



HOW DO WE DO BUSINESS
IN INDONESIA?

A GUIDE TO DOING BUSINESS IN INDONESIA

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Operating a business in a foreign land is always more difficult than operating at home.

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 successful in Indonesia.

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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 undergoing a major structural shift in terms of demographics. This provides for dynamic labour market participation, growing at 2.36 million¹ 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 ²	
2020	2021 Est.
270,200,000	273,984,400

Total Area	Land Area ³	Sea Area ³
5,180,053 km ²	1,922,570 km ²	3,257,483 km ²

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.

1) Source: Statistic Indonesia

2) Source: Statistic Indonesia

Inflation by Expenditure Groups in % ⁴	2015	2016	2017	2018	2019	2020	2021 (until Aug)
Food Stuff	4.93	5.69	1.26	3.41	4.28	-	-
Prepared Food	6.42	5.38	4.10	3.91	3.97	3.63	1.89
Housing	3.34	1.90	5.14	2.43	1.75	0.35	0.20
Clothing	3.43	3.05	3.92	3.59	4.93	1.01	0.90
Medical Care	5.32	3.92	2.99	3.14	3.46	2.79	0.72
Education	3.97	2.73	3.33	3.15	3.25	1.40	0.06
Transportation	-1.53	-0.72	4.23	3.16	0.17	-0.85	0.46
General	3.35	3.02	3.61	3.13	2.72	1.68	0.90

Indonesia is the third largest democracy in the world after India and the United States. 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 2 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 ongoing national economic recovery is predicted to increase. In 2021, the Indonesian economy is predicted to grow and reach 4.8% - 5.8%, supported by an increase in export performance, private

and government consumption, as well as investment from both Government capital expenditures and foreign investment as a positive response to the Job Creation Law. Bank Indonesia (BI) stated that they are optimistic that national economic recovery in 2021 can be realized by strengthening synergies through a prerequisite and 5 strategies. The prerequisite is vaccination together with the discipline of following Covid-19 protocols, while the 5 policy response strategies are: 1) opening up productive and safe sectors, 2) accelerating fiscal stimulus (budget realization), 3) increasing credit from the demand and supply side, 4) monetary stimulus and macroprudential policies, and 5) digitalization of the economy and finance, especially MSMEs⁵. GDP Annual Growth Rate in Indonesia averaged 4.91% from 2000 until 2020⁶.

4) Source: Statistics Indonesia

5) Source: https://www.bigo.id/en/publikasi/ruang-media/news-release/Pages/sp_229020.aspx

6) Source: <https://tradingeconomics.com/indonesia/gdp-growth-annual>

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*'.

Tips on Business Culture⁷

- ◊ 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.

TYPE OF BUSINESS ENTITIES

The classification of business organizations can be viewed based upon the types of ownership: private-owned entities, government owned entities and foreign 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 company or *Perseeroan Terbatas* (PT) is an entity established by at least 2 parties, which must be drawn up in a notarial form approved by the Minister of Law & Human Rights. The Articles of Association/Deed of Establishment must then be published in *Lembaran Berita Negara* (the State Gazette).

This is the typical business entity in Indonesia and is also the entity that is usually used by foreign investors that to establish a business in Indonesia. The basic features of the PT Company are: (1) the liability of the shareholders are limited to the value of shares they have; (2) the PT 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 2 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 (*Persekutuan Perdata -Maatschap*)

The basic partnership is a simple type of business organization which is formed by at least two parties. The founders sign the partnership agreement before a Public Notary and register the agreement at the Ministry of Law and Human Rights. The characteristic of *Maatschap* is a partnership of professionals and therefore it is usually used by lawyers, notaries, accountants, and other similar professionals. Each partner has 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 partnership, which is commonly used by smaller trading and service enter-

prises. To establish a Firma, the founders must draw up a partnership agreement in a notarial form, which is registered with the Ministry of Law and 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)

A limited partnership has one or more silent partners which are not involved in management of the business. 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. Same as Basic Partnership and Firma, the founders must draw up a partnership agreement in a

notarial form, which is registered with the Ministry of Law and Human Rights.

Cooperative (Koperasi)

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 Ministry of Law and Human Rights

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

The major forms of government-owned entities are Stated Owned Enterprise (BUMN), and regional government-owned enterprise (BUMD).

State-owned Enterprise (BUMN)

BUMN are divided into 2 types of organization, Persero and Perusahaan Umum (Perum).

A Persero is 51 % or more owned by the Indonesia Government (central government), which involves the pertinent

technical Ministry and Ministry of Finance. Basically, the features of the BUMN are the same as a PT Company in the private sector.

Perum are formed by the central government to provide goods and services for public utility such as electricity, post, food, and telecommunications, etc. Technically, a Perum 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 a not-for-profit enterprise.

Regional-owned Enterprise (BUMD)

BUMD are established by regional governments. 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.

BUMD is also divided into two types of organization, Perusahaan Persero Daerah and Perusahaan Umum Daerah. Perusahaan Persero Daerah are 51 % or more are owned by the regional government. Perusahaan Umum Daerah are fully owned by the regional government.



FOREIGN ENTERPRISE ENTITIES

The common business forms established by foreign investors in Indonesia are foreign joint venture company in the form of PT Company, branch of a foreign company, and 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. In general, The minimum Issued & Paid Up Capital for a PMA Company is IDR 2.5 billion. In addition, the minimum planned investment is IDR 10 billion per Line of Business; however there might be higher capital and/or investment requirements for certain lines 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.

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.

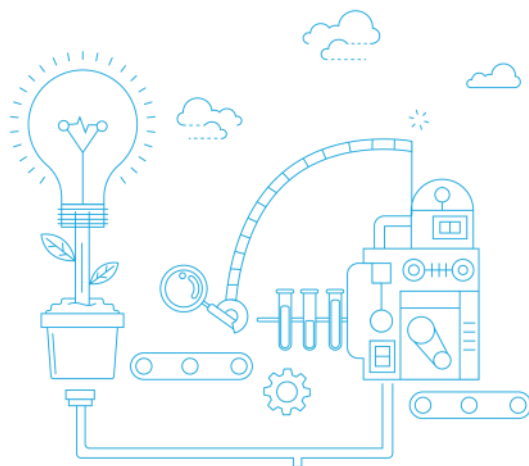


FOREIGN EXCHANGE CONTROLS

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.

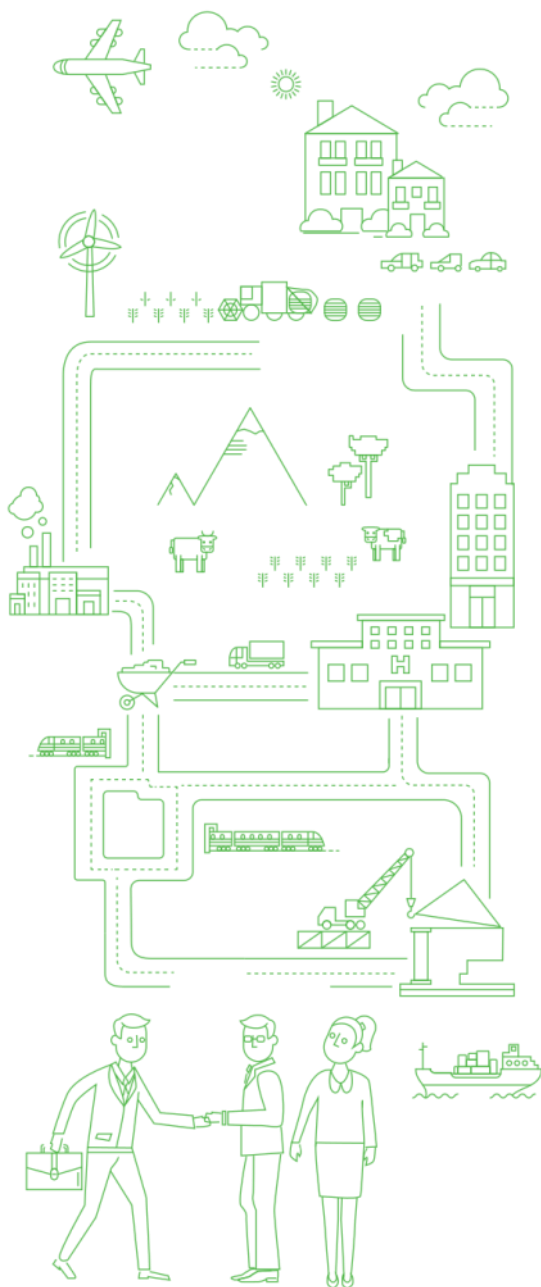
Bank Indonesia Regulation No. 16/22/PBI/2014 on Foreign Exchange Reporting and Reporting of Implementation of Prudential Principles in the Management of

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 system is based on a self-assessment 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 per Law No. 11 Year 2020 on Job Creation (UU Cipta Kerja) dated 2 November 2020.

The principal taxes can be classified into 3 broad areas:

1. **National Taxes** (i.e., determined at a national level, although actual collection and/or budgetary allocation might occur at a local level): these include income tax, value added tax, sales tax on luxury goods, and stamp tax.
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 buildings, motor vehicle tax, road tax, advertisement tax, etc.
3. **Custom and Excise Taxes**: this type of tax includes export tax, import/customs duty, and special taxes on tobacco, sugar, alcohol and gasoline.

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 off-shore in accordance with the regulations and/or Agreements on the Prevention of Double Taxation ("DTA"). 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 includes the following:

1. Compensation or remuneration received in respect of employment or service, such as salary, wage, allowance, honorarium
2. Lottery prizes or gifts in respect of employment or other activities and awards
3. Business profits
4. Gains from sale or transfer
5. Refunds of tax payments that were already deducted as expenses and any interest compensation related to a favourable revision of a tax assessment
6. Interest, including premiums, discounts, and compensation for loan repayment guarantee
7. Dividends, in whatever name and form, including dividends from insurance companies to policyholders
8. Royalties
9. Rents and other income related to the use of assets
10. Receiving or obtaining periodic payments
11. Gains from forgiveness of indebtedness
12. Gains from foreign exchange differences

13. Gains from revaluation of assets
14. Insurance premiums
15. Additional net assets/ wealth arising from income which has not been taxed
16. Income from sharia-based business

EXEMPTION FROM THE IMPOSITION OF INCOME TAX

Under the Income Tax Law as lastly amended by UU 11 Cipta Kerja supplemented by Government Regulation Number 9 Year 2021 ("GR 9/2021") and Regulation of the Minister of Finance Number 18/PMK.03/2021 ("PMK 18/2021"), there are exemptions from the imposition of income tax for certain tax subjects and tax objects. Amongst others, these include:

- a. Foreign citizens that become tax residents are only subject to income tax on income received or earned from Indonesia if they have certain skills (typically related to technology or science). The exemption is valid for 4 fiscal years inclusive of the year when the foreign citizen became a tax resident and does not apply if the foreign citizen wishes to make use of Indonesia's DTA network.

