



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Opportunities in Indonesia's SEZs:

Choosing the Ideal Location for
Your ASEAN Business



About Us

1992

Dezan Shira's establishment

400+

Our **team** of legal, tax, accounting, business intelligence and audit professionals

3,000+

Multinational **clients** that have already chosen us

80+

Countries served by our professional services

28

Offices in China, Hong Kong, India, Vietnam, Singapore, Indonesia, Dubai UAE, and Mongolia; Liaison offices in Italy, the United States and Germany, and Asian Alliance offices in Malaysia, the Philippines, Thailand, Bangladesh, Japan, South Korea and Taiwan.



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia



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Can Indonesia's Sovereign Wealth Fund Attract Foreign Investment

November 07, 2022

Can Indonesia's Sovereign Wealth Fund Attract Foreign Investment

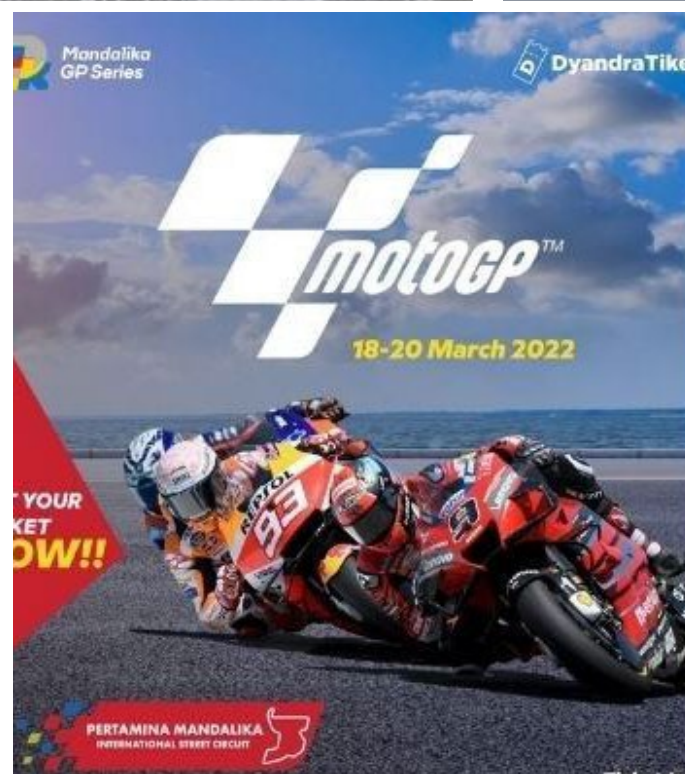
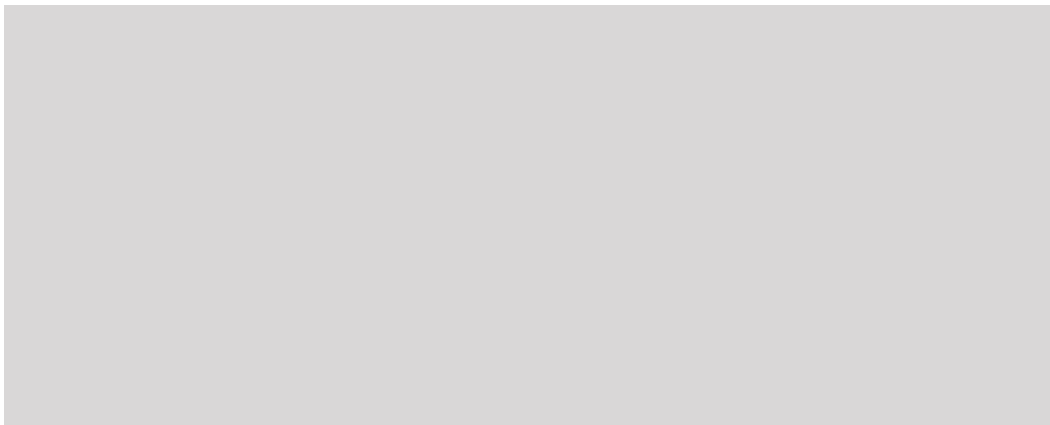
Choosing the Ideal Investment Location in Indonesia's Special Economic Zones

September 26, 2022 | Posted by ASEAN Briefing | Written by Ayman Falak Medina | Reading Time: 7 minutes

Malaysia's Ratification of CPTPP to Help Increase Trade

ECONOMY & TRADE

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Discussed today



Section I, by Jennifer Halim

- Introduction to Indonesia's Special Economic Zones (SEZs)
- Overview: Structure of Tax Incentives

Section II, by Samara

- Choosing the Ideal Investment Location
- Business Benefits of SEZs and How to Qualify

SPECIAL ECONOMIC ZONE IN INDONESIA

The term 'SEZ' was first introduced in 2009, with the primary aims to create a conducive environment for investment, export and trade activities to encourage economic growth and as a catalyst for economic reform.

