Introduction

Our Location Offer

Indonesia has been considering setting up a framework to develop more comprehensive economic zones to accelerate investment activities in the country and recently enacted the Law No. 39/2009 on Special Economic Zone (SEZ). The law allows for zones covering a large area to exploit scale economies and encourage more diverse economic activities by eliminating the export requirements. Some areas has been identified and projected to be SEZ in the future.

Key areas of advantage

Indonesia is a country with great opportunity. With its large internal market, abundant natural resources and location within a dynamic region, Indonesia has a natural appeal to foreign investors.

Indonesian economy has been buoyant during the global crisis. Macroeconomic and financial stability have been safeguard and the economy grew by 4.5% in 2009, the third highest rate in the G20 after China and India. Reflecting Indonesia's strong fundamentals, key rating agencies upgraded its sovereign rating to one notch below investment grade and its sovereign outlook to positive.

Key industries

Indonesia is committed to being pro-growth, pro-job creation and pro-poor. Hence, the development plan focused on establishing key industries for:

- improving public welfare through poverty alleviation, greater access to quality education and health, family planning and the provision of basic infrastructure such as clean water, communication, transport and housing.

- improving food security, by improving the agriculture sector and supporting innovations within it, and increase the linkage between food commodity and other economic sectors through the formation of related industrial cluster.

- improving energy security, by managing on the supply in other hand and encouraging the awareness on energy diversifying and efficiency.

Indonesia has still drafted the Investment Roadmap (Rencana Umum Penanaman Modal, RUPM) focusing on three main sectors agribusiness, infrastructure, and energy.

Introduction to investment regime

The Investment Law provides standard protection to investors against expropriation and enshrines national treatment. Compared to the earlier legislation, the law also offers greater transparency in terms of the sector covered, more extensive land use rights and a reduction in administrative burdens through the creation of an integrated service facility and longer work permits for key personnel.

Restriction persists on foreign equity ownership. The provision of a List of regulated sectors for investment where private investment is not permitted or where foreign investors are subject to restrictions has added to transparency, and the list has been streamlined.

The fact that Indonesia still face challenges especially on the issue of there is gap on economic development between region due to economic imbalances, Indonesia has commits to provide many incentives for investor who are willing to make such investment on certain sectors in urban region. Refer to investment realization data from The Indonesian Investment Coordinating Board (Badan Koordinasi Penanaman Modal, BKPM), more than 80% of total investment realization period 2005-2009 for foreign investment USD 50.931,4 million and domestic investment Rp. 144.415,1 billion, has been concentrated in Java island. For these reasons, Indonesia has created policies in favour to those regions by providing some incentives, building infrastructure and electricity needed in outer Java island.

Coordination inter government institutions, central - regional government are also urge to be improved in order to create a more sound investment climate in outer Java island. Harmonisation on regulations between central - regional and within regional government is still remains efforts by government in making sure that investment performance and economic growth are balance.

Government initiative to set up Special Economic Zone in outer Java island is to loose the regional investment imbalances, although the concentration of population in Java is still something need to be addressed by government.

Despite on sectoral and regional economic imbalances issue, Indonesia has now focusing on the creation of high economic value added. On sectoral balance issue, means that government need to address on how to improve the investment performance on primary sector which lacked behind compare to secondary and tertiary sectors. The creation of investment on the basis of integrated industry could be a good alternative to tackle those issues in the same time.

Indonesia has prioritizing investment, as mentioned on the draft Investment Roadmap (Rencana Umum Penanaman Modal, RUPM) covering agriculture, infrastructure and energy, and pursuing to enhance value added in the domestic economy.

For more information please contact to:

The Indonesia Investment Coordinating Board (BKPM)

Attention: Deputy Chairman for Investment Climates Development

Jl. Jend. Gatot Subroto No. 44, Jakarta Selatan 12190

Indonesia

Phone: (62-21) 5252008 ext 1415, 1416

Website: www.bkpm.go.id

Email: sysadm@bkpm.go.id

Investment priority plan/equivalent policy

As mandated by the Investment Law, Indonesia is still drafted the Investment Roadmap (Rencana Umum Penanaman Modal, RUPM) focusing on three main sectors agribusiness, infrastructure, and energy which will provide strategic guidance and direction in investment policy making in these sectors.