"Income received or earned from Indonesia" includes income received by the foreign citizen outside of Indonesia in any name or form that is in connection with work, services, or activities in Indonesia.

b. Dividends, are exempted from income tax in the following cases for tax residents:

i) Personal income tax:

a) for dividends sourced from Indonesia, no tax is payable provided the dividend is re-invested in Indonesia;

b) for dividends sourced from overseas private companies, no tax is payable provided at least 30% of the profit after tax (after considering that shareholder's ownership) is re-invested in Indonesia;

c) for dividends sourced from overseas public companies, no tax is payable provided all of the profit after tax is re-invested in Indonesia.

ii) Corporate income tax:

a) for dividends sourced from Indonesia, no tax is payable;

b) for dividends sourced from overseas private companies, no tax is payable provided at least 30% of the profit after tax (after considering that shareholder's ownership) - is

re-invested in Indonesia;

c) for dividends sourced from overseas public companies, no tax is payable provided all of the profit after tax is re-invested in Indonesia.

c. There are 3 other types of income tax that are not included as tax objects:

i) income which is earned or received from investments managed by Haji organizing committee;

ii) surplus obtained by a social and religious organisation or entity that it is re-invested within 4 years of the year of surplus;

iii) share of profits of operating result obtained by members of a cooperative.

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 inter-company 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 realized
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 & similar as well as criminal sanctions related to implementation of the tax laws & 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.

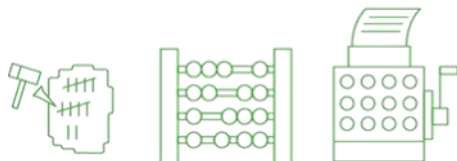
AMORTIZATION

Amortization upon expenditures to acquire intangible asset and other expenditures including expenses for the extension on rights to build, right to use and goodwill that has a useful life of more than 1 year which is utilized to obtain, collect, and maintain income shall be calculated using the straight-line method or declining balance method by applying the amortization rate against those expenditure or against the book value. At the end of the useful life any residual value shall be amortized at once, provided that the method is carried out consistently.

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

Individuals and corporates that do not meet the definition of tax resident and that do not have a PE are not considered taxpayers for Indonesian tax purposes. In addition, non-resident taxpayer also covers foreign citizen residing in Indonesia less than 183 days in a 12-month period

and Indonesian individuals who reside outside Indonesia more than 183 days in 12 months and fulfils certain regulated requirements.

However, 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. Relief may be available under a DTA if the non-resident is eligible to use the DTA.

Effective 1 January 2019, the non-resident must complete and provide a ITA (Indonesian Tax Authority) DGT Form as an administrative requirement to obtain tax treaty benefits. The purpose of the DGT Form is to confirm:

- ◊ the non-resident is indeed a tax resident of the tax treaty country (page 1 of the Form can be substituted with a traditional Certificate of Tax Residence/Domicile issued by the competent tax authority of the country of residence of the non-resident);
- ◊ 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 (prevention of tax treaty abuse).



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.

In July 2020, the Minister of Energy and Mineral Resources ("MEMR") issued MEMR Regulation No. 12 of 2020 ("MEMR Reg. 12/2020") aiming at attracting new investors to invest in the upstream oil and gas industry. MEMR Reg. 12/2012 grants flexibility to investors to adopt either a PSC using gross-split mechanism or cost recovery PSC.

Under MEMR Reg. 12/2020, the MEMR shall determine the form and key provisions of a cooperation contract that will be enforced for a working area. In its determination, the MEMR is required to consider the level of risk, investment climate and maximum benefit for the State. The MEMR may determine one of the following forms

of cooperation contract:

- a. Gross Split PSC;
- b. Cost Recovery PSC; or
- c. Other cooperation contract.

Whichever form of cooperation contract is chosen, the following provisions at least must be included:

- a. ownership of natural resources shall remain with the Government until the point of delivery;
- b. control of operation management shall remain with the Special Task Force for Upstream Oil and Gas Business Activities (SKK Migas); and
- c. capital and risks are borne entirely by the PSC Contractor.

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 based on the type of mineral resource. The rates imposed are at 2%-5% for metallic minerals (through refining and processing) and 10% for nickel ore, iron sand, iron (metallic mineral) and manganese ore. However, for the

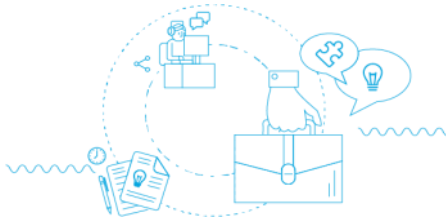
holder of IUP and IUPK that conducts activities for value added processing of coal for domestic consumption may be granted a 0% royalty rate.

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

On 1 August 2018, the President of Indonesia signed 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. Therefore 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 License 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.



TRANSFER PRICING

The transfer pricing landscape in Indonesia has become more strict in recent years as a consequence of the and high tax revenue targets set by the Government and Indonesia's adoption of the OECD Base Erosion and Profit Shifting Action plans. Accordingly, transfer pricing issues are becoming a focus area during tax audits or for inquiries by the ITA.

Under Article 18(3) of the Income Tax Law, the Director-General of Taxation ("DGT") 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:

- ◊ 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 2 taxpayers are also considered to be related

- ◊ Where a taxpayer directly or indirectly controls another taxpayer or there are 2 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 ("MoF") 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 the table on the next page*.

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

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.

Advance Pricing Agreement (APA)

In 2020, a MoF regulation was issued to update procedures for implementation of APA. The new regulation provides express inclusion of roll-back provisions and shows that the ITA is committed to make APA a viable solution to manage taxpayers' Indonesian transfer pricing position. MoF Regulation Number 22/PMK.03/2020 (PMK 22/2020) concerning the procedure for formation and implementation of Advance Pricing Agreements seeks to: (i) align APA

regulations with Action 14 as mentioned under Base Erosion and Profit Shifting (BEPS) made by OECD and the broader G-20 and (ii) provide detailed guidelines to ensure legal certainty for taxpayers that are involved in the APA process, particularly related to the procedure and timeframe for APA applications and their follow up.

PMK 22/2020 is effective on 18 March 2020 and replaces the previous APA regulations and applies to all current and future applications for APA. There are 3 points arising from PMK-22/2020 that should be highlighted: (i) the guidelines on application of Arm's Length Principle (ALP) is expanded in terms of the special relationship to which ALP should be applied; (ii) the expansion of the definition of special relationship can in some cases deviate from the traditional definition provided under existing Transfer Pricing regulations - which is typically linked to ownership/control and family relationship; and (iii) separate ITA regulation are expected to be issued on ALP guidelines.

Mutual Agreement Procedures (MAP)

MAP are governed under MoF Regulation Number 49/PMK.03/2019 (PMK 49/2019). With the introduction of PMK 49/2019 and as a continuation of the ITA's implementation of MAP cases via MoF Regulation Number 243/PMK.03/2014, MAP should continue to be considered by Indonesian taxpayers as an alternative to resolving multi-jurisdiction tax disputes. Further, PMK 49/2019 seeks to provide additional legal certainty on the procedure, timeline, and follow-up actions of MAP.

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 for that year.

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

The implementing regulation further confirms that borrowing costs from related parties that do not meet the ALP shall be deemed as a dividend that is subject to withholding tax at the time of actual payment of the borrowing costs or when these are due for payment.

INCOME TAX RATES

The Income Tax Law applies to resident and non-resident taxpayers (that earn income from sources in Indonesia).

For resident individual taxpayers, the income tax rate is applied progressively to the taxable income.

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%

For information, the Government is currently considering adding a 5th tier so that a rate of 35% will apply for individuals earning more than IDR 5 billion per year.

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

Income Tax Rates for Corporate Bodies

The base corporate income tax rate was 25% up to and including the 2019 Tax Year. The rates have now been reduced, effective the 2020 Tax Year. In addition a related regulation was updated that provides a reduction to the corporate income tax rate for companies listed on Indonesian Stock Exchange, subject to these complying with certain requirements.

Therefore the corporate income tax rates are:

Annual Taxable Profit	General Company Rate	Public Company rate (that fulfils requirements)
All taxable profit (Tax Years 2019 and earlier)	25%	22%
All taxable profit (Tax Years 2020 and 2021)	22%	19%
All taxable profit (starting from Tax Year 2022)	20%	17%

The rates also apply for a foreign taxpayer with a PE in Indonesia. Such PE are also subject to Branch Profit Tax on the after-tax taxable profit. The Branch Profit Tax rate is 20% but may be reduced depending on the existence of a tax treaty.

Allowance for Non-Taxable Income (PTKP)

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 below table 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 (i.e. together with spouse)	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

The allowance for non-taxable income is determined using the status of the individual at the beginning of the calendar year.

INCOME TAX FACILITIES

Facility related to Investment


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 (unless a related tax treaty provides for a lower rate)
- ◊ Extensions of tax loss carry forward periods from 5 to up to 10 years (the extension is based on specific criteria)

Discount to rate of tax for corporate bodies with revenue below IDR 50 billion

Indonesian corporate bodies (i.e., excluding PE) are also entitled to a reduction to the rate of corporate income tax if their revenue is less than IDR 50 billion, as follows:

- ◊ Corporate tax-payer with revenue up to IDR 4.8 billion will receive a 50% discount from the rate of tax applying to the taxable profit. Therefore for the 2020 Tax Year, the effective rate of corporate income tax would be 11% instead of 22%. 
- ◊ The 50% discount to the rate of corporate income tax will progressively reduce if the taxpayer's revenue is greater than IDR 4.8 billion, and ceases when the revenue reaches IDR 50 billion. Therefore the proportion of the taxable profit that is subject to corporate income tax using the 50% discounted rate is equal to IDR 4.8 billion / revenue. Thus, a company with revenue of IDR 24 billion in 2020 will be subject to 11% tax on 20% of the taxable profit (i.e. IDR 4.8 billion / IDR 24 billion) and 22% tax on the remaining 80% of taxable profit.

