



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Diversify Your Business to Indonesia – The Ins and Outs of Set Up

Tsamara Qolbi – Business Intelligence, Jakarta Office

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Today's Speaker



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Discussed today



- Why Indonesia
- How to set up a business in Indonesia as a Foreign Direct Investment (FDI)
- Industries permitted for FDI company in Indonesia
- General overview of tax and the mandatory social security in Indonesia
- Where to start a business in Indonesia

Why Invest in Indonesia?



Facts and Figures *why Invest in Indonesia?*



10th the world's 10th largest economy in terms of purchasing power parity



4th most populous country in the world



Population of 260 million, with more than 50% of the population reside in Java



GDP of more than \$1 Trillion



Rich Natural Resources



The largest economy in Southeast Asia



The only ASEAN member in the G20



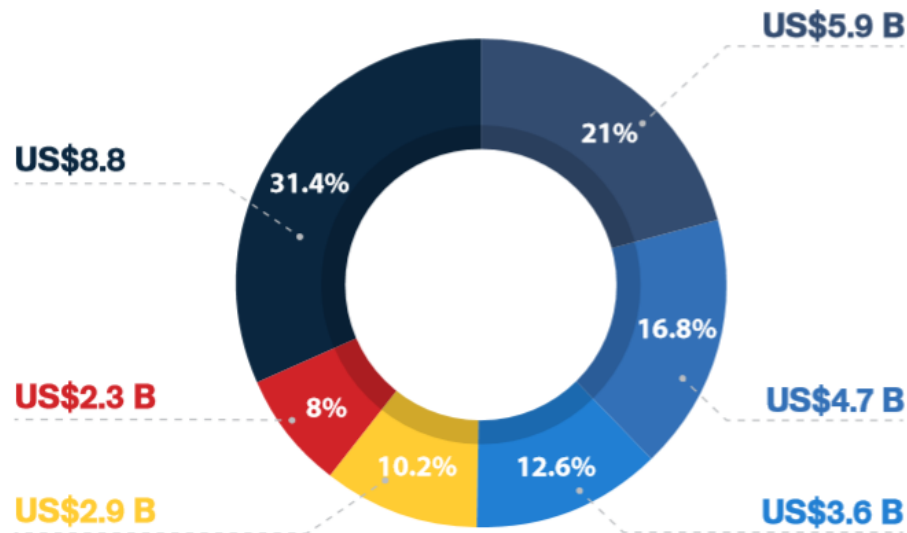
Demographic Bonus Era in 2020 -2035
44% of Indonesians are aged under 25



Progressive achievement for the Ease of Doing Business rank, in 2020 ranked 73th

Top 5 Sectors Receiving Investment

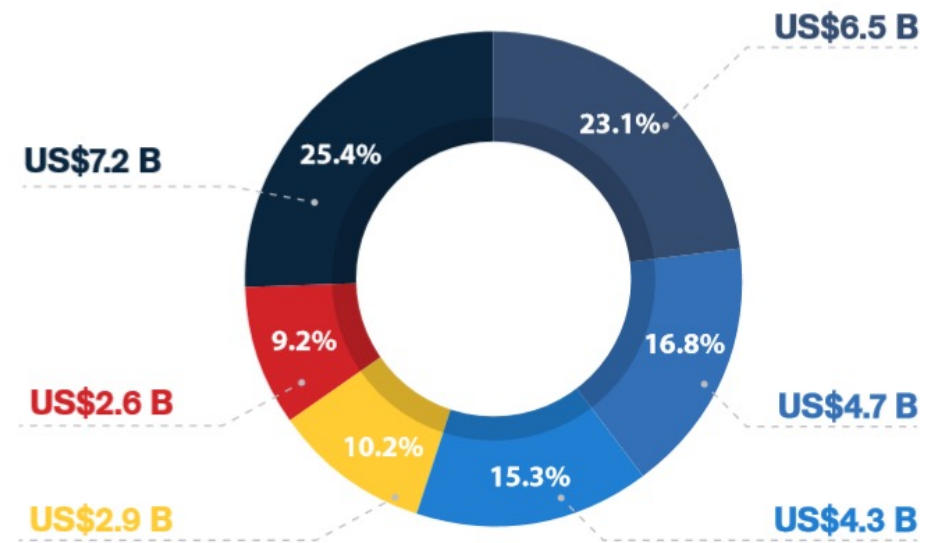
- Electricity, Gas and Water Supply
- Transportation, Warehouse and Telecommunication
- Metals, except Machinery and Equipment Industry
- Housing, Industrial Estate and Office Building
- Mining
- Others



