

Investment Incentives in Indonesia



Fiscal Incentives

1 Tax Holiday

Ministry of Finance Regulation No.159/PMK.010/2015

- **Income tax reduction** 10 – 100 % of the payable corporate income tax
- **Tax exemption** between 5 – 15 years (could be up to 20)
- Minimum investment plan of **USD80 million**
- **9 eligible pioneer industries:** basic metal industry, oil refinery and/or basic organic chemicals, machinery industry, industries of renewable resources, communication devices industry, agro industry, marine transportation, manufacturing industry in SEZ, and economic infrastructures

2 Tax Allowance

Government Regulation No.18/2015

- **30 % reduction** of the investment value, reduction of corporate net income tax for 6 years, 5% each year
- 143 business segments eligible for tax allowance
- Others: accelerated depreciation/amortization; the impositions of income tax on paid dividends 10% or less; compensation for losses min. 5 years and max. 10 years.

3 Import Duty Facility

Ministry of Finance Regulation No.76/PMK.011/2012

- **Easing entry** of machines, goods and materials required for production
- **Import duty exemption** on machines, goods, and material for production for 2 years, or 4 years for companies that use machines with local component (min. 30%)
- **Industries:** producing goods and/or services, including tourism and culture, public transport, public health, services, mining, construction, telecommunications, ports, motor vehicle assembly industry (including motor vehicle parts industry)

4 Regional Incentives

Government Regulation No.45/2008

Provided by local government based on authorities:

1. Reduction or local tax exemption
2. Reduction or exemption levies
3. Funding stimulant
4. Provision of capital

Incentives in the form of:

1. Provision of data and information on investment opportunities
2. Providing facilities and infrastructure
3. The provision of land or location
4. Providing technical assistance
5. Acceleration granting permissions

Non-Fiscal Incentives

1 Direct Construction Facility (KLIK)

License that is given to the investor who has an investment plan in a certain industrial/bonded zone. Investors can immediately start construction after obtaining principle license and investment permits from the BKPM or the one-stop integrated service (PTSP). Practical licenses, such as the license to build (IMB), environment licenses (UKL/UPL) and environmental impact analysis (AMDAL), can be registered while the construction goes on. This service is supported by both Central and Regional Governments which become the first step to synergize between central and local licensing.

No Requirements:

- No minimum investment or workers is required
- Available for **32 selected industrial estates**
- Investors in all industries can immediately start their construction and apply for construction permit & environmental permit, in parallel with the construction.

Obtain investment license at One Stop Service (OSS) at national or regional level.



- **Survey** a land within selected industrial estates
- **Acquire** the land for your industry



- **Start** the construction of your project. No other permits are required.
- **Apply** for building construction permit & environmental permit, in parallel within the construction process

Until December 2017, 115 projects have utilized the “KLIK services”

2 Green Lane Acceleration Facility

- Fast-track custom clearance for capital goods from 3-5 days to 30 minutes.
- Submitting application to BKPM to be set by Director General of Customs
- **Attachments:** Company Data, Principle License, the Latest Investment Progress Reports, Construction Plan.
- **Statement letter:**
 1. Company is in the physical construction phase.
 2. Company will not misuse the imported goods (imported goods should conform to the import documents and be employed in accordance to the implementation of Principle License.

Source: Indonesia Investment Coordinating Board (BKPM)

3 3-hour investment licensing service (I23J)

Requirements:

- Minimum investment of **USD 8 million** and/or **employing 1,000 local workers**
- Application must be submitted directly by at least one candidate of the proposed company stakeholder

No requirements for investments in the infrastructure sector.

Arrive at OSS at BKPM directly from the airport

Consult with Director of Investment Service

Submit the required documents & data



Wait at the lounge while documents are processed by BKPM, in-house notary, ministries & other government institutions



Obtain eight documents & letter of land availability within three hours to start the business

2 documents needed

Investor identity as the prospective shareholder

- ID Card
- And/or Deed of Establishment (Indonesian company) or Articles of Association (Foreign company)

Flowchart of business activities workflow

- Containing workflow from raw material production to the finished products



9 documents obtained

Certainty to start business

- Investment license
- Certificate of incorporation
- NPWP / Tax Registration Number
- TDP / Company Registration

Certainty to work

- RPTKA/ Employment plan
- IMTA/ Working Permit

Certainty to import capital goods

- APIP/ Import identification
- NIK / Customs registration

Accurate land information

- Letter of land availability

Until December 2017, 441 projects have utilized the “3 hours services”

Source: Indonesia Investment Coordinating Board (BKPM)

4 3-hour investment licensing service for energy and Mineral Resources Sector (ESDM3J)

Arrive at OSS

Submit the required documents & data*



Wait at the priority lounge while documents are processed by BKPM, in-house notary, ministries & other government institutions



Obtain the requested licensing documents

* ESDM3J service is given if the company has fulfilled the checklist of administrative & technical requirements as regulated on MEMR Decree No.15 of 2016

9 types of licenses issued by ESDM3J service

No.	Type of license	Duration for regular service (work days)
1	Temporary Business License for Electricity	20
2	Temporary Business License for Oil/Fuel/LPG storage	32
3	Temporary Business License for Storage of Processed Products/CNG	32/40
4	Temporary Business License for LNG Storage	32
5	Temporary Business License for Oil Refinery	32
6	Temporary Business License for Processing Oil Residue Industry	32
7	Temporary Business License for Natural Gas Processing	32
8	Temporary Business License for General Trade of Oil/Fuel	40
9	Temporary Business License for General Trade of Processed Products	40

In 2017, 48 projects have utilized the “3 hours services for EMR Sector”

Source: Indonesia Investment Coordinating Board (BKPM)



About EIBN

The EIBN is a partnership project between five European bilateral chambers of commerce in Indonesia (BritCham, EKONID, EuroCham, IFCCI, INA) and two counterparts in Europe (EUROCHAMBRES, CCI Barcelona). EIBN's aim is to promote Indonesia and ASEAN as high potential trade and investment destinations among companies from all EU 28 member states – especially SMEs – and support them in their endeavor to explore the full market potential in Indonesia. The project was initiated and co-founded by the EU.



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