SEZ is regulated under the Government Regulation No. 40 of 2021 on the Effectuation of Special Economic Zone, defined as:

"...an area with certain boundaries within the jurisdiction of the Republic of Indonesia which is determined to carry out economic functions and obtain certain facilities."

Map of Special Economic Zones in Indonesia



- 1 Arun Lhokseumawe SEZ
- 2 Sei Mangkei SEZ
- 3 Nongsa SEZ
- 4 Batam Aero Technic SEZ
- 5 Galang Batang SEZ
- 6 Tanjung Kelayang SEZ
- 7 Tanjung Lesung SEZ

- 8 Lido SEZ
- 9 Kendal SEZ
- 10 Gresik SEZ
- 11 Singhasari SEZ
- 12 Mandalika SEZ
- 13 Maloy Batuta Trans Kalimantan SEZ

- 14 Palu SEZ
- 15 Likupang SEZ
- 16 Bitung SEZ
- 17 Morotai SEZ
- 18 Sorong SEZ
- 19 Tanjung Api-Api SEZ
(will not be classified as an SEZ in 2022)

On November 1st, 2022, President Joko Widodo signed  Government Regulation No. 41 of 2022, ruling Sanur area in Denpasar as the newest SEZ in Indonesia, with priority sectors in health and tourism.

PRIMARY INDUSTRY IN SEZ



Production
and
Processing



Education



Sport



SEZ
Development
and Management



Health



Creative
Industry



Financial
Services



Logistic
and
Distribution



Provision
of SEZ
Infrastructure



Tourism



Other
Economic
Activities



Energy
Development



Research
Digital
Economy
and Technology
Development

INCENTIVES AND FACILITIES

NON-FISCAL

- ❖ EASE OF DOING BUSINESS
- ❖ FOREIGN PROPERTY OWNERSHIP
- ❖ SPECIAL REGULATION FOR LABOUR, EMPLOYMENT, IMMIGRATION, AND LAND TITLING

FISCAL

- ❖ TAX HOLIDAY/TAX ALLOWANCE
- ❖ TAX EXEMPTION FOR IMPORT DUTY AND TAX FOR CAPITAL GOODS
- ❖ LOCAL TAX DEDUCTIONS

Corporate Income Tax Holidays for Special Economic Zones in Indonesia

Taxpayer	Investment amount	Concession period (years)
Business entity	100 billion rupiah (US\$7 million)	10
	Between 100 billion rupiah (US\$7 million) to 500 billion rupiah (US\$35 million)	10
Businessperson	Between 500 billion rupiah (US\$35 million) to 1 trillion rupiah (US\$70 million)	15
	More than 1 trillion rupiah (US\$70 million)	20

Tax Allowance



A total of 30% reduction in net income tax in 6 years, 5% each year
(Applies for 166 eligible business fields)



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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Choosing the Ideal Investment Location