In order to improve the infrastructure's capacity, the government has offers five infrastructure projects under Public-Private Partnership (PPP) mechanism as a top priority. Those are: Tanah Ampo Port in Karangasem, Bali; Manggarai-Soekarno Hatta Airport railway; Power Plant (PLTU) 2x1000 Mw; Medan-Kuala Namu highway; and Drinking Water in Umbulan, East Java.

Indonesia has also launched Merauke Integrated Food and Energy Estate (MIFEE) in Februari 2010. This government project was set up in order to increase food production and productivity and export purposes orientation in the same time. This integrated project was covering agriculture, plantation, and cultivation sector in the area up to 1.28 million ha.

More information

The Indonesia Investment Coordinating Board (BKPM)

Attention: Deputy Chairman for Investment Planning

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Email: sysadm@bkpm.go.id

Regulation of foreign investment

Process for foreign entities/nationals to invest in our economy

Referring to Presidential Regulation No. 27/2009 concerning One-Stop Integrated Service (Pelayanan Terpadu Satu Pintu, PTSP), Indonesia changed the mechanism from the Letter of Approval to a Registration System, reducing the processing time from 7 days to 1 day through PTSP.

The Steps to get Investment Registration/Investment Principle Permit

1. Investor apply to BKPM

2. Review by BKPM

3. Investor receive the Registration Certificate/Investment Principle Permit

4. Investor apply for other licenses related to investment

Step 1: Investor apply to BKPM

Investor may apply for investment registration to The Indonesian Investment Coordinating Board (Badan Koordinasi Penanaman Modal, BKPM) by attaching required documents. In some sectors/industries in addition to registration, investor needs to get some recommendation from related ministries.

Step 2: Review by BKPM

BKPM conduct review process based on the eligibility of sectors/industries for foreign investment as stipulated by the List of Regulated Sectors for Investment (Presidential Decree No 36/2010).

BKPM has a right to reject the application if only the sector is closed for foreign investors as stipulated in the List of regulated sector for investment, or requiring documents are not completed (i.e. recommendation needed from local government or relevant ministry, if any).

Step 3: Investor receive Investment Registration Certificate / Investment Principle Permit

Investor may only take an hour working day for investor to grant the Investment Registration Certificate as soon as Front Office (FO) BKPM received the application in complete.

In order to get the Investment Principle Permit, investor will need to submit the form application by attaching required documents as required by BKPM including the investment registration certificate, any recommendations needed from related ministry for certain sectors/industries. The processing time to get this investment principle permit is vary, from 2 working days to 6 working days, depends on the type of permit.

To get investment incentives, investor may submit the proposal to BKPM for further processing and approval.

Step 4: Investor apply for other licenses related to investment

In order to start the construction process, the investor may need to go to relating ministry and local governments in order to get other licenses related to investment, such as: location permit, location use permit, Building Construction Permit (Izin Mendirikan Bangunan, IMB), Registration Certificate (Tanda Daftar Perusahaan, TDP), Disturbance Permit (Izin Gangguan, UUG/HO) etc.

For more information please contact to:

The Indonesia Investment Coordinating Board (BKPM)

Attention: Deputy Chairman for Investment Registration

Jl. Jend. Gatot Subroto No. 44, Jakarta Selatan 12190

Indonesia

Tel: (62-21) 5252008 ext 1112, 1113, 1114

Website: www.bkpm.go.id

Email: sysadm@bkpm.go.id

Does this apply to all investment or, are there differential treatment?

Based on article 4(2) of the Investment Law stipulates that the government, in making the basic policy on investment, is "to provide the same treatment to any domestic and foreign investors, by continuously considering the national interest. There is also separate screening mechanism for foreign investment across the board. The BKPM oversees business registrations and licenses for both foreign and domestic investors to ensure that they comply with the prevailing laws and regulations.