Source: BKPM

Top 5 Countries Investing in Indonesia

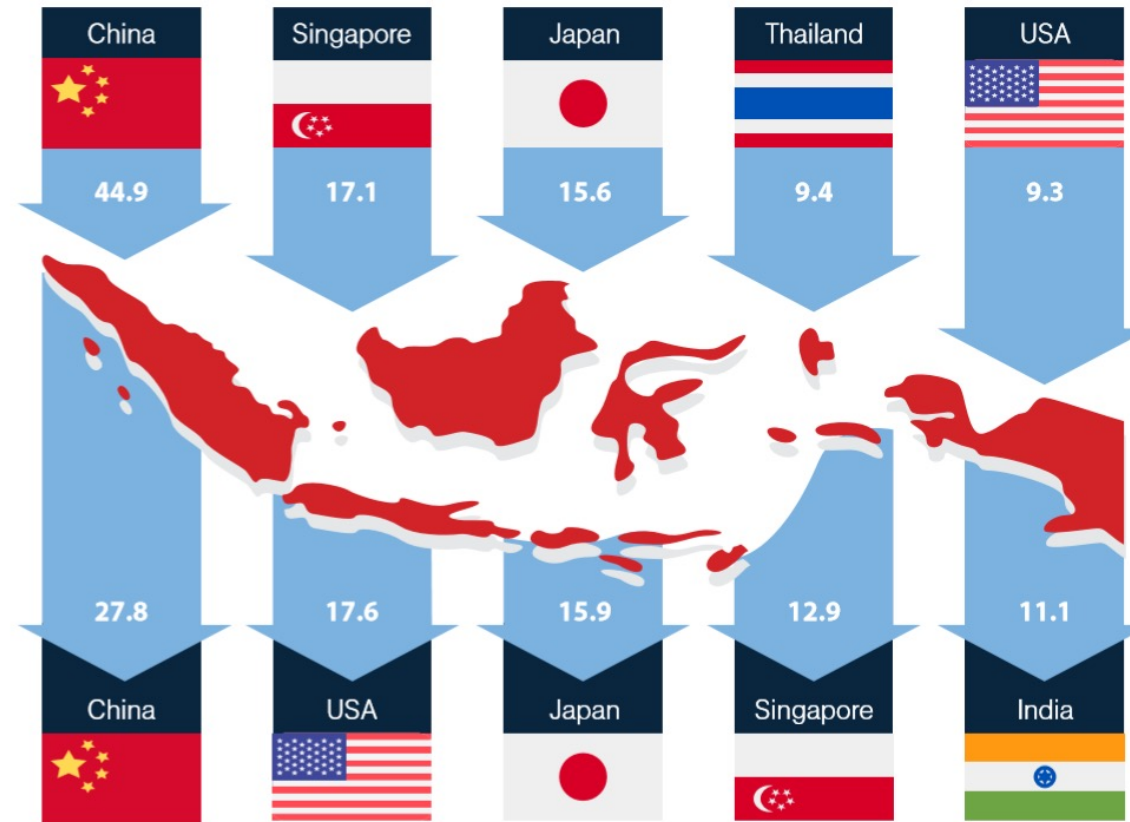
- Singapore
- China
- Japan
- Hong Kong
- Netherlands
- Others



Source: BKPM

Top 5 GLOBAL Import & Export Partners (US\$ Billion)