01 Primary Activities

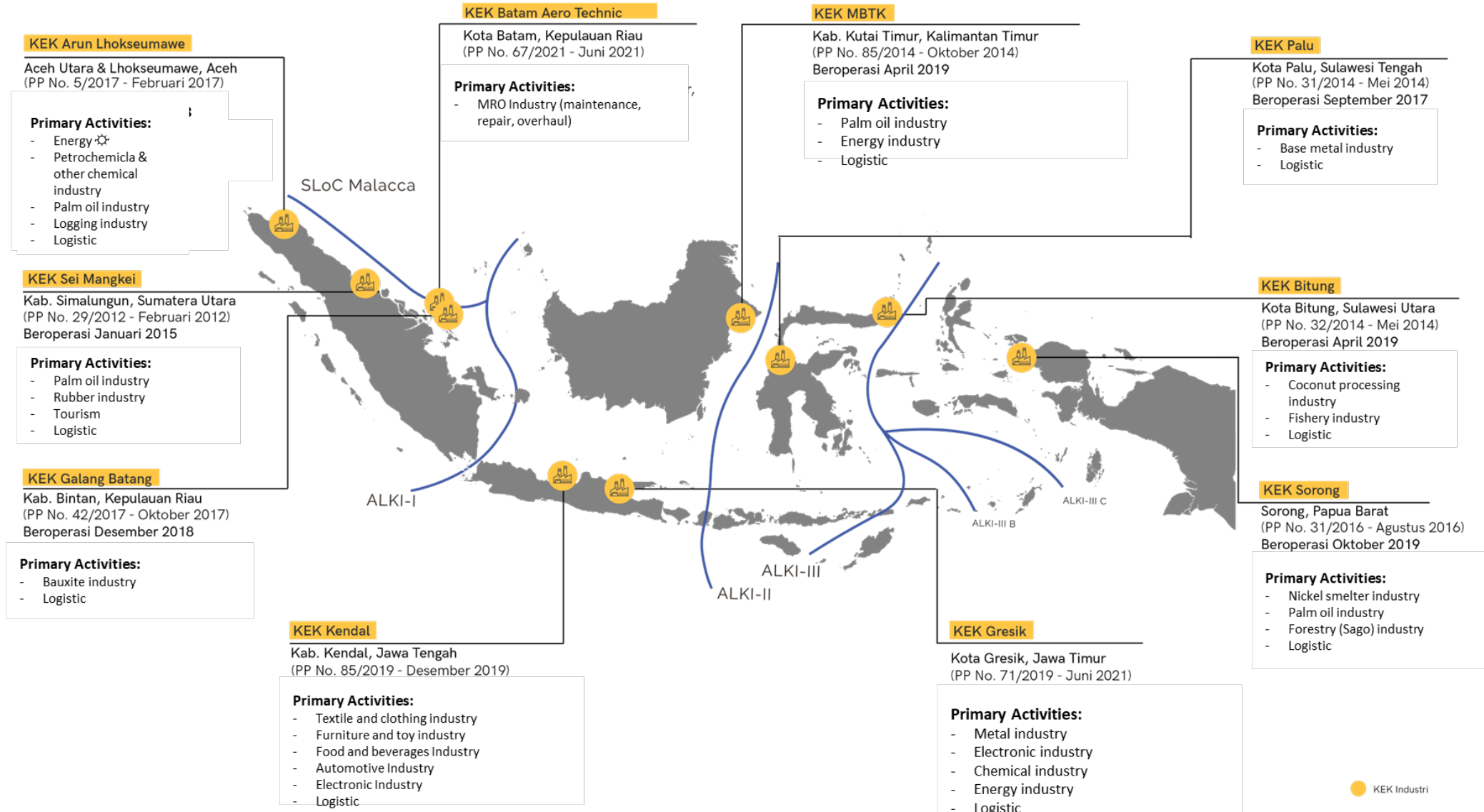
02 Resources

03 Infrastructures

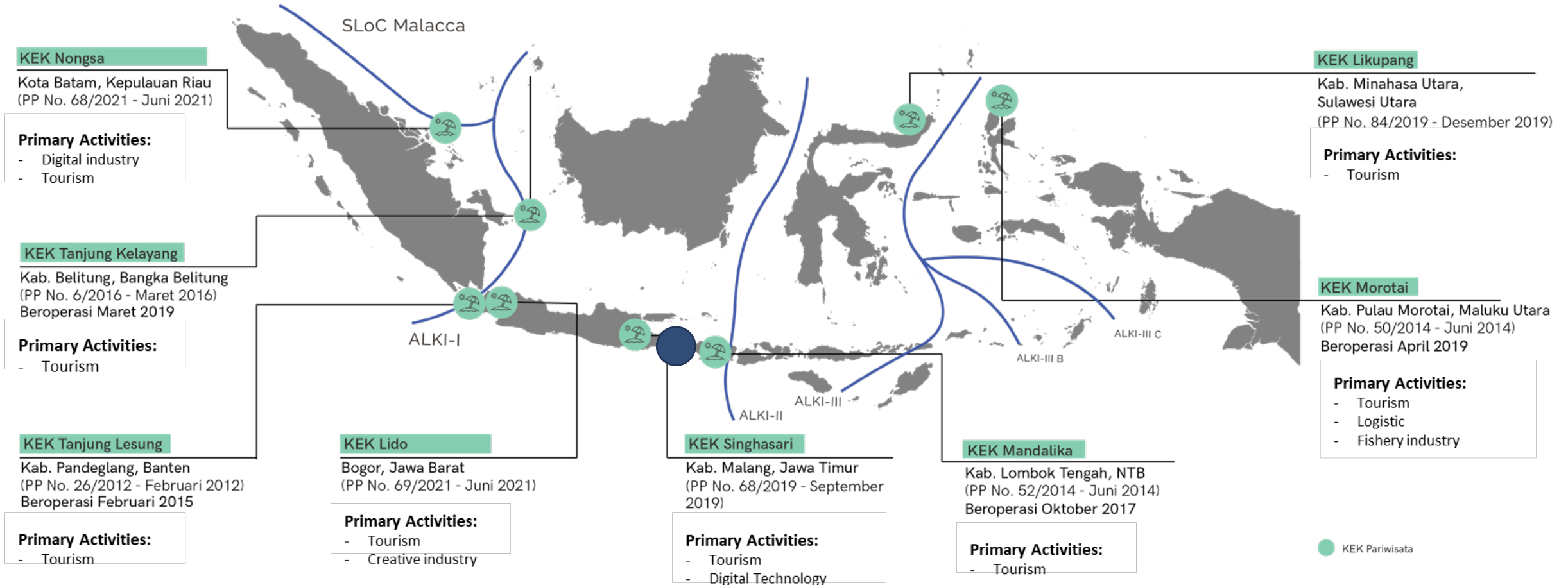
04 Cost

05 Business Benefits

Industrial SEZ



Tourism SEZ



● KEK Sanur per 1 November 2022 for health and tourism

Resources



Labor availability

The availability of human resources in each Special Economic Zone may differ depend on:

- Working age population
- The number of universities/vocational school



Minimum Wages

The cost of labor is based on the prevailing minimum wage within each. Indonesia varies its minimum wage by region accounting for the differences in labor costs between zones.

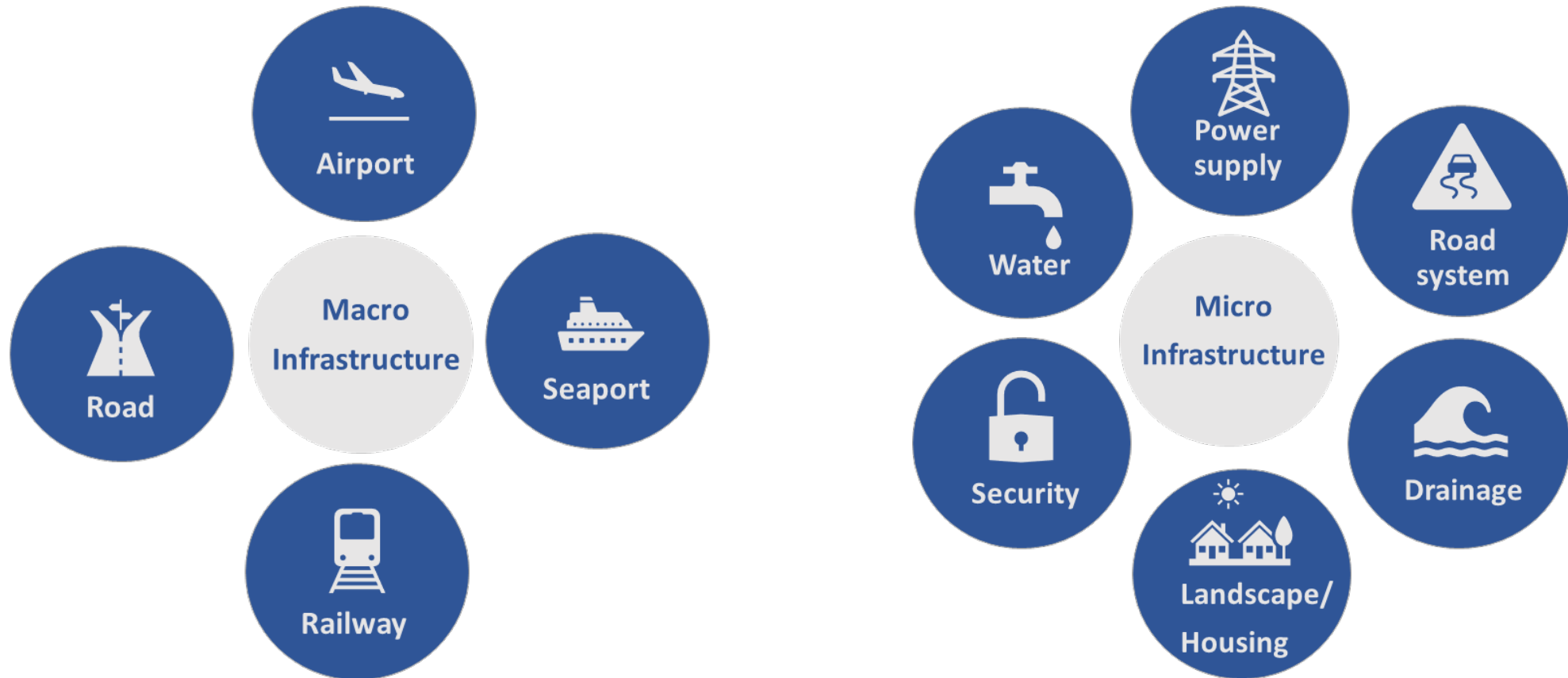
Batam Techno SEZ : Rp. 3,050,172, Kendal SEZ : Rp 2,340,312, Sorong SEZ : Rp 3.561.932