Final Tax for businesses with revenue of IDR 4.8 billion or less

The general profits-based tax system was amended by Government Regulation No. 46 year 2013 (PP 46/2013) that was then 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

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 only has 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 tax years
- ◊ For companies – after 3 tax years
- ◊ For open partnership, limited partnership and cooperatives – after 4 tax years

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

Special tax deductions

The Government issued regulations in 2019 and 2020 providing for so-called "super deductions" for certain costs incurred by labor-intensive businesses, for the provision of internships, traineeships and learning, and for research and development. Below is a brief summary regarding the super deductions:

- a. Additional deduction for the implementation of internships, traineeships and/or learning activities:
 - A maximum deduction of 200% (i.e. double the actual cost) of the total costs incurred for internships, traineeships and/or learning activities.
 - The costs eligible to be included for the super deduction include (i) costs of specific physical facilities, (ii) costs of instructors and teachers, (iii) the cost of goods and/or materials for the purposes of implementing the activities, (iv) honorarium, and (v) the cost of competency certifications.
- b. Additional deduction for new capital investment for a labor-intensive industry:
 - Additional deduction equal to 60% of the amount of capital investment in the form of

tangible fixed assets including land, which is used for main business activity. The deduction is allocated equally over 6 tax years as from the tax year of commencement of commercial production, that is 10% per year.

- The relevant assets/ investment: (i) must be obtained by taxpayer in a new condition; (ii) specified in a license issued by the Capital Investment Coordinating Board (BKPM); and (iii) owned and used for the taxpayer's main business activity.

c. Additional deduction for certain research and development incurred in Indonesia:

- A maximum deduction of 300% (i.e. triple the actual cost) comprising: (i) deduction of 100% for the costs spent for research and development activities, and (ii) additional deduction up to 200% of the accumulated costs spent for research and development activities in a certain period based on criteria specified under MoF Regulation Number 153/PMK.010.2020 (PMK-153/2020), including whether it results in registration of intellectual property in the form of a patent or plant variety protection right, it reaches commercialization and/or involves cooperation

with government research and development institutions or higher education institutions in Indonesia.

- The type of research and development costs that may be granted the additional deduction (of up to 200% of the cost) must be incurred with the aim of creating new inventions, based on an original concept, having uncertainty of the final result, planned and having a budget, aimed at creating something that can be transferred freely or traded in the market, and that constitutes research and development of priority with focus and theme as specified in PMK-153/2020.

Facilities provided during Covid-19 pandemic

The Government of Indonesia has introduced various regulations to provide economic relief to companies and support the country's national economic stability during the Covid-19 pandemic. Specific tax facilities are:

- a. Article 21 tax to be borne by the Government ("ditanggung" – PPh 21D TP) for employees of business in specified sectors, subject to their gross employment income not exceeding IDR 200 million for the year
- b. 0.5% final income tax due under PP23/2018 will be borne by the

Government (PPh Final D TP)

- c. Article 22 on imports will be exempted for business in specified sectors
- d. Article 25 corporate income tax instalments are reduced by 50% for businesses in specified sectors
- e. Advance restitution of VAT for businesses in specified sectors, to a maximum refund request of IDR 5 billion
- f. Final tax to be borne by the Government ("*ditanggung*" - PPh final D TP) for businesses that are engaged in construction for irrigation projects (known as P3_TGAI)

These 6 facilities are available until 31 December 2020, unless extended.

- g. Additional tax deduction for manufacturers of Covid-19 related equipment & supplies

An additional 30% deduction is provided to manufacturers for costs to produce 'medical equipment' and 'household health supplies' for handling Covid-19 in Indonesia. The eligible costs are those paid between 1 January 2021 to 31 December 2021 unless this period is extended.

- h. Deduction for donations related to handling Covid-19
- To obtain the deduction, the taxpayer must submit a nominative list of the costs to the DGT and the

donation shall fulfil certain requirements. Eligible donations are those given between 1 January 2021 to December 2021 unless this period is extended.

- i. Nil tax for income earned by individuals from providing health services to the Government related to handling Covid-19

No tax shall be imposed on income earned from the Government by individual taxpayers engaged as health workers or health supporting workers in the health sector to handle Covid-19 that is received in form of honorarium or other compensation. The facility only applies for income that is received or earned from 1 January 2021 to 31 December 2021 unless this period is extended.

- j. Nil tax on income from the Government for the use of assets for handling Covid-19

No tax shall be imposed on income received or earned by taxpayers from the Government as compensation in any form from: (i) rental of land and/or buildings; and/or (ii) rental and other income for the use of assets other than land and/or buildings. The mechanism for implementing the facility is by imposition of 0% final tax under Article 4 (2) of the Income Tax Law. The facility only applies for income that is received or earned from 1 January 2021 to December 2021 unless

this period is extended.

- k. Relaxation of criteria for public companies to access reduced rate of corporate income tax, where there was a share buyback

The requirements to receive this facility are: (i) receipt of an approval letter for the buy-back from the Government or relevant agency (OJK) (issued with consideration for the policy to handle capital market conditions that fluctuate significantly); (ii) the period to buy back its shares is from March to December 2020; and (iii) those shares can only be owned until 30 September 2022.

- l. Value Added Tax to be borne by the Government ("*ditanggung*" – PPN DTP) on rental of spaces or build-ings for retail businesses

For the facility is provided for VAT payable on rent for August 2021 to October 2021 which is invoiced during August 2021 to November 2021, unless extended.

- m. Value Added Tax to be borne by the Government ("*ditanggung*" – PPN DTP) for the transfer/sale of resi-dential landed houses and apart-ments

To the facility is available for the transfer of new residential landed houses and apartments with a selling price not exceeding IDR 5 billion that is transferred from the developer to the consumer in ready

-to-occupy condition. The facility is available for March 2021 to Decem-ber 2021, unless extended.

TAX HOLIDAY

Indonesia offers income tax holidays for investments in stipulated industries. The minimum required investment is IDR 100 billion. *Refer page 50—Investing in Indonesia.*

WITHHOLDING TAXES

Indonesian taxes are also collected via a system of withholding taxes. This system has been progressively widened. There are 5 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 activi-ties. With regard to imports, the tax-payer is required to pay 2.5% of the import value at the time of customs clearance if they hold an import li- cense (NIB with related import regis- tration) 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 NIB or not. A fur- ther revision occurred in September 2018 that increases the rate for cer- tain consumer goods. This tax is a prepayment to be applied against the importer's year-end corporate income tax liability.

Article 22 withholding tax must also be paid for the purchase of specified luxurious goods. For example, the

acquisition of an apartment or house valued at IDR 30 billion or more is subject to 1% Article 22 withholding tax. The Article 22 tax paid is a prepaid tax for the buyer and can be credited against the annual income tax payable.

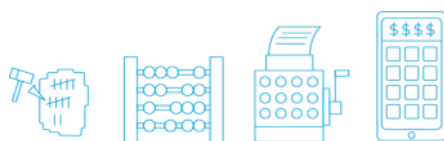
2. Withholding tax under Article 23 relates to payments made for a range of services performed within Indonesia. For example, if a local company uses another local company that provides a service i.e. consulting, the payer is required to withhold tax at a predetermined rate and this tax becomes a prepayment to be applied against the service provider's year-end corporate income 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.

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 payments to non-residents and includes transactions for interest, royalties, services, and dividends.

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 result in the payer having to pay the tax that should have been withheld plus penalties.

The funds that are withheld/paid under Articles 21, 22 and 23 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 individuals and corporate bodies)
 - 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 qualification (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 SBU
 - 4% of gross income for construction planning or supervision services which are performed by a services provider that has a SBU
 - 6% of gross income for construction planning or supervision services which are performed by a services provider that does not have a SBU
 - 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 (*obligasi*) at the rate of 15%
 - h. Income subject to final income in accordance with PP 23/2018 (at the rate of 0.5%) – described in Income Tax Facilities above

TAX INSTALMENT

Under Article 25, taxpayers that are not subject to final taxes are required to pre-pay 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"). 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 (2021)

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. 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%.

The Government is currently considering to cease using a single rate, and impose different rates of VAT depending on the taxable good and service. The general rate is proposed to become 12%, whilst a lower rate might apply for "people's necessities".

Although the export of taxable goods is subject to VAT at 0% 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 provided that specific requirements are met. Exported intangibles (e.g., a royalty from licensing software to an overseas client) are also subject to 0% VAT.

Obligation to be a VATable Taxpayer

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.

The Mechanism of VAT

Key aspects of the VAT process are as follows:

- a. Once registered, a VATable Taxpayer is required to charge and collect VAT (Output VAT). In general, the tax base for imposition of VAT is the price of the taxable goods and services. In limited cases, by regulation, the tax base is reduced.
- b. A VATable Taxpayer can credit eligible Input VAT paid for the acquisition of taxable goods and services that are directly related to its VATable business activities against the Output VAT for that month to determine the net VAT balance. Any net VAT payable must be paid to the State Treasury by the end of the following month; any net overpaid VAT can be carried forward to the next month. Overpaid VAT can be requested as a tax refund at the end of the taxpayer's tax year unless the taxpayer meets the conditions for more frequent refund requests.
- c. Input VAT from the acquisition of taxable goods and/or services before the taxpayer is registered as a VATable Taxpayer can be credited up to 80% of any Output Tax that should have been collected provided the taxpayer is not using another tax base for determining the Output VAT that should have been charged.
- d. Eligible Input VAT can be credited in the month of incurrence or the next 3 months provided it has not been charged as an expense or has not been added (capitalized) into the acquisition price of taxable goods or services.
- e. Eligible Input VAT from the acquisition of taxable goods and/or services before a VATable Taxpayer has commenced delivery of taxable goods and/or services may still be credited provided the deliveries of taxable goods and/or services commence within 3 years. If this does not occur then the taxpayer must delete any Input VAT claimed and/or repay any VAT refund that has been received.
- f. Input VAT which is discovered during a tax audit still can be credited if it meets the requirements as creditable Input VAT and other conditions.
- g. Deliveries of taxable goods and services between the head office and/or branches of a company are subject to VAT unless the company has obtained permission to centralize the VAT administration.
- h. In the case of a consignment, the delivery of tangible goods conducted by the owner of the goods (consignor) to the recipient of goods (consignee) shall not be imposed by VAT and sales tax on luxury goods until title of the goods has been transferred.

VAT Invoice Serial Number

Once registered as a VATable Taxpayer, the taxpayer is required to issue VAT Invoice (Faktur Pajak) for any delivery of VAT-able 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. These are now electronically signed (QR code).

