



INVESTMENT INCENTIVES IN INDONESIA



Investment Incentives in Indonesia

The Indonesian government offers various attractive incentives to foreign investors in the form of fiscal and non-fiscal investment facilities. These incentives show that doing business in Indonesia is a rational choice in the current economy. They also reinforce why foreign investors decide to invest in Indonesia.

Fiscal Incentives

1

TAX HOLIDAY

Ministry of Finance Regulation No.150/PMK.010/2018

- Income tax reduction 100 % starting from 500 billion, or 50% between IDR 100 billion - < IDR 500 billion.
- Tax exemption:
 - 5 years (IDR 100 billion - < IDR 1 Trillion)
 - 7 years (IDR 1 trillion - < IDR 5 Trillion)
 - 10 years (IDR 5 trillion - < IDR 15 Trillion)
 - 15 years (IDR 15 trillion - < IDR 30 Trillion)
 - 20 years (Minimum IDR 30 trillion)
- 18 eligible pioneer industries: upstream base metal industry, oil & gas oil refinery, petrochemical industry based on petroleum, natural gas or coal, inorganic and organic basic chemical industry, pharmaceutical raw materials industry, manufacturing industry irradiation, electromedical or electrotherapy equipment, manufacturing industry of semi-conductor wafer, backlight for Liquid Crystal Display (LCD), electrical driver or display for main components of electronic or telematics equipment, manufacturing industry for machinery and main machinery component, manufacturing industry of robotic component integrated with the engine manufacturing industry, manufacturing industry of power plant main components, manufacturing of main components vehicle and vehicle, manufacturing industry of ship main components, rail main components, aircraft main component and supporting activities of aerospace industry, pulp and paper integrated industry, economic infrastructure, digital economy.
- The eligible KBLI (Indonesia Standard Industrial Classification) will be regulated in BKPM Regulation.

2

TAX ALLOWANCE

Government Regulation No.18/2015
juncto No.9/2016

- Reduction of Net Income by 30% of the total investment value, for 6 years, 5% each year.
- 145 business segments eligible for tax allowance.
- Others: accelerated depreciation/amortization; the impositions of income tax on paid dividends 10% or less; loss compensation for more than 5 years and maximum 10 years.

3

IMPORT DUTY FACILITY

Ministry of Finance Regulation No.176/
PMK.011/2018 juncto No.188/PMK.010.2015

- Easing entry of machines, goods and materials required for production.
- Import duty exemption on :
 - machines for production for 2 years (can be extended 1 year);
 - goods and materials for production for 2 years, or 4 years for companies that use machines with local component (minimum 30%)
- Industries: producing goods and/or services, including tourism and culture, public transport, public health services, mining, construction, telecommunications and ports.

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

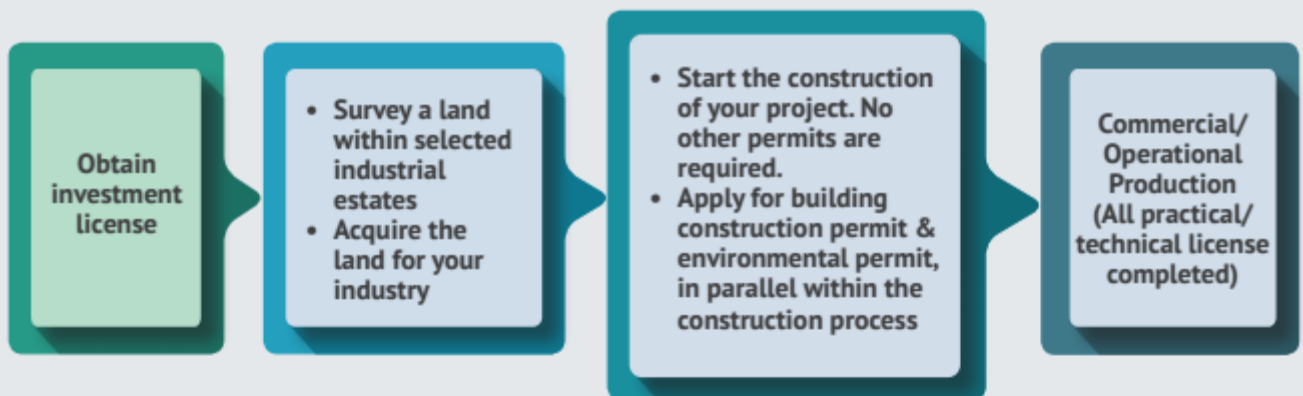
1

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 investment license 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 48 selected industrial estates (based on Head of Indonesia Investment Coordinating Board Decree Number 155 Year 2018) and continuously increasing.
- Investors in all industries can immediately start their construction and apply for construction permit & environmental permit, in parallel with the construction.