In many sectors, particularly in services, foreign investors face limitation on foreign equity ownership, but in many cases foreigners are allowed to hold a majority share.

Based on the Investment Law (25/2007), those guidelines and mechanisms shall only apply for FDI exclude portfolio investment. Investor who interest to make an investment on portfolio shall go through the Indonesia Stock Exchange (IDX).

Indonesia does not discriminate on the treatment to investor and their investment, either on new establishment, expansion nor merger & acquisition (here in after "M&As"), as long as the sector is eligible under Presidential Decree No. 36/2010 concerning List of regulated sector for investment.

Referring to Government Regulation No. 57/2010 concerning Merger, Consolidation and Acquisition Notification, investor shall submit post notifications for their implementation on M&A as mandatory basis to the Commission for the Supervision of Business Competition (Komisi Pengawasan Persaingan Usaha, KPPU). Investor may also submit pre-notification on M&A in voluntary basis (KPPU regulation No 1/2010), in order to seek KPPU opinion, so when acceptable, investor may register these M&A to BKPM.

Conditions of investment

Indonesia still regulates some requirements/conditions for certain types of investment or in certain industries particularly in some sensitive sectors, such as: local content, prioritizing on the local employment usage.

Local content requirements were imposed in several sectors including the machinery, electronics and automobile industries as part of the import substitution strategy.

There are also some requirement on domestic market obligation were imposed in specific sector such as: coal and mining, oil and gas, and food security. The prioritizing on domestic market obligation has been set up by the government in order to guarantee the availability stock of mining and coal and/or to support as domestic energy resources.

Investment promotion and facilitation

Indonesia has been active in promoting and facilitating investment as part of overall investment climate reforms. These measures have focused particularly on reducing administrative burdens on investors, especially by implementing one-stop integrated services (Pelayanan Terpadu Satu Pintu, PTSP) at both central and local levels. Implementation of PTSP has been gaining momentum. Strong government leadership and careful planning of implementation steps in consultation with stakeholders will contribute to more efficient and predictable investment services.

The Investment Law sets the overall legal framework for investment policies, consolidating former investment laws/regulations and incorporating the decentralised governance structure. Investment promotion and facilitation is an important part of the Investment Law which clarifies the role of Indonesia's investment administration and promotion agency, the BKPM.

The investment law effectively placed BKPM's role in the overall government strategy for investment facilitation and promotion. Under this framework, the relative importance of BKPM's functions is expected to shift further from investment registration to facilitation and promotion

In order to strengthen the BKPM role on the investment promotion, BKPM has implemented many strategic promotion activities including:

- streamlining administrative procedures through establishing PTSP and implementing an Electronic System for Information Services and Investment Licensing (Sistem Pelayanan Informasi dan Perijinan Investasi Secara Elektronik, SPIPISE) to support PTSP;

- rebranding in foreign media, international association/organization, and global economic forum; strengthening six Indonesia Investment Promotion Centre (IIPC) abroad in: Singapore, Tokyo, London, Los Angeles, Sydney, and Chinese Taipei, which provide information and consultation services for investors. BKPM plans to undertake vigorous investment promotion activities, including opening representative offices in emerging countries with potentially large investment funds such as: China, India, and Middle Eastern countries;

- focus promotion activities to targeted project and investor;

- re-functioning help desk facility, to assist investor solve problems in implementing investment projects

- setting up the aftercare unit carries out post-establishment promotion programmes by servicing existing investors and nurturing good relationship.

Indonesia has a long history of offering investment incentives, from 1967 to 2000. Incentive legislation in Indonesia started which provided concessions on taxes and other levies for investments in priority fields/activities.