Supplies

Surrounding domestic resources to support the operational

Infrastructures



Cost



Building and Land Cost



Travel Cost



Housing and Living Cost



Office supplies, maintenance, repair cost



Utility Cost

Business Benefits

Ease of Doing Business	Infrastructure	Immigration	Land & Spatial Planning
<ul style="list-style-type: none">• Environmental approval• No building permit is required• Help desk for particular countries• Fast track process (t&c)	<ul style="list-style-type: none">• Adequate macro and micro infrastructure	<ul style="list-style-type: none">• Foreigner to visit SEZ is eligible to get 30 days VOA and can extend up to 5 times• Temporary resident status for foreign workers and their families for up to 5 years (max 15 years)• Permanent resident status for Property holders and seniors if managing and investing a business in SEZ	<p>Business entities that obtain building right (Hak Guna Bangunan-HGB) can be granted 30 years at the same time extended for 20 years after operating and renewed for 30 years</p>
Living Environment	labor-specific regulations		
<ul style="list-style-type: none">• Well-designed living environments, such as well-planned housing, convenience stores, and any facilities	<ul style="list-style-type: none">• Labor union forum to maintain business-labor relations		

Case study of KENDAL SEZ

TARGETED INDUSTRIES



PRODUCTS



INDUSTRIAL LAND PLOTS



READY BUILT FACTORY

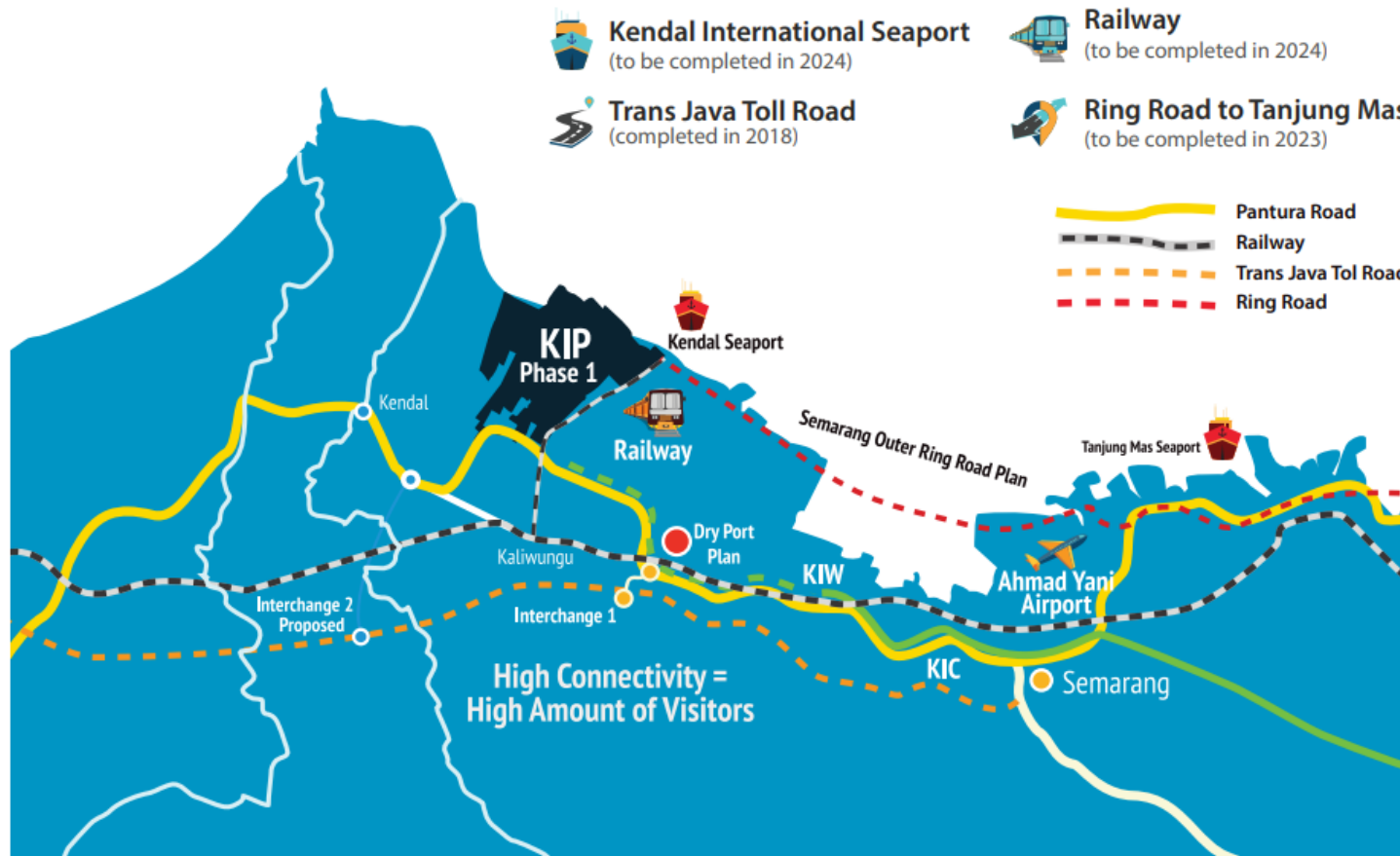


COMMERCIAL AREA



RESIDENTIAL

Macro Infrastructure



20 km