TOP 5 IMPORT PARTNERS

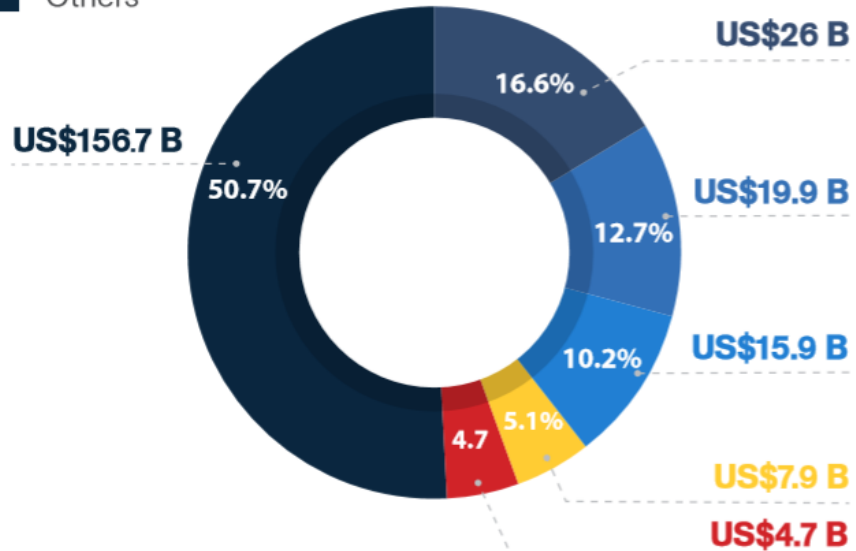


TOP 5 EXPORT PARTNERS

Source: Tradinaeconomics.com

Top 5 Imports by product

- Machinery including Computers
- Electrical Machinery and Equipment
- Mineral Fuels including Oil
- Plastics and Plastic Articles
- Iron and Steel
- Others

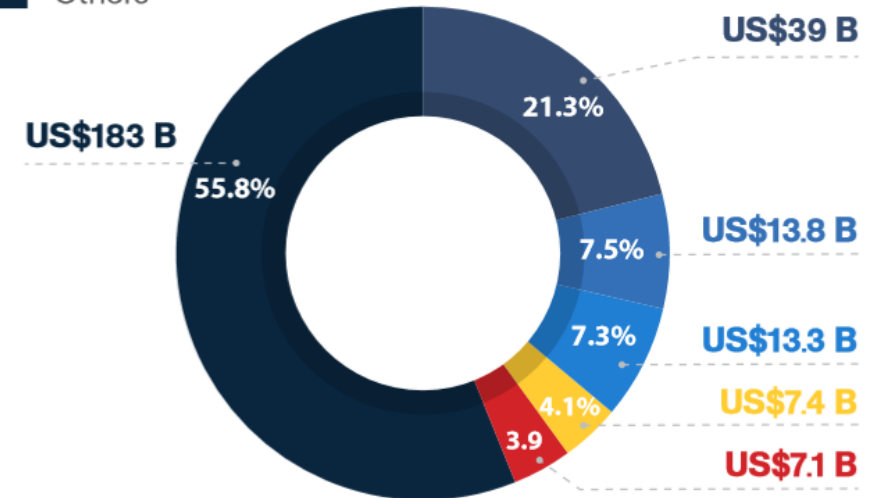


Source: World's Top Export

Graphic© Asia Briefing Ltd.

Top 5 Exports by product

- Mineral Fuels including Oil
- Animal and Vegetable Fats, Oils and Waxes
- Electrical Machinery and Equipment
- Footwear
- Iron and Steel
- Others





***How to Set up a Business in
Indonesia as a Foreign Direct
Investment (FDI)?***

Entities Eligible for Business Licensing Process in Indonesia

Legal Entity	Foreign Limited Liability Company (<i>Perseroan Terbatas Penanaman Modal Asing</i>)
	Foreign Foundation
Representative Office	General Representative Office (KPPA)
	Foreign Trade Representative Office (KP3A)
	Foreign Construction Representative Office (BUJKA)
	Representative Office of Foreign Electric Power Support Services
Foreign Legal Entity (who conduct business activities in Indonesia)	Franchisers
	Foreign Electronic System Operator for Private Sector
	Permanent Establishment (including oil and gas sector)

GENERAL
REPRESENTATIVE OFFICE
(KPPA)

A representative office (RO) is an office liaised by the parent company which is located outside of Indonesia.

FOREIGN LIMITED LIABILITY COMPANY
(*PERSEROAN TERBATAS PENANAMAN
MODAL ASING/PT PMA*)

PMA is a legal entity under Indonesian Law which allows foreign investors to invest in the company to conduct the business to generate revenue in Indonesia.

Corporate Establishment Options	General Representative Office (KPPA)	Foreign Limited Liability Company (PT PMA)
Setup timeline	2 ~ 4 weeks	3 ~ 4 weeks
What I can use it for	Market research and scouting for business	No limitation of business conduct
Suitable for	Liaison activities with HQ, 3 years and can be extended two times with one year each	Full or partial ownership, allowed to operate without any limitation of time otherwise regulated within the deed of establishment
Restrictions	No income-generating activities	Some sectors are still closed or limited
Minimum capital	none	Minimum authorized capital above 10 B IDR (approx. 720k USD/570k EUR) Minimum paid-up capital above 10 B IDR (approx. 720k USD/570k EUR)
Pros	Limited activities but no capital requirements	Full ownership
Cons	Time-based	SME-prohibitive capital requirements

What are the advantages of a PT PMA?