Investment Incentives

As a strategy to boost FDI inflows, Indonesia enacted Government Regulation No. 1/2007 as amended 62/2008 concerning Income Tax Facilities for Investment in certain business fields or regions, as a re-packaged version of Government Regulations No. 148/2000 on Corporate Tax Facilities. With this regulation, Indonesia offers an income tax incentives to any investors who consider to invest in certain business fields or regions, mostly covers:

- natural resources related sectors in which the country has a comparative advantage (such as forestry, paper, oil refining, rubber)

- green industries (such as coal gasification, geothermal)

- labour-intensive industries (such as textiles), and

- sectors where technology transfer is desired (such as electronics)

As governed by this regulation, investors will be granted tax allowances in certain business fields and/or regions as follows :

- an Investment Tax Allowance in the form reduction of taxable income amounted to 30 % of the realized investment spread in 6 years.

- accelerated depreciation and amortization.

- a Loss carried forward facility for period of no more than 10 years.

- a 10 % income tax on dividends, and possibly being lower if stipulated in the provisions of an existing particular tax treaty.

Income Tax

In line with the Investment Law, Indonesia enacted the Law No. 36/2008 on Income Tax which reduced corporate law rates from 30% to 28% in 2009 and further to 25% in 2010. Publicly listed companies that have at least 40% of their shares traded in the local stock exchange may enjoy an additional reduction from the corporate income rate with certain condition.

Import Duties

All investment projects which are approved by BKPM, including existing companies who desiring to expand their projects to produce similar product(s) in excess of 30% of installed capacities or diversifying their products, will be granted the following facilities:

* Relief from import duty so that the final tariffs become 0 %. Import duty which is mentioned in the Indonesian Customs Tariff Book (Buku Tarif Bea Masuk Indonesia, BTBMI). This is stipulated in the Ministry of Finance's Decree No. 176/PMK.011/2009 dated November 16, 2009 which is effective from December 2009.

- On the importation of capital goods namely machinery, equipments, spare parts and auxiliary equipments for an import period of 2 years, started from the date of stipulation of decisions on import duty relief.

- On the importation of goods and materials or raw materials regardless of their types and composition, which are used as materials or components to produce finished goods or to produce services for the purpose of 2 years full production (accumulated production time).

- However, the decree as above mentioned is not applied to the assembling of cars and motor bikes except for its component industries.

* Exemption from Transfer of Ownership Fee for ship registration deed/certificate made for the first time in Indonesia.

Bonded Zones

The industrial companies which are located in the bonded areas are provided with many incentives as follows;

a. Exemption from import duty, excise, income tax of Article 22, Value Added Tax on Luxury Goods on the importation of capital goods and equipment including raw materials for the production process.

b. Allowed to divert their products amounted to 50% of their export (in term of value) for the final products, and 100% of their exports (in term of value) for other than final products to the Indonesian customs area, through normal import procedure including payment of customs duties.

c. Allowed to sell scrap or waste to Indonesian custom area as long as it contains at the highest tolerance of 5% of the amount of the material used in the production process.

d. Allowed to lend their own machineries and equipments to their subcontractors located outside bonded zones for no longer than 2 years in order to further process their own products.

Exemption of Value Added Tax and Sales Tax on Luxury Goods on the delivery of products for further processing from bonded zones to their subcontractors outside the bonded zones or the other way around as well as among companies in these areas.

More information about the process of investing in our economy

The Indonesia Investment Coordinating Board (BKPM)

Attention: Deputy Chairman for Investment Promotion

Jl. Jend. Gatot Subroto No. 44, Jakarta Selatan 12190

Indonesia

Tel: (62-21) 5252008 ext 3546, 3547

Website: www.bkpm.go.id

Email: sysadm@bkpm.go.id

Investment protection

Protection of property rights and conditions for expropriation

Based on article 7 of the Investment Law (25 of 2007), Indonesia shall take no measure to nationalise or expropriate the property rights of investors, unless it is applies according to the prevailing laws and regulations. In the case of nationalisation, compensation shall be executed based on market values.

The investor has the right, under Indonesian law, to review by a judicial or other independent party regarding the case and the valuation. If there is no agreement reached by the government and investor on the value of compensation, the investor may bring the case to arbitration.