from Ahmad Yani International Airport to Kendal

25 km
from Tanjung Emas Seaport to Kendal

22 km
from Semarang Railway Station to Kendal

21 km
from Semarang City to Kendal

3 hours
from Surabaya to Kendal

5 hours
from Jakarta to Kendal

READILY AVAILABLE MANPOWER & COMPETITIVE WAGES



POLYTECHNIC FURNITURE KENDAL



DIPONEGORO UNIVERSITY



SKILLED MANPOWER



VOCATIONAL TRAINING INSTITUTE

KENDAL

Rp 2,340,312 / USD 161

Bekasi

Rp 4,816,921 / USD 332

Surabaya

Rp 4,375,479 / USD 302

Bogor

Rp 4,217,206 / USD 291

Semarang

Rp 2,835,021 / USD 196

* USD 1 = IDR 14,500

MICRO INFRASTRUCTURE



1. Dual Feeder Electricity Supply



2. Reliability of Water Supply



3. Waste Water Treatment



4. Drainage System



5. Connected Road System and Fully Maintained



6. Landscape and Housekeeping



7. 24 Hours Security Patrol



8. Telecommunication Connection



9. Gas Supply

EASE DOING BUSINESS

Kendal Industrial Park provides one-stop service for fast startup and hassle-free operations to ensure your business runs smoothly.



BKPM 3-hours & KLIK Licensing Service



Manpower Recruitment



On-site Logistics



24/7 Security Patrols



Estate Maintenance Services

INCENTIVES



Reduction of Regional Taxes



Income Tax Holiday



Income Tax Facilities

VAT/LGST not collected on delivery into SEZ
*Terms & Conditions Apply



VAT exempted on import/delivery of certain/strategic goods



Import duty/tax not collected



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Q&A



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