- Special financial and non-financial incentives, particularly in pioneer industries;
- Incentives for setting up in special economic zones (SEZs);
- Foreign investors can own as little as one percent and as much as 100 percent of the company (depending on the industry);
- Able to participate in government-sponsored business tenders in the country;
- Ease of processing for business licenses;
- Ease of processing for work permits;
- Lower tax and import duties;
- Simple organization structure (requiring only one director, one commissioner, and two shareholders); and
- Ability to sponsor foreign executives.

“I am interested to do business and set up a PT PMA in Indonesia, what should I prepare first?”

Company name consist of 3 words

Business activity based on the Indonesian Standard Industrial Classification (Klasifikasi Baku Lapangan Usaha Indonesia/ “KBLI”).

A minimum of 2 shareholders
(individual and/or entity)

Minimum 1 Director and 1 Commissioner

Minimum authorized Capital and Paid-up capital requirement is IDR 10 billion

Business Address in Indonesia

What is the next step after I prepare the requirements above?

7 Working Days	2 Working Days	1 Working Day	7 Working Days	Vary (depending on the business license type)
<ul style="list-style-type: none">Establish a legal entity with the company's activities stated in the Deed of Establishment (this must be done with a local notary and the Deed of Establishment will have to be ratified by the Ministry of Law and Human Rights)	<ul style="list-style-type: none">Obtain a taxpayer identification number from the local tax office and domicile letter from the district government (businesses establishing in Jakarta do not require a domicile letter);	<ul style="list-style-type: none">Obtain a Business Identification Number (NIB) by applying through the Online Single Submission (OSS) system. The NIB applies as the company's import identification number, customs ID, and registration certificate. Further, the NIB will also automatically register your company under the government's health and social security scheme;	<ul style="list-style-type: none">Obtain a tax registration certificate through the tax office where the business is domiciledCan be done in parallel after the Company has obtained its NIB & Tax ID	<ul style="list-style-type: none">Some companies may need to apply for additional business licenses (such as for mining and fintech). Business licenses will now be issued based on the assessment of 'business risk level' determined by the scale of hazards a business can potentially create.

***Industries Permitted for Foreign
Direct Investment (FDI)
in Indonesia***





IDENTIFY THE INDUSTRIAL CLASSIFICATION BUSINESS CODE

(Klasifikasi Baku Lapangan Usaha Indonesia/KBLI)

Identify the most relevant Industrial Business Classification Code (*KBLI*) for your intended business activities in Indonesia, the information regarding the KBLI code can be accessed through:
https://oss.go.id/portal/referensi/content/list_kbli

Once the KBLI Code has been successfully identified, company should first check whether the chosen KBLI Code is open 100% for foreign capital ownership or should it subject to certain restriction/requirements under the new Positive Investment List.

The KBLI Code will also be used to assess the risk level of such business activities and will affect the business licensing process.







What is KBLI Code?

45302	RETAIL TRADING PARTS AND CAR ACCESSORIES	This group includes the retail business of various auto parts, components and accessories separate from its trade, such as tire and inner tube rubber, car spark plugs, batteries (batteries), lighting fixtures and electrical parts.
45401	LARGE TRADING OF NEW MOTORCYCLES	This group includes a large trading business for new motorbikes, including motorbikes or mopeds.
45402	LARGE TRADING OF USED MOTORCYCLES	This group includes a large trading business for used motorbikes, including motorbikes or mopeds.
45403	RETAIL TRADING OF NEW MOTORCYCLES	This group includes the retail business of new motorbikes, including motorbikes or mopeds.

KBLI Code, consists of 5 digits

Business activities that can be conducted under such KBLI Code

Negative Investment List vs. Positive Investment List

Presidential Regulation No. 44 of 2016 “Negative Investment List” (PR 44/2016)	Presidential Regulation No. 10 of 2021 “Investment Business Activities” (PR 10/2021)
Appendix I	
 List of Closed Business Activities 20 Business Activities	 List of Priority Business Activities 245 Business Activities <small>*Eligible for fiscal facilities (i.e., Tax Allowance, Tax Holiday, or Investment Allowance).</small>
Appendix II	
 List of Business Activities Opened with Requirements: Reserved, or Requiring Partnership with MSMEs and Cooperatives 145 Business Activities	 List of Business Activities Allocated to, or Requiring Partnership with, Cooperatives and MSMEs 163 Business Activities in 89 Groups
Appendix III	
 List of Business Activities Opened with Certain Requirements 350 Business Activities	 List of Business Activities with Certain Requirements 46 43 Business Activities