More information

The Indonesian Investment Coordinating Board (BKPM)

Attention: Deputy Chairman for Investment Cooperation

Jl. Jend. Gatot Subroto No. 44, Jakarta Selatan 12190

Indonesia

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Email: sysadm@bkpm.go.id or iegindonesia@gmail.com

Protection of IPRs

Indonesia has seven IPR-related laws, six laws administered by Directorate General of Intellectual Property Right-Ministry of Justice & Human Rights, and the Protection of Plant Variety Law administered by Ministry of Agriculture. Those IPR-related laws are: Law No. 30/2000 regarding Trade Secret, Law No. 31/2000 regarding Industrial Design, Law No. 32/2000 regarding Lay-out Design of Integrated Circuit, Law No. 14/2001 regarding Patents, Law No. 15/2001 regarding Marks, Law No. 19/2002 regarding Copyrights, and Law No. 29/2000 regarding the Protection of Plant Variety (PVT).

Some IPR provisions are also included in other laws, such as: the Customs Law No. 10/1995 as amended by Law No. 17/2006, Law No. 18/2002 concerning the National System of Research Development and Application of Science and Technology, and Government Regulation No. 51/2007 regarding Geographical Indications.

Indonesia is also a signatory to many international treaties and conventions covering IPR, such as: Paris Convention for the Protection of Industrial Property of Industrial Property, and the Agreement Establishing the World Intellectual Property Organization (Presidential Decree 15/1997 & 24/1979), Berne Convention for the Protection of Literary and Artistic Works (Presidential Decree 18/1998), Patent Co-operation Treaty (Presidential Decree 16/1997), Trademark Law Treaty (Presidential Decree 17/1997), WIPO copyright Treaty (Presidential Decree 19/1997), and WIPO Performance and Phonograms Treaty (Presidential Decree 74/2004). Indonesia joined WIPO in 1979. According to the WTO, Indonesia has made significant progress in improving its legal framework to combat counterfeiting and reform its IPR laws.

Currently, many recent regulations relating to IPR have also been updated and drafted, partly to comply with the TRIPs obligations under the WTO. These include the implementation of optical disk regulations, amendments to the Patent, Trademark, Industrial Design and Copyright Laws.

In recent IPR enforcement effort, based on Presidential Decree No. 4/2006, National Intellectual Property Rights Task Force (NIPTF) was established. NIPTF aims are to: formulate national policies to combat IPR infringements; determine national efforts needed to prevent IPR violations; assess and stipulate measures for resolving IPR infractions, including prevention and law enforcement activities in accordance with the main duties of participating agencies; educate related government institutions, other organisations and the public at large about IPR matters; and establish and expand bilateral, regional and multilateral co-operation. NIPTF reports directly to the President and comprises the national police, customs, the attorney general, the judiciary, and members of the computer software and entertainment industries.

More information

Ministry of Justice and Human Rights

Attention: Directorate General for Intellectual Property Rights

Jl. Daan Mogot km. 24, Tangerang 15119

Indonesia

Tel: (62-21) 5517921

Website: www.dgip.go.id

Flow of funds

Indonesia adopted a freely floating exchange rate arrangement on August 14, 1997. The exchange rate is determined by supply and demand in the foreign exchange market. However, BI may intervene in the foreign exchange market to prevent undue fluctuations in the exchange rate.

And if managed, under what circumstances or purposes does your government/central bank intervene?

N/A

Are there any restrictions on the repatriation of funds related to a foreign investment (e.g. profits, dividends, royalties, loan payments)?

Indonesia has no restriction in terms of the repatriation of funds related to foreign investment.

For more detail information, please contact to:

The Central Bank of Indonesia (BI)

Attention: International Directorate

Jl. M.H. Thamrin No. 2, Jakarta 10350

Indonesia

Phone: (62-21) 3818277

Website: www.bi.go.id

Mechanisms to review decisions, and settle disputes

Under the Investment Law (25/2007) article 32, dispute on investment between the government and investor shall first be settled amicably through out of court settlement to reach mutual agreement. Investors have access to the arbitration or alternative dispute resolution or court of law if only where a dispute fails to reach consensus through negotiation. Meanwhile, foreign investor may settle the dispute through international arbitration.

