Transportation Mode in Indonesia
Length of stay	30 (thirty) days, can be extended once by another period of 30 days

Passport holders from the following countries can utilise the visa on arrival facility:

Algeria, Andorra, Argentina, Armenia, Australia, Austria, Bahrain, Belarus, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Fiji, Finland, France, Germany, Greece, Hungary, Iceland, India, Ireland, Italy, Japan, Kuwait, Latvia, Libya, Liechtenstein, Lithuania, Luxembourg, Maldives, Malta, Mexico, Monaco, Netherlands, New Zealand, Norway, Oman, Panama, Papua New Guinea, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Seychelles, Slovakia, Slovenia, South Africa, South Korea, Spain, Suriname, Sweden, Switzerland, Taiwan, Timor Leste, Tunisia, Turkey, United Arab Emirates, United Kingdom, United States of America.

Visit Visa

Foreigners can arrange a visit visa (in Indonesian: Visa Kunjungan) at an Indonesian embassy in case they want to stay for a longer period in Indonesia. With a visit visa you can stay in Indonesia for 60 days. However, you can extend it four times at the local immigration office in Indonesia, each time by a 30-day period, hence you can remain in Indonesia continuously for a total of 180 days.

Although it is allowed to use the visit visa for tourism purposes, it is mostly used by foreigners to visit their friends, family or partner or for social-cultural (educational) purposes such as a course, research or training (often named Sosial-Budaya visa). To obtain this visa at the Indonesian embassy outside Indonesia you will require an invitation letter from your sponsor. This sponsor can be an Indonesian individual, an expat with a temporary (ITAS) or permanent (ITAP) resident permit, or an Indonesia-based institution.

Business Visa

If you want to visit Indonesia for a prolonged period for the purpose of doing business activities then the business visa is a solution.

There are two types of business visa:

- the singly entry business visa and
- the multiple entry business visa.

The singly entry business visa is initially valid for 30 days. Meanwhile, the multiple entry business visa is initially valid for 60 days. This one can be extended up to four times, each time by one month.

Temporary Resident Visas

This type of visa is valid for six months to one year and issued exclusively to experts that work for national development or in education, training and scientific programs within prevailing government regulations.

Re-entry Permits

Non-citizens with residential status in Indonesia must have re-entry permits to re-enter Indonesia. Typically these are now granted for a period of 12 months (previously the maximum period was 6 months, which required a renewal in the middle of the term of a 12-month stay/ work permit.

Customs

Every person passing the border of Indonesia using any means of transport must declare the goods they bring to Indonesia at the port of entry.

Goods Subject to Import Duty, Import Related Taxes, and Excise

Passenger's personal goods with customs value exceeding FOB USD 250.00 for each person or FOB USD 1,000.00 for a family.

Excisable goods of adult passenger's personal goods with amount exceeding 200 pieces of cigarettes, 25 pieces of cigars or 100 grams of minced tobacco and 1 liter of alcoholic beverages.

If the values of goods carried are more than the aforementioned number, the passenger shall pay import duty and other import levies for the difference. However, goods such as camera, video camera, radio cassette, binocular, laptop, or cellular phone, that will be used during stay in Indonesia and will be brought back when leaving for Indonesia will be exempted.

Goods Subject to Declare

- Imported goods subject to import duty, import related taxes, and excise
- Animal, fish, and plant including their derivative products
- Narcotics, psychotropic, drugs, fire arms, air guns, sharp weapons, ammunition, explosive material, pornographic goods/publication
- Cinematographic movie, recorded video tape, video laser disc, or pornographic record
- Bank notes, in rupiah or other currency with value of IDR 100,000,000.00 (one hundred million rupiah) or more

Business Hours

Most businesses, government offices and banks open from 8.00am to 5.00pm, Monday to Friday. Other smaller businesses are open for half a day on Saturday.

Shops are open from 10.00am to 10.00pm, Monday to Sunday.

Climate

The climate of Indonesia is tropical. The east monsoon, from June to September, brings dry weather, while the west monsoon, from December to March brings rain. Thunderstorms can happen at any time of the year and sudden flooding of roads and consequent traffic jams are common during the wet season. Temperatures range from 21°C to 33°C, except at higher altitudes, and humidity is high. Heaviest rainfall is recorded in December and January.

Currency

The basic monetary unit in Indonesia is the rupiah (Rp). Denominations of coins range from 100 to 1000 rupiah. Notes range from 2,000 to 100,000 rupiah.

Major foreign currencies can be exchanged for Indonesian rupiah with banks and authorized money exchangers at airports and in all of the major cities of Indonesia. Major credit cards are also widely accepted in supermarkets, department stores and tourist centers.

Foreign visitors may freely bring in foreign currencies or other types of foreign exchange. When leaving Indonesia, you may freely take out all the foreign exchange that you brought in.