Until September 2018, 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.
 3. Importation should be done on behalf of the company

Source: Indonesia Investment Coordinating Board (BKPM)

3

3-HOUR INVESTMENT LICENSING SERVICE (I23J) AND 3-HOUR INVESTMENT LICENSING SERVICE FOR ENERGY AND MINERAL RESOURCES SECTOR (ESDM3J)

Arrive at OSS* at BKPM

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 the requested licensing documents

* OSS here refers to the One Stop Service at BKPM, not the Online Single Submission

3-HOUR INVESTMENT LICENSING SERVICE (I23J)

Requirements:

- Minimum investment of IDR 100 billion and/or employing 1,000 local workers
- Application must be submitted directly by at least one candidate of the proposed company shareholder
- Excluded: participant of inland free trade agreement, part of an industrial supply chain, participant of tax amnesty program, national strategic program.

DOCUMENTS NEEDED

Investor identity as the prospective shareholder

- ID Card and/or Deed of Establishment (Indonesian company) or Articles of Association (Foreign company)
- Flowchart on business activities workflow from raw material production until finished product

9 DOCUMENTS OBTAINED

1. NIB also acts as Certificate of Company Registration, Importer Identification Number and Customs Access
2. Tax ID
3. Healthcare Security
4. Social Security
5. Location Permit (commitment)
6. Waters Location Permit (commitment)
7. Environmental Permit (commitment)
8. Building Construction Permit (commitment)
9. Business License

3-HOUR INVESTMENT LICENSING SERVICE FOR ENERGY AND MINERAL RESOURCES SECTOR (ESDM3J)

DOCUMENTS NEEDED

- Article of Association and Legalization from Ministry of Justice and Human Rights.
- Other requirements for administrative and technical as regulated on MEMR Decree No. 15 of 2016

8 TYPES OF LICENSE ISSUED BY ESDM3J SERVICE

1. Temporary Business License for Oil/Fuel/LPG storage
2. Temporary Business License for Storage of Processed Products/CNG
3. Temporary Business License for LNG Storage
4. Temporary Business License for Oil Refinery
5. Temporary Business License for Processing Oil Residue Industry
6. Temporary Business License for Natural Gas Processing
7. Temporary Business License for General Trade of Oil/Fuel
8. Temporary Business License for General Trade of Processed Products

Until December 2017, 441 projects have utilized the "3 hours services" and 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.



Contact us

EU-Indonesia Business Network

C/O German-Indonesian Chamber of Industry and Commerce (EKONID)
Jl. H. Agus Salim No. 115,
Jakarta 10310, Indonesia
Tel.: +62 21 315 4685
Fax.: +62 21 315 7088
Email: info@eibn.org
Websites: www.eibn.org

The EU Desk at BKPM

C/O Badan Koordinasi Penanaman Modal (BKPM)
Investment Coordinating Board of the Republic of Indonesia
Lantai 6, Gedung Barli Halim
Jl. Jend. Gatot Subroto No. 44
Jakarta 12190, Indonesia
Tel.: +62 21 5274802
Email: eu.desk@bkpm.go.id
Websites: www.eibn.org | www.bkpm.go.id

Disclaimer

This publication has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of the EIBN and can under no circumstances be regarded as reflecting the position of the European Union.

The figures in this report correspond to EIBN's best estimate of value of the corresponding variables. Although due care was taken in the preparation of this publication, EIBN makes no warranty as to its accuracy or completeness and is not to be deemed responsible for any errors or loss resulting from its use. Other organizations quoted herein are in no way responsible for the content of the report or the consequences of its use.