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.

The issuance of Tax Invoice

VATable Taxpayers that deliver taxable goods and/or services are required to issue a Tax Invoice (*Faktur Pajak*). Retail traders, including e-commerce retailers can issue tax invoices without inserting the identity of the buyer.

Tax invoices can be in the form of: cash receipts, sales invoices, cash register terms, tickets, receipts, or proof of delivery or other similar payments in either physical or electronic form. Furthermore, electronic tax invoices are defined as: (i) in

electronic form; (ii) made using a system or application determined by the ITA; and (iii) imprinted with electronic signature.

VAT obligations for certain e-commerce businesses

Commencing 1 July 2020, foreign businesses and domestic taxpayers (that cooperate with foreign businesses) that deliver intangible taxable goods or provide taxable services through electronic means from overseas to Indonesian purchasers are classified as foreign e-commerce businesses ("PMSE"). Based on specified activity criteria, these businesses can be appointed as e-commerce VAT collectors by the DGT or can apply to the DGT to be appointed as an e-commerce VAT collector. The current stipulated activity are: (a) if the value of transactions with purchasers in Indonesia exceeds IDR600.000.000 in 12 months or IDR50.000.000 in 1 month; and/or (b) if the amount of traffic or visitors in Indonesia exceeds 12.000 in 12 months or 1.000 in 1 month.

Once appointed, the e-commerce VAT collector is required to issue a VAT collection slip ("*Bukti Pungut PPN*") in the form of a commercial invoice, billing, order receipt, or similar document that states VAT had been collected and has been paid by the buyer. In addition, the e-commerce VAT collector is required to pay the VAT collected for each month to the State Treasury by the end of the following month. Further, the e-commerce VAT collector must submit a report of VAT collected and paid every 3 months at the latest by the end of the month after the

3 months period, that is:

- a. 1st quarter: January - March - by the end of April
- b. 2nd quarter: April - June - by the end of July
- c. 3rd quarter: July - September - by the end of October
- d. 4th quarter: October - December - by the end of January

The rate of VAT is 10% (as per the VAT Law) of the value paid by the buyer, excluding the VAT collected.

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.

For example, the sale of resident property (such as house, apartment, condominium, or town house) valued at IDR 30 billion or more are classified as luxurious goods and subject to 20% sales tax on luxury goods.

TAX ADMINISTRATION

An employer is required 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 IDR 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 3 months after an alternate closing date after payment of any income tax liability.

Any extension granted is usually for a maximum of 2 months. The deadline for payment of any annual tax liability cannot be extended. 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.

A taxpayer that wishes to object to an assessment may elect to not pay any amounts assessed; however, they will be required to pay an additional 50% surcharge 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 surcharge of 100% will apply if the Tax Court rules against the taxpayer.

The Imposition of Administrative Penalties

There are 2 kinds of administrative penalty governed under the Law on General Taxation Administration & Procedures ("KUP Law"): (i) interest penalties and (ii) fines. Below are several key points:

a. Following the issue of UU Cipta Kerja, the previous fixed interest penalty of 2% per month for late payments of tax has been replaced by a reference rate plus a culpability factor. In addition the maximum period for all interest penalties is 24 months. The reference rate is provided by the MoF at the beginning of each month.

There are 3 rates for culpability: (i) 0%; (ii) 5%; 10%; and (iii) 15%. The KUP Law stipulates which rate applies in what circumstance.

As an example, the culpability factor for general late payment of tax is 5%.

Therefore the interest penalty for late payment would be calculated as: $(\text{MoF Reference Rate (stated as a monthly rate)} + 5\%/12) \times \text{the months of late payment}$

- b. UU Cipta Kerja has reduced many of the fines imposed for disclosures or actions related to tax. For example:
- i) The fine for voluntarily admitting a deliberate non-disclosure (resulting in additional tax) during a tax audit, but before commencement of an investigation is reduced from 150% of the underpaid tax to become 100%;
 - ii) The fine for failing to issue a correct Tax Invoice is reduced from 2% of the tax base to become 1% of the tax base;
 - iii) The fine for a first time offender that negligently fails to submit a tax return or submits an incorrect tax return was 200% of any underpaid tax, but this provision is now deleted.
- c. The fines for late lodgement of tax returns remain as follows:

Type of Tax Return	Fine for Late Lodgement
Annual Corporate Income Tax Return	IDR 1.000.000
Annual Personal Income Tax Return	IDR 100.000
VAT Return	IDR 500.000
Withholding Tax Return (e.g. Article 21/26, 23/26 or Final Tax)	IDR 100.000

Interest Compensation

In certain limited cases, a taxpayer is entitled to receive interest compensation based on the applicable regulations, such as when the taxpayer has paid an assessment and is subsequently successful in the objection or appeal to the Tax Court. The rate used to calculate the interest compensation is the reference interest rate stipulated by the MoF. The maximum compensation period is 24 months.

ELECTRONIC SERVICES/PORTAL PROVIDED BY ITA

In recent years, the ITA has progressively launched electronic applications to assist taxpayers to fulfill their administrative tax obligations. Now all tax returns for corporate (badan) taxpayers should be lodged through e-filing. Some additional initiatives include:

- E-Bupot
- Pre-populated VAT Returns
- KSWP

e-Bupot system

The e-Bupot system allows the taxpayer to make a withholding tax slip and report Article 23, Article 26 and/or Final withholding tax in the form of an electronic document that is validated by the ITA.

Pre-populated VAT Returns

The ITA's updated electronic tax invoice application system is now equipped with pre-populated features. VATable taxpayers no longer need to insert Input Tax data manually. This reduces the risks of input errors.

KSWP (Taxpayer Status Confirmation)

The KSWP will be issued as "valid" if (i) the name of the taxpayer and their NPWP is consistent with the data stored in the ITA's information system and (ii) the taxpayer has submitted the annual income tax returns for the last 2 years. If either or both are not met then the status will be "invalid".

The KSWP is provided so the taxpayer may access certain types of public service from government institutions. For example, on establishment of a company, all resident shareholders, directors and commissioners must have a 'valid' KSWP to process the new company's documents through the Ministry of Law & Human Rights.

In addition, the ITA also launched the Information of Confirmation of Taxpayer Status (IKSWP). Taxpayers may utilize the IKSWP for 3 services:

- 1) to confirm the KSWP status before trying to access certain public services in government institutions;
- 2) to obtain a Fiscal Certificate (*Surat Keterangan Fiskal* (SKF)) – it shall be issued or rejected immediately by the system after the taxpayer has submitted the application based on the taxpayer's KSWP status; and
- 3) to obtain a Tax Domicile Certificate (*Surat Keterangan Domisili* (SKD)) for a domestic tax resident that wishes to access Indonesia's tax treaty network in relation to its transactions with a party in another tax treaty partner.

AGREEMENTS FOR THE AVOIDANCE OF DOUBLE TAXATION

To avoid double taxation on certain income such as profits, dividends, interests, fees, and royalties, Indonesia has signed agreements (tax treaties) with 70 countries (see table on page 39).

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.

In order to claim tax treaty benefits, the foreign taxpayer must fulfill the administrative requirements by completing the DGT Form. The rules relating to the DGT Form are stipulated under the DGT Regulation PER No. 25/PJ/2018. The DGT Form

includes questions confirming the foreign entity (i) must not be engaged in treaty abuse; (ii) must have economic substance, including management, personnel, and assets; (iii) must be the beneficial owner of the income such as dividends, royalties, and interest, and is not acting as an agent, nominee, and/or conduit company. If the foreign taxpayer is not able to satisfy the relevant tests then it is not eligible to use the tax treaty and the Indonesian party must withhold tax in accordance with the Income Tax Law (e.g. typically withholding 20% tax from payments for services, dividends, interest and/or royalties).

Implementation of Multilateral Instrument (MLI)

The MLI is a multilateral treaty issued by the OECD to implement treaty related anti-tax avoidance measures under Action 15 of the Base Erosion and Profit Shifting (BEPS) Project. The MLI allows for the inclusion of treaty related anti-avoidance measures in the existing tax treaties of participating jurisdictions (signatories) without the need to renegotiate each bilateral tax treaty separately. Therefore it needs to be applied in parallel to existing tax treaties and serves as an addition (like a protocol). To date, there are currently 95 jurisdictions that have signed the MLI. As the MLI's scope of application rapidly expands, it is expected to have substantial impact on more than 1,500 existing bilateral tax treaties worldwide.

In order for a specific tax treaty to be affected by the provision of the MLI, both contracting jurisdictions must sign and

ratify the MLI, and include the existing tax treaty as one of their Covered Tax Agreement (CTA).

Indonesia currently has 70 tax treaties, however, not all of these tax treaties will be affected by the MLI. It has only submitted 47 tax treaties to be included as CTA and 39 of these jurisdictions have also chosen Indonesia as their CTA. Accordingly, the MLI will not affect the existing tax treaties between Indonesia and those jurisdictions that have not been included by either side as CTA.

One of the mandatory minimum standard and the backbone of the MLI is the "Principle Purpose Test" (PPT) under Article 7 of the MLI. PPT regulates that tax treaty benefits will be denied if it is reasonable to conclude that one of the principal purposes of a transaction or arrangement is to obtain a tax treaty benefit. Other key measures of MLI that Indonesia has adopted as optional clauses include expanding the scope of PE to prevent artificial avoidance, and determination of tax residency of dual resident entities on the basis of mutual procedures agreement (MAP).

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 blacklist 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 taxpayer's percentage shareholding.

For indirect CFCs, the deemed dividend is the indirect CFC's net income after tax multiplied by the taxpayer's percentage indirect shareholding.

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.

In 2019, the DGT created an active income versus passive income distinction so that only specified (passive) income will be subject to the deemed dividend provisions. These are:

- a. Dividends, except dividends received from the other overseas direct or indirect CFC
- b. Interest income, except if the direct/indirect CFC is owned by an Indonesian bank and the interest income is not received from a

related party (the meaning of related party is defined as per Income Tax Law Article 18(2))

- c. Land/building rental income
- d. Royalties
- e. Gains from sale/transfer of assets

The costs for gaining, collecting, and maintaining this income shall be deducted from this income. Therefore, it is the after-tax profit from the specified passive income that will become the base for calculating the deemed dividend.

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). Following recent deregulations, these registrations are now included with the Single Business Identity Number (NIB – *Nomor Induk Berusaha*).