Source: Kementerian Investasi/BKPM

List of Closed Business Activities


Closed for Investment	Can Only be Carried Out by Central Government
<p>1. According to Article 12 paragraph (1) of Investment Law 25/2007, as amended by Article 77 Omnibus Law 11/2020:</p> <ul style="list-style-type: none"> a. Class 1 narcotics cultivation and industry (01287); b. All forms of gambling and/or casino activities (9200); c. Fish catching for species listed in Appendix I of Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (10719); d. Coral and sea rock utilization or harvesting as material for building/calcium, aquariums, and souvenirs (applicable for both living and dead coral) (03154); e. Chemical weapon industries (20119); and f. Industrial chemical substances and ozone-depleting substances industry (20119). <p>2. According to the Official Statement from President Jokowi on 2nd March 2021:</p> <ul style="list-style-type: none"> a. Alcoholic Beverages Industry (11010); b. Alcoholic Beverages Industry: Wine (11020); and c. Malt-Containing Beverages Industry (11031). 	<p>According to Explanation of Article 12 paragraph (1) of Investment Law 25/2007, as amended by Article 77 Omnibus Law 11/2020: Activities which are of a service nature or in the framework of defence and security, encompassing <u>among others</u>:</p> <ul style="list-style-type: none"> 1. primary weapons system; 2. government museum (51021); 3. historical and ancient heritages (91023); 4. operation of flight navigation (52232); and 5. telecommunications/shipping and vessel navigation aids (52229)



Note:
As comparison, there were 20 Closed Business Activities, as listed in Appendix I, PR 44/2016:

1. **9 ones** which are now the same Closed for Investment, as above.
2. **4 ones** which are now part of Can Only be Carried Out by Central Government (no. 2-5), as above.
3. **7 ones** which are now moved to Opened Business Activities: 1) Lifting of Valuable Objects from Sunken Cargo (52229); 2) Alkaline Chlorine Production Industry using a Mercury Process (20111); 3) Industry of Pesticide Active Material (20211); 4) Management and Operation of Ground Transportation Passenger Terminal (52211); 5) Management and Operation of Motor Vehicle Weighing (52219); 6) Management of Motor Vehicle Type Testing (17203), and 6) The Management and Operation of Radio Frequency Spectrum and Satellite Orbit Monitoring Stations (61300).

New Category: Priority Business Activities

Criteria 	1) nationally strategic project/program; 2) capital-intensive; 3) labour-intensive; 4) advanced technology; 5) pioneer industry; 6) export-oriented; and/or 7) oriented towards research, development, and innovation activities.
Eligible Business Activities	<ol style="list-style-type: none">1. 245 Business Activities, as listed in Appendix I, PR 10/2021<ol style="list-style-type: none">a. 183 ones eligible for Tax Allowance (TA) → GR 78/2019 & MoF Reg. 11/PMK.010/2020 jo. 96/PMK.010/2020;b. 18 ones eligible for Tax Holiday (TH) → MoF Reg. 130/PMK.010/2020 & BKPM Reg. 7/2020; andc. 44 ones eligible for Investment Allowance (IA) → MoF Reg. 16/PMK.010/2020.2. <u>Appendix I is not an exhaustive list</u> (Article 10, PR 10/2021)<ol style="list-style-type: none">a. Other than TA, TH and IA, there are still available fiscal incentives in accordance with the provisions of law and regulations, among others:<ul style="list-style-type: none">• super tax deduction for vocational expenses → MoF Reg. 128/PMK.010/2019• super tax deduction for R&D expenses → MoF Reg. 153/PMK.010/2020• import duty exemption for the importation of capital goods for power plant industry → MoF Reg. 66/PMK.010/2015;• import duty exemption for the importation of machineries and raw & auxiliary materials for manufacturing and selected services industries → MoF Reg. 176/PMK.011/2009 jo. 188/PMK.010/2015;• import duty exemption/reduction and/or VAT exemption for the importation of goods for CoW /CCoW → MoF Reg. 116/PMK.04/2019; and• fiscal incentives at SEZ → MoF Reg. 33/PMK.011/2021 & BKPM Reg. 2/2021.b. Available non-fiscal incentives in accordance with the provisions of law and regulations, includes: ease of obtaining business licenses, provision of supporting infrastructure, guarantees on availability of energy and raw materials, immigration, manpower, and others.