What, if any, mechanism do you have for foreign investors to settle disputes?

As stated above, investor, with the consent of both parties, may bring the dispute to arbitration or alternative dispute resolution when a dispute fails to reach a consensus through negotiation. Indonesia has ratified several conventions concerning alternative dispute resolution mechanisms, such as Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958) and the Convention of the Settlement of Investment Disputes between States and Nationals of other States (1965). Indonesia recognises that ratifying these conventions will help to attract foreign investment if investors are allowed to bring their disputes to arbitration.

The Law No 30/1999 concerning Arbitration and Alternative Dispute Resolution is the basic mechanism for dispute settlement in Indonesia. If both parties agree, disputes can be settled through arbitration. The Indonesia National Board of Arbitration (Badan Arbitrase Nasional Indonesia/BANI) is the most commonly used arbitration institution in Indonesia and is promoted by the Indonesian Chamber of Commerce and Industry (KADIN). Other mediators include the National Mediation Centre, the Indonesian Institute for Conflict Transformation and the Capital Market Arbitration Board for capital market activities.

BANI is Indonesia's permanent court of arbitration. It provides a range of services covering arbitration, mediation, binding opinion and other forms of dispute resolution. The process is expedited by the absence of appeals of the possibility of the ruling being overturned by a higher court. BANI has developed its own rules and procedures for both domestic and international arbitration taking place in Indonesia, although other rules chosen by the parties (such as UNCITRAL Arbitration Rules) may also be applied. The Arbitration Board designates arbitrators in accordance with provisions of the agreements and from candidates recommended by the Secretariat.

Settlement of disputes between the government and foreign investors or private entities can be facilitated through BANI under ICSID rules or any other rules stated in the Agreement (contract). BANI has signed co-operation agreements with various centres and organisations in other countries.

ICSID

Indonesia joined as a member of the International Centre for Settlement of Investment Disputes (ICSID) since 1965. Indonesia has ratified the ICSID Convention by Law No. 5/1968.

More information

For more information, please contact to:

The Indonesian Investment Coordinating Board (BKPM)

Attention: Deputy Chairman for Investment Cooperation

Jl. Jend. Gatot Subroto No. 44, Jakarta Selatan 12190

Indonesia

Phone: (62-21) 5252008 ext 3637, 3638

Website: www.bkpm.go.id

Email: sysadm@bkpm.go.id or iegindonesia@gmail.com

The Indonesian National Board of Arbitration (BANI)

Jl. Mampang Prapatan No. 2, Jakarta 12760

Indonesia

Phone: (62-21) 7940542

Website: www.bani-arb.org

Email: bani-arb@indo.net.id

International investment agreements

With;

**Algeria; Argentina; Australia; Bangladesh; Belgium; Bulgaria; Cambodia; Canada; Chile;
China, People's Republic of; Croatia; Cuba; Czech Republic; Denmark; Egypt; Finland; France;
Germany; Guyana; Hungary; India; Iran, Islamic Republic of; Italy; Jamaica;
Japan; Jordan; Korea, Republic of; Kyrgyzstan; Lao, People's Democ. Rep.; Libya; Malaysia; Mauritius;
Mongolia; Morocco; Mozambique; Netherlands; Norway; Pakistan; Philippines; Poland;
Qatar; Romania; The Russian Federation; Singapore; Slovakia; Spain; Sri Lanka (ex-Ceilan); Sudan; Suriname;
Sweden; Switzerland; Syrian Arab Republic; Tajikistan; Thailand; Tunisia ; Turkey; Turkmenistan; Ukraine;
United Arab Emirates; United Kingdom ; United States; Uzbekistan; Viet Nam; Yemen; Zimbabwe;**

Please provide a brief description of these IIAs, or your IIAs in general.