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 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 Trade In Goods Agreement (ATIGA)
- ◊ ASEAN – China FTA (ACFTA)
- ◊ ASEAN – Korea FTA (AKFTA)
- ◊ ASEAN – Hong Kong, China FTA
- ◊ ASEAN – India FTA (AIFTA)
- ◊ ASEAN – Australia – New Zealand FTA (AANZFTA)
- ◊ ASEAN – Japan Comprehensive Economic Partnership (AJCEP)
- ◊ Indonesia – Pakistan Preferential Trade Agreement (IPPTA)

- ◊ Indonesia – Japan Economic Partnership Agreement (IJEPA)
- ◊ Indonesia – Chile Comprehensive Economic Partnership Agreement (IC-CEPA)
- ◊ Indonesia – Australia Comprehensive Economic Partnership Agreement (IA-CEPA)
- ◊ Memorandum of Understanding between The Government of The Republic of Indonesia and The Government of The State of Palestine on Trade Facilitation for Certain Products Originating from Palestinian Territories.

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.

Import duty exemptions are given in 2 schemes, they are (i) on machinery, goods, and raw materials used by companies for development or advancement of industry in the context of capital investment; or (ii) on machinery, goods and raw materials that are used by small and medium scale industries or a KITE (*Kemudahan Impor Tujuan Ekspor* – Import Facility for Export Purposes) consortium:

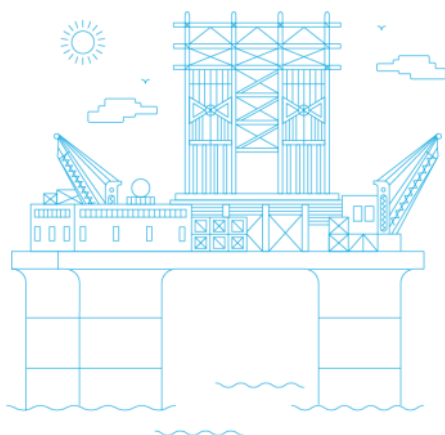
- i) The duration for import exemption is 2 years or 4 years for machinery, goods, or raw materials from the date of issuance of the decision on import duty

exemption. The period will depend on the business sector and whether there the business is also purchasing at least 30% of its machinery needs from local manufacturers. This period can be extended in accordance with the period of development of the industry as indicated in the capital investment approval from BKPM.

- ii) The duration for import exemption shall be given for the use of machinery used for production process for the period of 2 years as from the import and/or entry of the machinery. There is no extension of the time period for the exemption.

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. The customs value is determined by the Director General of Customs and Excise in accordance with the price benchmark set by the Ministry of Trade.



List of Countries with Double Taxation Avoidance Agreement with Indonesia

1. Algeria	27. Democratic People's Republic of Korea	51. Slovakia
2. Armenia	28. Republic of Korea	52. South Africa
3. Australia	29. Kuwait	53. Spain
4. Austria	30. Laos	54. Sri Lanka
5. Bangladesh	31. Luxembourg	55. Sudan
6. Belarus	32. Malaysia	56. Suriname
7. Belgium	33. Mexico	57. Sweden
8. Brunei Darussalam	34. Mongolia	58. Switzerland
9. Bulgaria	35. Morocco	59. Syria
10. Cambodia	36. Netherlands	60. Taiwan
11. Canada	37. New Zealand	61. Thailand
12. China	38. Norway	62. Tunisia
13. Croatia	39. Pakistan	63. Turkey
14. Czech Republic	340. Papua New Guinea	64. Ukraine
15. Denmark	41. Philippines	65. United Arab Emirates
16. Egypt	42. Poland	66. United Kingdom
17. Finland	43. Portugal	67. United States of America
18. France	44. Qatar	68. Uzbekistan
19. Germany	45. Romania	69. Venezuela
20. Hong Kong	46. Russia	70. Vietnam
21. Hungary	47. Saudi Arabia	
22. India	48. Serbia	
23. Iran	49. Seychelles	
24. Italy	50. Singapore	
25. Japan		
26. Jordan		



EMPLOYMENT

LABOR RELATIONS

Indonesia's labour pool is estimated at more than 138 million⁸. 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 non-director 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) together with its related implementing

regulations should be carefully reviewed and understood by management.

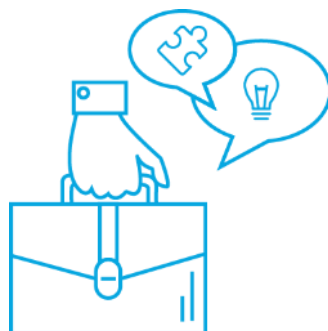
WORKING CONDITIONS

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 Ministry of Manpower and companies are free to compensate employees over and above this minimum wage. The UMR vary between provinces.



⁸) Source: <https://kemnaker.go.id>

SOCIAL SECURITY OBLIGATION

In general, employers are 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 Security Program which requires employers to adopt a paternal role and are responsible for the health and well-being of employees and their families. Employers are required to register and enrol 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.

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 178,794 and IDR 89,397, respectively, based on a stipulated ceiling salary of IDR 8,939,700 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 12,000,000 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 Ministry of Manpower for proposed terminations. In most cases it will be necessary to provide compensation (in the form of severance, gratuities and/or compensation). 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. In particular, expatriates cannot be appointed to human resources positions.



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 2020.

For Indonesian itself, there are several new accounting standards namely PSAK 71, PSAK 72, and PSAK 73. According to the Vice Minister of Finance of Indonesia, the latest PSAK used for the management entities in their financial reporting process and able to prepare financial reports in accordance with good and correct accounting standards. In addition, the latest PSAK is not only applied in Indonesia but also in all countries in the world. Besides that, this PSAK used for maintain and improve the competitiveness of management entities in the business world.

Instead of these, the Vice Minister also stated:

"...Three changes to this PSAK will affect the statement of profit, loss and balance sheet.



PSAK 71 concerning financial instruments supersedes PSAK 50, 55 and 60. Whereas PSAK 72 concerning contract revenue with customers replaces PSAK 23 and 24, and PSAK 73 concerning leases replaces PSAK 30. All of the regulations will be effective starting 1 January 2020."

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 AC-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 Trade of the Republic of Indonesia's decree Number 25/2020 as an amendment from the decree of Minister of Industry and Trade Number 121/MPP/Kep/2/2002, there's a regulation about the 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 IDR 25 billion 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

According to the history, Indonesia has already had IPR laws and regulations since 1840s. It was introduced by the Dutch Colonial Government that concerning to IPR Protection in 1844. Then, the IPR laws and regulations remained in force after the Japanese occupation era and continued by the independence of Indonesia at 1945. As stipulated in the transitional provisions of The 1945 Constitution, all laws and regulations of Dutch colonial legacy remained in force as long as they were not in conflict with The 1945 Constitution. Copyright Law and Dutch legacy law still applied, but not with the Patent Law which was considered to be in conflict with Indonesian government.

Later on, Indonesia started to issue an announcement about the first national regulation regulating patent, namely the Announcement of the Minister of Justice No. J.S. 5/41/4, regulating the temporary filing of domestic patent application, and the Minister of Justice Announcement No. J.G. 1/2/17 regulating temporary filing of foreign patent application. This regulation marked as a pioneer of IPR in Indonesia.

After that, there are several regulations about Patent, Trademark, Copyrights, Industrial Design, and Geographical Indication that issued by Indonesia until the Government signed the Final Act on Embodying

the Result of the Uruguay Round of Multilateral Trade Negotiations, which includes the Agreement on Trade Related to Aspects of Intellectual Property Rights (TRIPs) at 1994 based on the WTO meeting. According to this, Indonesia has several instruments as the protections on several regulations that include: Copyright by Law No. 28 of 2014, Patent by Law No. 13 of 2016, Trademarks and Geographical Indications by Law No. 20 of 2016, Industrial Design by Law No. 31 of 2000, Integrated Circuit Layout Design by Law No. 32 of 2000, Trade Secrets by Law No. 30 of 2000, and Plant Variety Protection by Law No. 29 of 2000.

Traditionally, WTO divided the Intellectual Property Rights (IPRs) to 2 (two) main categories:



1. Copyright and rights related to copyright: i.e. rights granted to authors of literary and artistic works, and the rights of performers, producers of phonograms and broadcasting organizations. The main purpose of protection of copyright and related rights is to encourage and reward creative work.
2. Industrial property: This includes (a) the protection of distinctive signs such as trademarks and geographical indica-

tions, and (b) industrial property protected primarily to stimulate innovation, design and the creation of technology. In this category fall inventions (protected by patents), industrial designs and trade secrets.

Whereas, the industrial property rights consist of:

Trademarks

- ◊ The official language of Indonesia is Bahasa Indonesia and a number of other languages and dialects (e.g. Javanese) are used. Applicants using word elements in their trademarks may need to consider protecting translations and transliterations.
- ◊ Indonesia has a "first to file" rule for obtaining trademark rights, meaning that if there is a dispute between you and another party over a trademark, whoever filed for registration first will generally have superior rights, regardless of who developed or first used the mark.
- ◊ Trademarks which are contrary to morality or religion or public order are not registrable.
- ◊ Trademark registrations may be removed from the register if they are not used within three years of the date of registration.
- ◊ A trademark registration is valid for 10 years and may be renewed indefinitely for successive 10-year periods upon payment of fees and declaration of use.

- ◊ A trademark's validity can generally no longer be challenged after 5 years from the initial registration date.
- ◊ There are other circumstances under which a trademark may be challenged, cancelled or removed. Please check the relevant requirements prior to application.

Patents

- ◊ Applications may be made directly to the relevant office of the DGIP or can enter through national phase entry via the Patent Cooperation Treaty (PCT). Patents can be filed in English and they will be translated into Indonesian locally.
- ◊ Two types of patents are recognised in Indonesia. Standard patents (for products and processes) and Simple Patents for products only.
- ◊ Standard patent protection is for up to 20 years from the date of filing. Simple patents have a reduced term of protection, lasting 10 years from date of filing.
- ◊ Indonesia has a 6-month grace period for public disclosures made by inventors under specific conditions. There is a 12-month grace period for unauthorised disclosure by a third party bound by a non-disclosure agreement to filing of the patent.
- ◊ If a patent is not used after three years any interested party can file an application for a compulsory license to use the patent.

Designs

- ◊ Applications may be made directly to the relevant office of the DGIP.
- ◊ Registration of a design must be applied for in Indonesia within 6 months of the disclosure of the design.
- ◊ Examination of the design application is limited to formalities. No substantive examination is done to ensure novelty or to avoid confusion with an already registered design.
- ◊ Protection is available for a 10-year period with no extension.