Source: Kementerian Investasi/BKPM

Business Activities Allocated to, or Requiring Partnership with, Cooperatives and MSMEs

	Allocated to Cooperatives and MSMEs	(Open to Large-Scale Enterprises) Requiring Partnership with Cooperatives and MSMEs												
Criteria 	1) business activities which do not utilize technology or utilize a simple technology; 2) business activities which have specific process, labour-intensive in nature, as well as have special and hereditary cultural heritages; and 3) business activities which require capital not exceeding IDR 10 Billion, excluding the value of land and buildings.	1) business activities which are mostly undertaken by Cooperatives and MSMEs; and/or 2) business activities which are encouraged to enter Large-scale Enterprises' supply chain.												
Eligible Business Activities	112 Business Activities in 51 Groups, as listed in Appendix II, PR 10/2021	51 Business Activities in 38 Groups, as listed in Appendix II, PR 10/2021												
Additional Information	Government Regulation No. 7 of 2021 on Facilities, Protection and Empowerment of Cooperatives and MSMEs (GR 7/2021) stipulated: <ol style="list-style-type: none"> Criteria of MSMEs based on Capital and Annual Turnover (Article 35) <table border="1" data-bbox="435 782 2474 1096"> <thead> <tr> <th>Category</th> <th>Startup Capital (excluding land and building)</th> <th>Annual Turnover</th> </tr> </thead> <tbody> <tr> <td>Micro Enterprises</td> <td>Up to IDR 1 Billion</td> <td>Up to IDR 2 Billion</td> </tr> <tr> <td>Small Enterprises</td> <td>> IDR 1 Billion to IDR 5 Billion</td> <td>> IDR 2 Billion to IDR 15 Billion</td> </tr> <tr> <td>Medium Enterprises</td> <td>> IDR 5 Billion to IDR 10 Billion</td> <td>> IDR 15 Billion to IDR 50 Billion</td> </tr> </tbody> </table> Partnership Schemes (Article 106): 1) core-plasma, 2) subcontract, 3) franchise, 4) general trade, 5) distribution and agency, 6) supply chain, and 7) others (profit sharing, operational cooperation, joint ventures, and outsourcing). 		Category	Startup Capital (excluding land and building)	Annual Turnover	Micro Enterprises	Up to IDR 1 Billion	Up to IDR 2 Billion	Small Enterprises	> IDR 1 Billion to IDR 5 Billion	> IDR 2 Billion to IDR 15 Billion	Medium Enterprises	> IDR 5 Billion to IDR 10 Billion	> IDR 15 Billion to IDR 50 Billion
Category	Startup Capital (excluding land and building)	Annual Turnover												
Micro Enterprises	Up to IDR 1 Billion	Up to IDR 2 Billion												
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Medium Enterprises	> IDR 5 Billion to IDR 10 Billion	> IDR 15 Billion to IDR 50 Billion												

Source: Kementerian Investasi/BKPM

Business Activities with Certain Requirements

<p>Certain Requirements</p> 	<p>46 43 Business Activities, as listed in Appendix III, PR 10/2021:</p> <ol style="list-style-type: none"> 11 Business Activities which are reserved for domestic investors; 30 Business activities with maximum foreign ownership; and 5 2*) Business activities which require special licenses. <p>*) According to the Official Statement from President Jokowi on 2nd March 2021, 3 business activities related to greenfield investment in alcoholic beverages industry were revoked from Appendix III, hence, to be declared as closed business activities through the Revision of PR 10/2021.</p>
<p>Exclusions</p>	<ol style="list-style-type: none"> 1. Exclusion of Maximum Foreign Ownership Requirement (Article 6, Paragraph 4): <ol style="list-style-type: none"> a. Investment which have been approved in certain business activities prior to the promulgation of PR 10/2021, as stated in its business licensing, unless the provisions under PR 10/2021 are more profitable for Investor [GRANDFATHER CLAUSE]; and/or b. Investors who obtain special rights based on agreements (CEPA/FTA) between Indonesia and the Investor's country of origin, unless the provisions on the same business fields under PR 10/2021 are more profitable for Investor. 2. All "Certain Requirements" do not apply to Investment Business Activities which are carried out within SEZs (Article 8, Paragraph (1)). 3. Business Licensing and investment activities in FINANCIAL & BANKING SECTORS shall be carried out in accordance with BI and OJK Regulations (Article 11, Paragraph (2)).
<p>Additional Requirements</p>	<p><u>As according to prevailing Laws and GRs (Article 13, PR 10/2021)</u></p> <ol style="list-style-type: none"> 1. Construction (Contractor & Consultant) Services using Advanced Technology and/or High Risk and/or Work Value of more than IDR 50 Billion, which previously with maximum foreign ownership of 67% (or 70% for ASEAN investors), is not listed in Appendix III, PR 10/2021. However, Appendix II, GR 5/2021, still mentioned the same limitation for Construction Contractor & Consultancy Services. 2. Land area (min &/ max) for Plantations (CPO, Sugarcane, Tea, Cocoa, Coffee, Coconut, Rubber, Tobacco), at Article 3, GR 26/2021. 3. Business Activities of Wholesaling (46xxx) and Retailing (47xxx) are not allowed in one PT, at Article 55 Paragraph (1), GR 29/2021. 4. Single Majority for Air Transportation (51xxx), at Appendix I, GR 5/2021. 5. Single Purpose for Water Transportation Services, at GR 31/2021.