Indonesia has signed and acceded a number of International Investment Agreements (IIAs), including bilateral agreement on the promotion and protection of investment with 66 countries, i.e. Algeria, the United States of America, Argentina, Australia, Bangladesh, Netherlands, Belgium, Bulgaria, Canada, Chile, People's Republic of China, Czech Republic, Croatia, Cuba, Denmark, Finland, Germany, Guyana, Hungary, India, Iran, Italy, Jamaica, Japan, Jordan, Cambodia, Republic of Korea, Korea DPR, Kyrgyz Republic, Lao PDR, Libya, Malaysia, Morocco, Mauritius, Egypt, Mongolia, Mozambique, Norway, the Philippines, Pakistan, France, Poland, Qatar, Romania, Russia, Uni Emirates, Singapore, Slovak Republic, Spain, Sri Lanka, Sudan, Syria, Suriname, Sweden, Tajikistan, Switzerland, Thailand, Tunisia, Turkey, Turkmenistan, the United Kingdom, Ukraine, Uzbekistan, Vietnam, Yemen, Zimbabwe.

Meanwhile, Indonesia, with other ASEAN Member Countries, has signed The ASEAN Comprehensive Investment Agreement (ACIA) in 2009, to replace the former investment agreement, called ASEAN Investment Area (AIA) 1998 and ASEAN Investment Guarantee Agreement 1987.

ASEAN also has some agreements with Dialogue Partners signed in 2009, namely:

- Agreement Establishing the ASEAN-Australia-New Zealand Free Trade ASEAN;

- Agreement on Investment under the Framework Agreement on Comprehensive Economic Cooperation among the Government of the Member Countries of the ASEAN and the Republic of Korea;

- Agreement on Investment of the Framework Agreement on Comprehensive Economic Cooperation Between the People's Republic of China and the ASEAN.

For more information, please contact to:

The Indonesian Investment Coordinating Board (BKPM)

Attention: Deputy Chairman for Investment Cooperation

Jl. Jend. Gatot Subroto No. 44, Jakarta Selatan 12190

Indonesia

Phone: (62-21) 5252008 ext 3637, 3638

Website: www.bkpm.go.id

Email: sysadm@bkpm.go.id or iegindonesia@gmail.com

More information

Since the nature of the information may expand unlimitedly, it is appropriate for investor to contact legal advisers/lawyers and consultants if they are concern about the protection of their rights and returns of their investments.

Movement of persons

Treatment of foreign nations or personnel of foreign firms

Indonesia, based on article 10 the Investment Law (25/2007), stipulates that the company may employ foreign experts for certain positions and skills in accordance to laws and regulations. In principle, Indonesia provides possibility for company to employ expatriates but only for certain areas of expertise which are not available. Presidential Decree No. 75/1995 concerning Employment of Expatriate regulates that Director may be fulfilled by expatriates except for position which responsible for personnel affairs.

Limited-Stay Visa for foreign personnel

The company, who will employ foreign personnel, shall obtain The Foreign Worker Usage Planning (Rencana Penggunaan Tenaga Kerja Asing, RPTKA). Then, they have to submit the Visa Recommendation for Working Purposes (TA.01) in order to get Limited-Stay Visa (Visa Tinggal Terbatas, VITAS). VITAS for foreign personnel shall be granted up to one year since the date of entry permit.

VITAS holders who has entry permit, shall obtain the Limited Stay Permit (Ijin Tinggal Terbatas) at latest seven days after the date of entry permit. Foreign personnel shall be granted Limited Stay Permit up to one year, and it may be extended up to one year for each extension submission consecutively.

Short-Stay Visa for foreign personnel

Short-stay business visitor entry provides for a stay of up to two months on each occasion for business purposes such as pursuing investment opportunities, attending business meetings or attending to business interest in Indonesia. Visa options include a multiple entry visa valid for one year.

APEC Business Travel Card

Passport holders of anticipating APEC Business Travel Card economies may apply for an APEC Business Travel Card (ABTC) for the purposes of short-term business visitor entry to Indonesia. The ABTC cuts though the red tape of business travel, and gives credited business people pre-cleared entry to participating APEC economies.