Copyright

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

Indonesia has a regulation that covers about Valuation Service including Simple Property Appraisal, Property Appraisal, and Business Appraisal.



These points explain through the Regulation of the Minister of Finance Number 101/PMK.01/2014 that concerning about Public Appraises as an amendment from the Regulation Number 125/PMK.01/2008.

1. Appraisal service sector includes:

- Simple Property Appraisal;
- Property Appraisal; and
- Business Appraisal.

2. Simple Property Appraisal service sector as referred to in section (1) letter (a) includes appraisal on:

- Vacant land for settlement of maximum of 5,000 (five thousand) square meters that is designated

for 1 (one) residential unit;

- 1 (one) unit of apartment, residential building, shophouse, home office, or stall;
- Building equipment and supplies that are part of the building attached to the apartment, residential building, shophouse, home office, or stall;
- 1 (one) unit of individual machine that is used in residential building, shophouse, or home office, including power generation (generators) and water pumps; and
- 1 (one) unit of transportation with classification of passenger cars, load cars, and motorcycles, which is not a transport fleet.

3. Property Appraisal service sector as referred to in section (1) letter (b) includes the Appraisal on:

- Land and buildings along with its accessories, as well as other development upon the land;
- Machinery and equipment including its installation that are combined as an integral part and/or separated from the main building that are used in the production process;
- Transportation, heavy equipment, communication devices, medical

- equipment, laboratory equipment and utility, office furniture and equipment, and military equipment;
- Telecommunication equipment including transmitter equipment and network receiver, satellites, and ground stations;
 - Agriculture, plantation, farming, fishery, and forestry; and
 - Mining.
4. Business Appraisal service sector as referred to in section (1) letter (c) includes the Appraisal on:
- Business Entity;
 - Investment;
 - Securities including its derivatives;
 - Company's rights and liabilities;
 - Intangible assets;
 - Economic losses caused by an activity or event to support corporate actions or upon material transactions;
 - Fairness opinion; and
 - Financial instrument.
5. In Appraisers with Property Appraisal service sector classification can provide other services related to Appraisal activities, including:
- Property development consultancy;
 - Asset information system design;
 - Property management;
 - Business feasibility studies;
 - Property agency services;
 - Project financing supervision
 - Economic remaining life determination studies;
 - Highest and best use studies; and
 - Asset optimization studies.
6. In addition to the services as referred in section (4), Public Appraisers with Business Appraisal services sector classification can provide other services related to Appraisal activities, including:
- Business feasibility studies; and
 - Corporate financial advisors.



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 crossroad of 2 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 more than 270 million also makes Indonesia a viable market with increasing 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.



INDONESIA MAP



PROVINCES IN INDONESIA

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

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. In recent years the process has been simplified so that the current procedure for investing and doing business in Indonesia consists of 3 steps:

1. Preparation: Establishment of an Indonesian legal entity and register in the Online Single Submission (OSS) system to obtain a Single Business Identity Number (NIB) as an initial step to conduct investment in Indonesia.
2. Construction/Investment: Acquisition/construction of the facilities and infrastructure and/or set up of office; applying for operational licenses (business license and any commercial licenses/registrations).

3. Ready for Production or Operation. The licensing is administered by BKPM (the Capital Investment Coordinating Board) through the OSS system. 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.

The list of industries providing services that can obtain import duty exemption is as follows:



- ◊ Tourism and Culture;
- ◊ Public Transportation/Communication;
- ◊ Public Health Services;
- ◊ Mining Services;
- ◊ Construction;
- ◊ Telecommunication Industry;
- ◊ Port Services.

Besides that, this facility applicable on the importation of machine, goods, and materials which:

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

For the importation of goods in term of Contract of Work or CoW (*Kontrak Karya* or *KK*) or Coal Mining Business Work Agreement (*Perjanjian Karya Pengusahaan Pertambangan Batubara* or *PKP2B*) will be granted the exemption and/or relief from import duty based on the contract. The application can be requested by attaching recommendation letter from the Directorate General of Mineral and Coal

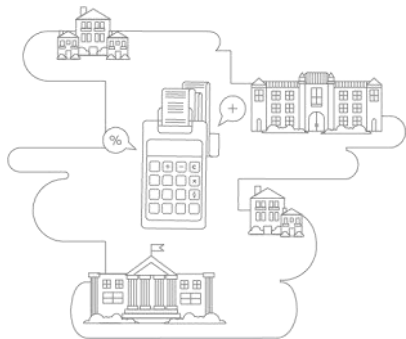
at the Ministry of Energy and Mineral Resources.

TAX ALLOWANCE FACILITIES

Based on Government Regulation No. 78 of 2019 and Minister of Finance (MoF) Regulation No. 11/PMK.010/2020 which has been amended by MoF Regulation No. 96/PMK.010/2020, pertaining to Income Tax Facilities for Investment in Certain Business Sectors and/or in Certain Locations, the domestic and foreign investors will be granted tax allowances for new investment in certain sectors and/or areas.

The facilities provided by the regulations are:

- a. A reduction in net taxable income of 30% of the amount invested in the form of tangible fixed assets (including land) for the company's main business activity, prorated at 5% per year for 6 years from the commencement of commercial production;
- b. Acceleration of fiscal depreciation and amortization deductions (double the usual rates);
- c. A reduction of the withholding tax rate on dividends paid to non-residents to 10% or the reduced tax under an applicable treaty rate;
- d. 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).



TAX HOLIDAY FACILITIES

The MoF has issued an updated Tax Holiday policy through Regulation No. 130/PMK.010/2020 on 18 September 2020.

The Tax Holiday facility provides a reduction to the Corporate Income Tax (CIT) otherwise payable for a period of 5-20 fiscal years, based on the investment value for eligible projects that are considered strategic for the Indonesian economy.

To access the tax holiday program, the following criteria must be met:

- a. New investment (including expansion);
- b. Holds principal license or business license which falls under a designated Pioneer Industry;
- c. Invests at least IDR 100 billion in a Pioneer Industry;
- d. Satisfies the maximum debt-to-equity ratio as prescribed by MoF;
- e. Has not been issued a decision on granting or rejecting an application for Tax Holiday by MoF;
- f. Has not received the Tax Allowance Facility, and

- g. Must be a legal entity incorporated in Indonesia.

For the Tax Holiday program, the regulation provides:

- a. Five-year 50% reduction in CIT liability for investment of IDR 100 billion to below IDR 500 billion;
- b. Five to twenty-year 100% reduction in CIT liability for minimum investment of Rp 500 billion;
- c. During the next 2 years subsequent to the end of the CIT reduction periods above, the taxpayer is eligible for half of the CIT reduction percentages as stipulated above;
- d. The tax holiday period commences from the year of commercial operation.

The 18 eligible pioneer industries are:

1. Upstream base metal industry
2. Oil and gas purification and/or refinery industry
3. Petrochemical industry, based on petroleum, natural gas or coal
4. Inorganic base chemical industry
5. Organic base chemical industry
6. Pharmaceutical raw material industry
7. Manufacturing of irradiation, electro-medical or electrotherapy equipment
8. Manufacturing industry of electronic and telematics device's main components such as semiconductors wafer, backlight for liquid crystal display, electrical driver or display

9. Manufacturing industry of main components for industrial engines and main components for engines
10. Manufacturing industry of robotic components, which support the engine manufacturing industry
11. Manufacturing industry of main components for electrical power generation engines
12. Manufacturing industry of vehicles and main components for vehicles
13. Manufacturing industry of main components for ships
14. Manufacturing industry of main components for trains
15. Manufacturing industry of main components for aircraft and other supporting aircraft industries
16. Agricultural, plantation or forestry—based processing industries that produce pulp
17. Economic infrastructure
18. Digital economy that includes data processing, hosting and other related activities

Investors engaged in other industries can apply for their industry to be added to the list and thereby become eligible for the tax holiday facility if the other criteria are met.



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 2020 Report (Measuring Regulatory Quality and Efficiency, Comparing Business Regulations for Domestic Firms in 190 Economies, World Bank Group), Indonesia is ranked 73rd out of 190 countries in regards of ease of doing business.

Reforms that make it easier to do business in Indonesia noted in the report were:

- ◊ Starting a business: Indonesia made starting a business easier by introducing the OSS online platform for business licensing and replacing hard copies with electronic certificates.
- ◊ Getting electricity: Indonesia improved the reliability of power supply following renovations to, and enhanced maintenance of, its electrical grid in several important hubs. Indonesia also made obtaining new electrical connections faster thanks to higher generation capacity.
- ◊ Paying taxes: Indonesia made paying taxes easier by implementing an online filing and payment system for the major taxes.

- ◊ Trading across borders: Indonesia made trading across borders easier by improving the online processing of export customs declarations.

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 Government to the private sector through the Ministry for Economic Affairs and Bappenas (National Development Planning Agency).

Potential Infrastructure Projects⁹

1. Road	9. Irrigation
2. Dam	10. Smelter
3. SEZ & IE	11. Technology
4. Railway	12. Housing
5. Energy	13. Borderline
6. Seaport	14. Marine
7. Water Resources	15. Sea Wall
8. Airport	

An important part of the 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 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.

INVESTMENT OPPORTUNITIES IN FOOD AND AGRICULTURE

Some of Indonesia's main products for export in the food and agriculture sector are¹⁰:

1. Shrimp
2. Coffee
3. Palm oil
4. Cacao

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

The 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

Indonesia is well known as a major exporter of palm oil. Palm oil industries have benefited as result of increasing external demand and the wider sector participation in the global economy.

Most of Indonesia's palm oil production is exported to abroad and the rest is marketed domestically. Indonesia's palm oil

exports span 5 continents with a major share in Asia. In 2020, the top 5 importing countries for Indonesian CPO were China, India, Pakistan, USA and Bangladesh.

INVESTMENT OPPORTUNITIES IN ENERGY

Production and Export of Palm Oil ⁷¹				
	2017	2018	2019	2020
Production (mio)	34.94	36.59	47.18	51.62
Export (mio)	29.07	29.67	37.38	34.00
Export (bioUSD)	20.72	18.23	20.22	22.97

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.

Indonesia Data on Natural Resources

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

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%), natural gas (22%), coal (30%), and new and renewable energy (NRE) (23%), for a total of 380 MTOE by 2025. The government has also set a national energy mix target for the year of 2050 which consists of 20% oil, 24% natural gas, 25% coal, and 31% NRE.