Source: Kementerian Investasi/BKPM

Business Activities Reserved for Domestic Capital

Traditional medical products (for humans)	100 percent Domestic capital
Fish processing industry	100 percent Domestic capital
Wood based building products	100 percent Domestic capital
Coffee processing industry	100 percent Domestic capital
Rendang industry	100 percent Domestic capital
Ship industry • Outriggers; and • Traditional vessels	100 percent Domestic capital
Traditional handicrafts	100 percent Domestic capital
Traditional cosmetics	100 percent Domestic capital
Raw materials for traditional medicine (for humans)	100 percent Domestic capital
Batik industry	100 percent Domestic capital
Crackers and chips industry	100 percent Domestic capital
Hajj and Umrah activities	100 percent Domestic capital and must be Muslim

Graphic © Asia Briefing Ltd

Examples of Business Activities Open with Certain Requirements

Business Fields with Specific Requirements	
Business fields	Requirements
Publishing of newspapers, magazines (press)	100 percent domestic capital required for establishment, and up to 49 percent foreign capital ownership for business development and expansion
Private broadcasting agency	100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion
Subscription based broadcasting agency	100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion
Community radio agency	100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion
Community television agency	100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion
Postal services	Maximum foreign capital ownership of 49 percent
Domestic scheduled air transportation	Foreign capital ownership of 49 percent. However, domestic capital ownership needs to be the single majority
Domestic non-scheduled air transportation	Foreign capital ownership of 49 percent. However, domestic capital ownership needs to be the single majority
Air transport activities	Foreign capital ownership of 49 percent. However, domestic capital ownership needs to be the single majority

For the full list of business activities open with certain requirements, you may access our publication through the following link:

<https://www.aseanbriefing.com/news/indonesias-omnibus-law-the-positive-investment-list-and-the-liberalization-of-business-sectors/>

Risk Level and Licensing Requirements



FACTORS ASSESSED BY THE CENTRAL GOVERNMENT IN DETERMINING THE RISK LEVEL



LICENSING REQUIREMENTS BASED ON THE RISK LEVEL

Low Risk

- Business Identification Number (**NIB**) for **operational and commercial activities**.
- NIB also serves as: Importer Identification Number, Customs Access Right, Halal Guarantee Statement (only for low-risk small and medium enterprises), Environmental Management and Monitoring Capability Statement Letter (for low-risk only).
- Example: wholesale distributor

Medium-low Risk

- Shall obtain a NIB and Standard Certificate before **commencing the business operation**.
- Standard Certificate is a statement and/or evidence of the fulfilment of certain business implementation standard.
- For medium-low risk business, the Standard Certificate is in the form of a **self-statement**.
- Example: Consulting activity and the design of Internet of things

Medium-high Risk

- Shall obtain a NIB and an *unverified Standard Certificate* before commencing the **business' preparation stage**.
- The Government Agency will verify the Standard Certificate, whether the business has fulfilled specific business standards.
- **After a verified Standard Certificate is issued**, the business is allowed to commence its **operation/commercial activities**.
- Example: Freight forwarding, building construction

High-Risk

- NIB for **preparation stage**.
- Licenses, in the form of approval by the Central or Regional Government for the implementation of business activities.
- The license will be issued after the satisfaction of all requirements for the relevant business activities has been verified (e.g. Environmental Impact Analysis – AMDAL), and thus may commence its **operational and commercial activities**.
- Please note that for some business activities, a Standard Certificate may also be required
- Example: web portal/e-commerce platform operator for large business scale (minimum authorized capital IDR 10 B/USD 720,000), private hospitals