Time Zones and Time Differences

Indonesia has three time zones:

- Western Indonesia Standard Time (WIB): covers the islands of Sumatra, Java, Madura, Western and Central Kalimantan. They are three hours behind Australian Eastern Standard Time (AEST).
- Central Indonesia Standard Time: covers Bali, East and South Kalimantan, Sulawesi, Lombok, Sumbawa, Flores and Timor. They are two hours behind AEST.
- East Indonesian Standard Time: covers Maluku and Irian Jaya (New Guinea). They are one hour behind AEST.

Dialing Codes

Indonesia's country code is 62.

Electricity and Water

Indonesia's power supply is 220 volts; 50Hz. Plugs vary but are generally two-pin, European type. In certain remote area, electricity is not very reliable and occasional blackouts do occur, but most hotels and many factories have their own back-up generators. Tap-water is not drinkable.

Travel

Jakarta is the principle gateway for entry into Indonesia. Indonesia is well serviced with domestic flights between the major cities. Most flights depart from Jakarta International Airport (Soekarno-Hatta) about 50-60 minutes' drive from the city. Allow at least 2 hours to get to Soekarno-Hatta airport in Jakarta as traffic jams and rain can cause major delays.

From Soekarno-Hatta airport, there are shuttle services by bus to shopping malls in as well as train service to the city.

Surabaya has an hourly shuttle service (from Jakarta) and services to Bandung (from Halim) are frequent.

When departing Indonesia, your airport departure tax is included in ticket fare. For those flying within Indonesia will be applied as well.

Ground Transport

When using taxis in Indonesia, it is helpful to have the address of your destination written down in case the driver has difficulty understanding your pronunciation. Being overcharged by taxi drivers is not uncommon. Ask hotel staff about the average fare for a particular journey. Have some change on hand as taxi drivers often do not have smaller notes. A 10 per cent tip is the norm.

In Jakarta, taxis from the Blue Bird Group (Tel: +62 21 794 1234 or app) is recommended and can be booked from most hotels or at the airport. If you have a tight program, or are going to out of the way locations, it is often a good idea to book a taxi for the full day. The cost is less than a standard hire car and driver.

Busway Trans-Jakarta transportation system connecting major business districts. Further expansion of the system is expected in the near future.

Online transportation such as Go-Car and Grab, can be more helpful. Online transportation let you choose between car or motorcycle and you can booked them through the application.

Dining

Indonesia offers almost all types of cuisine from all over the world. From fine dining and specialty restaurants to many warung kaki lima (small food stalls). However, we do not recommend that you dine in these local food stalls. Food in most food court is priced around US$6-10 per person.

Tipping

Tipping is not very widespread in Indonesia, although it is common practiced in middle to upscale premises.

Hotels and most restaurants always add a service fee to their bills. With taxis, it is usual to add around 10 per cent. It is always advisable to have some small change handy for taxi fares and small purchases, as shops don't carry a lot of change.

RELEVANT WEBSITES OR FURTHER READING

- Austrade, www.austrade.gov.au
- Bappenas, www.bappenas.go.id
- Central Bank of Indonesia, www.bi.go.id
- Financial Services Authority (OJK), www.ojk.go.id
- Indonesia Investment Coordinating Board (BKPM), www.bkpm.go.id
- Indonesia Investments, www.indonesia-investments.com
- Ministry of Energy & Mineral Resources of Republic of Indonesia, www.esdm.go.id
- Ministry of Manpower of the Republic of Indonesia, www.kemnaker.go.id
- Ministry of Trade Republic of Indonesia, www.kemendag.go.id
- Statistic Indonesia, www.bps.go.id
- Trading Economics, www.tradingeconomics.com

RSM in INDONESIA

Our Journey

Established in 1985 by Amir Abadi Jusuf as a public accounting firm, we have surpassed three decades of sustained growth and professional success, evolved into an integrated professional services group that places great emphasis on delivering high quality services to its clients. As we have evolved and grown, so too has our name – AAJ Associates, then RSM AAJ, and now we are called RSM Indonesia.

Our Services in Indonesia

Through RSM in Indonesia, we can offer you access to the type of in-depth knowledge and understanding of local business customs, tax and regulatory matters that only lifelong residents can provide.

Audit Assurance	General Audit on Financial Statements | Financial Information Review | Agreed Upon Procedure related to Financial Statement | Other Attestation Engagement related to Financial Statement |
Business Services	Accounting | Business Start-Up | Corporate Secretarial | Payroll | Executive Search & Recruitment |
Corporate Finance & Transaction Support	Capital Market | Corporate Recovery & Insolvency | Deal Origination | Disposal | Merger & Acquisition | Distress Turnaround |
General Consulting	Management Consulting | IFRS Consulting | Other Consulting |
Governance Risk Control	Governance | Internal Audit | Internal Control | IT Audit/Review| IT Due Diligence | Risk Management |Whistleblowing Solution |
Information Technology Consulting	Security Advisory | Robotic Process Automation | IT Planning & Strategy Development | IT Project Management |
Tax	Tax Compliance | International Tax | Transfer Pricing | Tax Litigation & Support |

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