Projected Energy Mix

In 2020, the realization of the national energy mix plan was just 31.60% for oil, 19.16% for natural gas, 38.05% for coal, and 11.20% for NRE⁷².



⁷¹ Source: Indonesian Palm Oil Association (IPOA)

⁷² Source: Indonesia National Energy Council

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.

The Estate Association (HKI) consists of 87 company members, in 18 provinces, covering total gross area of about 86,051.01 hectares. There are about 9,950 manufacturing companies operating in the industrial estates¹³. The facilities support a wide range of industries such as electronics, automotive, food and beverage, chemical, steel, pharmaceutical, footwear, and wood processing.

BONDED AREA

The 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 infrastructure comprising 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 INDONESIA

To start a business in Indonesia, a company is required to obtain the following licenses:

1. Single Business Identity Number (*Nomor Induk Berusaha* or NIB);
2. Business License (*Izin Usaha* or IU); and
3. Commercial/Operational License (*Izin Komersial/Operasional*), if required.

A company is obliged to have an NIB and IU that are issued by the Online Single Submission ("OSS") licensing system.

¹³) Source: <http://hki-industrialestate.com>

The NIB replaced separate registrations for the TDP (Company Registration Certificate), API (Registered Importer Identification Number) and NIK (Customs Identification Number). In many local jurisdictions, the SKDP (Certificate of Registered Address/Domicile) was also phased out.

In some cases, the IU will only be issued after the company has met Commitments in relation to infrastructure (e.g. Location Permits, Environmental Permit, Building Construction Permit) or specific regulations.

For certain lines of business such as manufacturing or construction company, after obtaining the IU, might also need to obtain one or more *Izin Komersial/Operasional*. *Izin Komersial/Operasional* are issued by the relevant technical ministry. The NIB and IU are also required for representative offices.



LICENSE PROCESSING TIME

Licenses	Days	Notes
Single Business Identity Number (NIB)	3	
Business License (<i>Izin Usaha</i>)	3-5	Companies operating in general trading or services will obtain the IU within 3-5 days and should be effective at that time. For other business activities such as manufacturing, the IU will be effective once the company fulfill the relevant Commitment (e.g. registration in SIINAS (Industrial Data Information System) for a manufacturing company)
Commercial/Operational License (<i>Izin Komersial/Operasional</i>)	-	Subject to the assessment from the technical respective ministry/agency

Financing

A. 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.

B. Loan from Overseas

Indonesian companies (including PMA Companies) are permitted to borrow from overseas, however, they must register these loans with the central bank, Bank Indonesia (BI), and then submit regular reports regarding the status of these loans. 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, if the loan from overseas is in foreign currency (not in IDR) the company is also required to prepare and submit reports on the Implementation of Prudential Principles in the Management of Offshore Loans for Non-Bank Corporations ("*Kegiatan Penerapan Prinsip Kehati-hatian/KPPK*").

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

- ◊ Quarterly KPPK report
- ◊ Annual KPPK report, comprising Audited Financial Statements and an attestation of the Q4 KPPK Report by an independent public accountant
- ◊ Information regarding the minimum credit rating fulfillment (one time, during registration of loan)

C. Capital Market

Currently, there are more than 700 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



D. 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 co-operation 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 3 pillars, namely:

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

Since 2009, the ASEAN has implemented the Roadmap for an ASEAN Community comprising the ASEAN Political Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community Blueprints, as well as the Initiative for ASEAN Integration (IAI) Strategic Framework and the IAI Work Plan II (2009-2015) and the Master Plan on ASEAN Connectivity has led to another important milestone in ASEAN development, namely, the formal establishment of the ASEAN Community 2015.

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.

In 2030, the United Nations has agenda for Sustainable Development with ASEAN community building efforts to uplift the standards of living of our peoples.

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 incor-

porating 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 2 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 3 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

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

ACD Areas of Cooperation (cont'd)	Prime Movers and Co-Prime Movers (cont'd)
Tourism	Thailand, Cambodia, Myanmar, Pakistan and Bahrain
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

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 6 countries: Indonesia, Philippines, Malaysia, 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 emphasized 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 air-ports, 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 8 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 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 Practices for Listed Companies

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.

DISCLOSURE OF ANNUAL REPORTS

Circular Letter of the Indonesia Financial Services Authority (OJK) No.16/SE/OJK.04/2021 regarding the Contents of the Annual Report of Issuers or Public



Companies (*Isi Laporan Tahunan Emiten atau Perusahaan Publik*) is a new provision that substitutes the validity of the previous Circular Letter of OJK No. 30/SE/OJK.04/2016, thus effectively applies for the preparation of the 2021 Annual Report which will be submitted to the OJK in 2022.

The background for the issuance of this OJK Circular Letter is to adjust the regulation concept regarding disclosure of information as part of the Social and Environmental Responsibility (*Tanggung Jawab Sosial dan Lingkungan*) section of the Annual Report of Issuers or Public Companies in order to accommodate the substantial contents of the Sustainability Report as referred to the OJK Regulation No. 51/POJK.03/2017 regarding the Implementation of Sustainable Finance as well as to improve the regulations regarding information disclosure in the Annual Reports of Issuers or Public Companies in accordance with the criteria of the ASEAN Corporate Governance Scorecards (ACGS).

The new provision applies not only limited to public companies, but also to all companies that have made public offerings both in the form of stock offerings and have the 'Tbk' suffix, as well as companies that has offered other securities such as bonds, debt acknowledgments, commercial securities, proof of debt, unit participation in collective investment contract, security futures contract, and any derivatives of securities.

In general, annual report must include at least the following components:

- a. Overview of important financial data
- b. Stock information (if any)
- c. Report of the Board of Directors
- d. Report of the Board of Commissioners
- e. Profile of the issuer or public company
- f. Analysis and review of the management
- g. Governance of the issuer or public companies
- h. Social and environmental responsibility of the issuer or public company
- i. Audited annual financial report
- j. Letter of statement from the Board of Directors and the Board of Commissioners regarding the responsibility for the Annual Report

SUSTAINABLE FINANCE REGULATION

Indonesia Financial Services Authority (OJK) has a regulation to create sustainable economic growth by harmonising economic, social, and environmental interests through regulation No. 51/POJK.03/2017 which applicable to Financial Services Institution (FSI): institution that implements activities in banking, capital market, insurance, pension fund, financing institution and other financial services institutions.

To apply the Sustainable Finance, FSI shall prepare Sustainable Finance Action Plan on annual basis to OJK at the same time as business plan submission, for FSI that is required to submit business plan; or on 31 January at the latest, if FSI is not required to submit business plan.

Sustainable Financial Action Plan is a written document containing FSI's short term (one year) and long term (five years) business plan and work programs relevant to the principles applied to Sustainable Fi-

nance, including strategy to realise the said work plans and programs according to the predetermined targets and timeline, considering the principle of prudence and application of risk management.

The Sustainable Finance Action Plan shall be prepared based on each FSI priorities that cover at least:

- development of Sustainable Finance Product and/or Service including increase of financing portfolio, investment or placement on financial instruments or projects in line with the Sustainable Finance application;
- FSI internal capacity building; or
- adjustment of FSI organisation, risk management, governance and/or standard operating procedure in line with the principle of Sustainable Finance application.

The effective date varied based on the type of entities, starting 2019 until 2025.

Financial Services Institution	Effective Date
Commercial Bank that is classified as a Commercial Banks - BUKU 3, BUKU 4 and foreign bank categories	1 January 2019
BUKU 1 and BUKU 2, financing company, venture capital company, infrastructure financing company, insurance company, reinsurance company, Indonesian Export Financing Institution, secondary mortgage company, Social Security Administering Board, Issuers other than Issuers having small scale assets and Issuers having medium scale assets, and Publicly Listed Company	1 January 2020
RCB BUKU 3 including IRFB having a core capital equivalent to the BUKU 3 category, securities company managing the securities account of its customers, and Issuers having a medium scale asset.	1 January 2022

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.

Effective 9 February 2021, the Indonesian Government closed our borders for international visitors until further notice. The Restrictions exempted the following visitors in accordance with the Regulation of Minister of Law and Human Rights No. 26 of 2020 on Visa and Stay Permit in the New Normal among others¹⁵:

1. Diplomatic and Official visa holders;
2. Diplomatic and Official stay permit;
3. Visitor visa;
4. Temporary Stay visa;
5. Holders of Indonesia Temporary Resi-

dence Card (KITAS) and Indonesia Permanent Residence Card (KITAP);

6. Arriving crews on transport who arrive on their means of transport (air and ship's crews);
7. Foreign nationals due to special discretion and provided with written permission from relevant Ministries/ Government Institutions;
8. Foreigners crossing traditional borders;
9. Foreigners travelling under a Bilateral Travel Corridor Arrangement (TCA). The Indonesian government has established TCAs with United Arab Emirates (UAE), the People's Republic of China (PRC), the Republic of Korea (RoK) and Singapore; and
10. Asia-Pacific Cooperation (APEC) Business Travel Card Holder holders.

Applications must be made online by a sponsor through <https://visa-online.imigrasi.go.id/>. Once the visa application is approved, the Directorate-General of Immigration of the Republic of Indonesia will issue an electronic visa (e-visa) which will be emailed to the registered email addresses of the Sponsor and the Applicant.

ENTRY REQUIREMENTS

For exempted visitors, they are required to have a negative Covid-19 PCR test

¹⁵ Source: Ministry of Foreign Affairs

obtained within 72 hours of their departure and a filled-out electronic Indonesia Health Alert Certificate and present them upon entry to the airport/quarantine authorities.

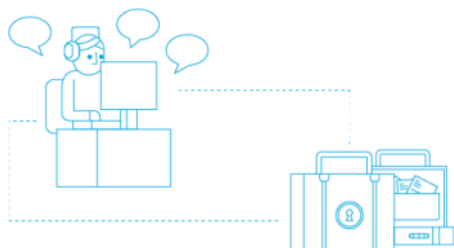
QUARANTINE INFORMATION

As of 1 September 2021, visitors are required to undergo a mandatory 8-day quarantine at designated facilities by the Indonesian government, regardless of vaccination status. The quarantine must be undergone at the entry point.

Visitors are required to show a Covid-19 vaccination card or certificate (physical or digital) as a requirement to enter Indonesia.

Two PCR tests will be administered during this period before release from quarantine. Those two tests will be administered on the first day and on the fifth day after arrival.