Restrictions on the entry/sojourn of foreign technical/managerial personnel

Foreign personnel are restricted to fulfil in certain position and for certain sectors as may be regulated by relevant authorities. As already mentioned, referring to article 5 Presidential Decree No. 75/1995 concerning Employment of Expatriate regulates that Director may be fulfilled by expatriates except for position which responsible for personnel affairs.

More information

Ministry of Manpower and Transmigration

Attention: Directorate General for Placement Development

Jl. Jend. Gatot Subroto No. 51, Jakarta Pusat

Indonesia

Phone: (62-21) 525 5733

Website: www.nakertrans.go.id

Ministry of Justice and Human Rights

Attention: Directorate General for Immigration

Jl. H.R. Rasuna Said Kav 8 - 9 Jakarta Selatan

Indonesia

Phone : (62-21) 522-4658

Website : www.imigrasi.go.id

Taxation

Taxation of foreign nationals and foreign firms

Non resident taxpayers

The treatment of income will be applied differently to resident and non resident taxpayers. An individual shall be treated as non resident taxpayers if he has not a place of residence in Indonesia and he stays in Indonesia for more than 183 days in the period of 12 months. A body of persons shall be treated as a non resident taxpayers if it has a place of incorporation or registration outside Indonesia and it has place of domicile outside Indonesia.

Company profits for permanent establishment

A foreign enterprise shall be classified as a permanent establishment if it carries on business or activities in Indonesia through a permanent place of business, such as branch, workshop, office, sales outlet, exploration or exploitation of natural resources, and so on.

A permanent establishment generally will be taxed similar to those of Indonesian national corporations.

In addition, income derived by head of office that arise from activities, sales, of goods and services that similar with those provided by a permanent establishment of such enterprise in Indonesia shall attributed as taxable income, including any income derived by head office that effectively connected with such permanent establishment.

In calculating the taxable income, there shall be deduction allowed which related to the earned income.

Taxable profits of a permanent establishment will be subject to 25% tax rate and such rate is similar to those applied to Indonesian national corporations.

Personal income/profits

Any foreign individual who carries on business or activities through a fixed base in Indonesia shall be treated as a permanent establishment.

Any foreign individual who derives income from Indonesia shall be subject to 20% withholding tax rate.

Outbound income:

Income sourced in Indonesia derived by non residents shall be subject to 20% tax rate or any rate in accordance with the relevant tax treaty.

Depend on the type of income, the 20% tax rate will be applied on:

- gross amount, for interest, dividend, royalties, fees on services, prizes, pensions or annuities, premium on swap or other income related to hedging transactions, gain on debt write-off.

- net amount, for any gain from alienation of property situated in Indonesia and any insurance premium paid to foreign insurance company; and

- profit after Indonesian income tax of a permanent establishment (branch profit tax).

Is the basis for taxation economy or global? If the basis for taxing is global, with whom do you have tax treaties?

According to the Income Tax Law, a resident taxpayer will be subject to tax on any income source from Indonesia and outside Indonesia, since the Law adopts the worldwide income tax principle (global income taxation).

In the other hand, a non resident taxpayer is subject to tax in Indonesia only on any income source from Indonesia. The tax due will be withheld by the payer of income as the non resident is not obliged to register as a taxpayer nor to lodge income tax return.

Indonesia is currently having tax treaties with 59 countries/jurisdictions, i.e. Australia, Bangladesh, Brunei Darussalam, India, Japan, Jordan, Korea DPR, Republic of Korea, Kuwait, Malaysia, Mongolia, New Zealand, Pakistan, the Philippines, Qatar, Saudi Arabia, Singapore, Sri Lanka, Syria, Taipei, Thailand, China, Uni Emirates, Vietnam, Algeria, Canada, Egypt, Mexico, Seychelles, South Africa, Sudan, Tunisia, the United States of America, Venezuela, Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Luxemburg, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovak, Spain, Sweden, Switzerland, Turkey, Ukraine, the United Kingdom and Uzbekistan.

More information

Ministry of Finance

Attention: Director General for Taxation

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