Note: the categorization of business and its risk level are listed under annexes of GR 5/2021

Preparation Stage

- Land acquisition
- Building construction (after the environmental license has been issued)
- Procurement of tools or facilities
- Recruitment of manpower
- Fulfilment of business standards
- Conducting feasibility studies
- Financing operations during the construction phase

Operational & Commercial Stages

- Production/provision of goods/services
- Logistics and distribution of goods/services
- Marketing of goods/services
- Other operational and commercial stage activities



***General overview of tax and the
mandatory social security in
Indonesia***

Indonesia's Major Taxes

Corporate Income Tax (CIT)

- 2022 : 22%

Value-added Tax (VAT)

- As of April 2022: 11%, imposed on most manufacturers, retailers, wholesalers & importers

Personal Income Tax (PIT)

- Applies on worldwide income of Indonesian tax residents
- Non-resident taxpayer is liable for income earned in Indonesia

E-commerce Tax

- Applies to international and domestic entities engaging in e-commerce activities
- Foreign e-commerce businesses or internet companies having significant presence in Indonesia is deemed as an Indonesia tax residence

Social Security (BPJS) Contribution Rates (Mandatory)

BPJS Contribution Rates		
	Employer	Employee
BPJS Employment – Death	0.3%	/
BPJS Employment – Accident	0.24 – 1.74% (depending on the industries and risk level)	/
BPJS Employment – Retirement	3.7%	2%
BPJS Employment – Pension (Maximum threshold is IDR 9,077,600 (USD 634), since March 2022)	2%	1%
BPJS Health (Maximum threshold is IDR 12,000,000 (USD 840))	4%	1%

***Where to
start
a business
in Indonesia?***



Locations Factors



Human Resource



Infrastructure



Real Estate



Supplier and
Customer Market



Location
Factors



Cost



Living Environment



Legal & Regulatory
Environment



Operating
Environment

Special Economic Zone

There are 15 regions that are registered as SEZs, which are:

- SEZ Tanjung Lesung
- SEZ Morotai
- SEZ Mandalika
- SEZ Kendal
- Etc

Free Trade Zone

There are 4 Free Trade Zone Regions in Indonesia, which are:

- Bintan
- Batam
- Sabang
- Karimun

Fiscal and Non-Fiscal Incentives for SEZ

Fiscal Incentives

- Income Tax Facilities
- Value-added Tax Facilities
- Import tax and customs facilities
- Regional taxes

Non-Fiscal Incentives

- The ease of getting license
- Special regulation for employment
- Immigration facilities
- Infrastructure facilities
- Environment
- Many more

Tax Holiday

Corporate Income Tax Incentives		
Capital Investment	Tax holiday (%)	Period (years)
I Up to 100 billion rupiah (US\$7.3 million) less than 500 billion rupiah (US\$36.5 million)	50	5
II More than 500 billion rupiah (US\$36.5 million) less than 1 trillion rupiah (US\$73 million)	100	5
III More than 1 trillion rupiah (US\$73 million) less than 5 trillion rupiah (US\$365 million)	100	7
IV More than 5 trillion rupiah (US\$365 million) less than 15 trillion rupiah (US\$1.1 billion)	100	10
V More than 15 trillion rupiah (US\$1.1 billion) less than 30 trillion rupiah (US\$2.2 billion)	100	15
VI More than 30 trillion rupiah (US\$2.2 billion)	100	20

(Noted: US\$1=13,663 rupiah as of February 19, 2021)

Tax Allowance



A total of 30% reduction in net income tax in 6 years, 5% each year



Income tax on dividends at 10%



Accelerated depreciation and amortization



5 to 10 year compensation for tax losses



Exemption on import duties, VAT, sales tax on luxury goods, and excise for businesses operated in Free Trade Zones

Examples of Priority Business Sectors and their Incentives

Business line	Incentive type
Textile and garment industry	Tax allowance and investment allowance
Pharmaceutical industry	Tax allowance
Digital economy (hosting, data processing etc)	Tax holiday
Geothermal (exploring and drilling)	Tax allowance
Cooking palm oil industry	Tax allowance
Iron and steel industry	Tax allowance
Automotive industry	Tax allowance
Oil and gas refinery	Tax holiday
Cosmetics industry	Tax allowance
Coal gasification	Tax allowance

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Please feel free to drop us a message if you wish to have a free consultation regarding your expansion plan into Indonesia, and need help to determine the KBLI Code for your intended business activities.

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