If you are tested positive, you will be referred to designated Indonesian hospital/health facility conducted by the Indonesian Government at your own expense.



VISA FREE VISIT TO INDONESIA

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)

According to Presidential Regulation Number 21/2016 about the 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 entry to Indonesia, will need to arrange a visa at an Indonesian embassy abroad.

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, 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, South Korea, Spain, Sri Lanka, Suriname, Swaziland, Sweden, Switzerland, Taiwan, Tajikistan, Tanzania, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uruguay, Uzbekistan, Vanuatu, Venezuela, Vietnam, Zambia, and Zimbabwe.

VISA ON ARRIVAL

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

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 extend their visa on arrival are advised to start the process at least one week before expiration.

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

Argentina, Australia, Austria, Algeria, Bahrain, Belgium, Brazil, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Estonia, Egypt, Fiji, Finland, France, Germa-

ny, Greece, Hungary, India, Iceland, Ireland, Italy, Japan, Kuwait, Latvia, Libya, Lithuania, Liechtenstein, Luxembourg, Maldives, Malta, Mexico, Monaco, Netherlands, New Zealand, Norway, Oman, Panama, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Slovak Republic, Slovenia, Spain, South Africa, South Korea, Suriname, Switzerland, Taiwan, Timor Leste, Tunisia, Turkey, United Arab Emirates, United Kingdom, and 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. There are 2 types of visitor visas in Indonesia, namely:

1. Single Entry Visitor Visa (type of B211A) that valid for maximum 60 days (and can be extended 4 times at most, each extension granted not more than 30 days). This type of visa valid for: tourism; family; social; art and culture; government visit; non-commercial sport; a comparative study, short course, and short training; conducting emergency and urgent work; discussing business; buying goods; giving lectures/attending a workshop; attending international exhibition; attending a meeting held by the head office or representative office in Indonesia; continuing journey to other countries; joining the mean of transport in Indonesian territory.
2. Multiple Entry Visitor Visa (type of D212) that valid with 2 different terms and requirements, namely: (a) 1 year,

every time you stay in Indonesia for a maximum of 60 days; (b) 5 years, every time you stay in Indonesia for a maximum of 60 days. This type of visa valid for: family; social; art and culture; government duties; conducting business talks; purchase goods; attend seminars; take part in international exhibitions; attend meetings held with head office or representative in Indonesia; and continue traveling to other countries.

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 2 types of business visa:

1. The Single Entry Visitor Visa (type of B211A) that valid for maximum 60 days (and can be extended 4 times at most, each extension granted not more than 30 days). This type of visa valid for: tourism; family; social; art and culture; government visit; non-commercial

sport; a comparative study, short course, and short training; conducting emergency and urgent work; discussing business; buying goods; giving lectures/attending a workshop; attending international exhibition; attending a meeting held by the head office or representative office in Indonesia; continuing journey to other countries; joining the mean of transport in Indonesian territory. The Single Entry Visitor Visa (type of B211B) that valid for maximum 60 days (and can be extended 4 times at most, each extension granted not more than 30 days). This type of visa valid for industrial visit activities (requiring Director-General approval) include:

- Provide guidance, counselling, and training in the application and innovation of industrial technology to improve the quality and design of industrial products as well as overseas marketing cooperation for Indonesia;
 - Carry out audits, quality control of production or inspection of branches of companies in Indonesia;
 - Prospective foreign workers in the ability to test work;
 - Plus activities as stated in the B211A index.
2. Business Visa on Arrival (type of B213) that valid for maximum 30 days (and can be extended ones for 30 days). This type of visa valid for several activities, included: tourism; family;

social; art and culture; government duties; non-commercial sports; comparative studies, short courses, and short training; do emergency and urgent work; conducting business talks; purchase goods; giving lectures or attending seminars; take part in international exhibitions; attend meetings held with head office or representative in Indonesia; continue traveling to other countries; and join a conveyance that is in the Territory of Indonesia.

TEMPORARY RESIDENT VISAS

This type of visa is valid for 6 months to 1 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).

But, all of the regulations were changes due to Covid-19 pandemic through this world, include Indonesia as the state. The Indonesian Government has restricted foreign visitors from traveling to the Indonesian Territory. This travel restriction to Indonesia through immigration control at Indonesia's borders shall adopt the Regulation of Minister of Law and Human Rights No.11 of 2020 about

Temporary Prohibition of Entry to the Territory of the Republic of Indonesia for Foreigners as of 2 April 2020, at 00.00 WIB (Indonesian Western Standard Time) until further notice.

Based on the Directorate General of Immigration, The Ministry of Law and Human Rights, there are several regulations for traveling due to this pandemic that cited from the website and Government Regulations, below:

FOREIGN VISITORS¹⁵

All foreign visitors are restricted to enter and transit through the Indonesian territory. This travel restriction does not apply to:

1. Children of dual citizenship with a foreign passport and registered in the immigration system as an Indonesian citizen;
2. Holders of Temporary Stay Permit and Permanent Stay Permit (Permanent Residents/KITAS and KITAP) with a valid Multiple Re-entry Permit;
3. Holders of Diplomatic Visa and Official/Service Visa;
4. Holders of Diplomatic Stay Permit and Official/Service Stay Permit;
5. People engaged with Medical Services and Delivery of Supplies (humanitarian assistance);
6. Airline and Maritime Crews including Land Transports;
7. People whose travel is association with essential work for NATIONAL STRATEGIC PROJECTS such as infrastructure

or construction with approval from the Director-General of Immigration.

Additional exceptions:

- i. Holders of Temporary Stay Permit/ Permanent Stay Permit (Permanent Residents/KITAS and KITAP) and Multiple Re-entry Permit that has expired is still abroad.
- ii. The holders can only enter the Indonesian territory through; Soekarno-Hatta International Airport, Jakarta. Ngurah Rai International Airport, Denpasar. Juanda International Airport, Surabaya. Kualanamu International Airport, Medan. Batam Centre International Seaport, Batam. Citra Tritunas International Seaport, Batam.

All foreign visitors (as specified above) arriving in Indonesia are required to:

- a) Hold a health certificate issued by health authorities from their home countries (complete required documents please refer to HEALTH PROTOCOL ENTERING INDONESIA TERRITORY).
- b) Undertake a mandatory 14-days quarantine at designated facilities conducted by the Indonesian government or self-quarantine under supervision of the Indonesian health authority.
- c) Have travelled to or been in or transit through a region/country with no confirmed cases of Covid-19 for the last 14 days, provided with a boarding pass or inbound tickets. If there are still many

¹⁵ Source: Ministry of Foreign Affairs

countries that are not yet free from Covid-19, the visitor must meet the requirements in numbers (a) and (b) above.

Indonesia Visa application at the Indonesian Embassy or Consulates is temporarily closed subject to business hours and only open for Diplomatic Visa, Official/Service Visa application, or a person engaged with essential work in Indonesia for National Strategic Projects.

Indonesian Visa Exemption Policy is suspended temporarily from 20 March 2020, 00.00 WIB (Indonesian Western Standard Time) except people engaged with Medical Services and Delivery of Supplies (humanitarian assistance), which has been approved by the Indonesian Government.

Indonesian Visa holders (B211A, B221B, D212, Working Holiday Visa, APEC Business Travel Card) shall follow this regulation accordingly.

When visa application fees are paid, you cannot get a refund just because your application is not successful or not granted.

Holders of a diplomatic passport without a diplomatic visa or diplomatic stay permit will be denied entry. A diplomatic free visa is suspended temporarily.

Holders of an official/service passport without official/service visa or official/service stay permit will be denied entry. An official/service free visa is suspended temporarily.

Crew members will be allowed to enter if you are an active crew status assigned by an operator to duty on an aircraft when

entering Indonesia.

An extra crew as a passenger when entering to become an active crew when leaving Indonesia under the following circumstances:

- i. Providing a notification letter which assigns him/her as an active crew (registered in the GenDec);
- ii. The notification letter shall be delivered at least 24 hours prior to extra crew's arrival;
- iii. Showing a crew identity card or crew member certificate during an immigration clearance;
- iv. Registered crew in the same airline as inbound flight as he/she arrives.

Crew members are not allowed to disembark from their ships (vessels) unless otherwise declared as emergency circumstances and compelling urgent matter.

INDONESIAN CITIZENS

Indonesian citizens are advised to return to Indonesia immediately to avoid further travel disruptions, airport or seaport closures, and public transport service restriction.

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.

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 Import Duty, Import Related Taxes, and Excise

Passenger's personal goods with customs value exceeding FOBUSD 250.00 for each person or FOBUSD 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.

BUSINESS HOURS

Most businesses, government offices and banks open from 8.00a.m. to 5.00p.m., Monday to Friday. Other smaller businesses are open for half a day on Saturday. Shops are open from 10.00a.m. to 10.00p.m., Monday to Sunday.

During pandemic, business hours will be adjusted to the government policy.

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 1,000 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 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 3 time zones:

- ♦ Western Indonesia Standard Time (WIB): covers the islands of Sumatra, Java, Madura, Western and Central Kalimantan. They are 3 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 2 hours behind AEST.
- ♦ East Indonesian Standard Time: covers Maluku and Papua. They are 1 hour be-

hind 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 backup 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.

TransJakarta Bus Rapid Transit transportation system connecting major business districts with dedicated busway lanes.

Jakarta already has an established rail transportation system, the Commuter Line, that connects the city with its surrounding metropolitan areas such as Bogor, Depok, Tangerang and Bekasi.

The newly operated Jakarta Mass Rapid Transit or MRT can also make your journey by using public transportation in Jakarta more convenient. Opened in 2019, there is just 1 line of MRT Jakarta connecting Lebak Bulus to Bundaran HI with Phase II of the project currently under construction. In addition, the Jakarta Light Rapid Transit (LRT) has also operated with the route from Velodrome station to Pegangsaan Dua station in East Jakarta.

Currently on project completion stage for its 3 lines, the Jabodebek LRT (to be

distinguished with the Jakarta LRT) is expected to start their commercial operations in 2022. Further expansion of the public transportation system in Jakarta is expected in the near future.

Online transportation such as Gojek and Grab, can be more helpful. Online transportation let you choose between car or motorcycle and you can book 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 because we can not guarantee the hygiene. 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.



You can get on with running your business while knowing that all the administrative services are being taken care of.

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
- Ministry of Foreign Affairs, www.kemlu.go.id
- Statistic Indonesia, www.bps.go.id
- Trading Economics, www.tradingeconomics.com

RSM IN INDONESIA

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