



# 2026 Investment Window into Indonesia (IWI)

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# Contents

List of Figures	5
Acronym and Abbreviation List	6
Foreword	17
Executive Summary	18
<b>A. Introduction to Indonesia</b>	<b>19</b>
1. General Overview	20
2. Demography	28
3. Investment Climate Overview	29
4. Hotspots For Investment – Industry Sector Analysis In Indonesia	32
5. Regional Snapshots	40
6. Legal and Political System	42
<b>B. Legal and Regulatory Overview of Conducting Business in Indonesia</b>	<b>45</b>
1. Getting The Business Started	45
2. Joint Ventures	54
3. Mergers and Acquisitions (M&As)	55
4. Infrastructure	58
5. Good Corporate Governance Implementation	66
6. Capital Market	68
7. Banking and Lending	73
8. Oil and Gas & Coal and Mineral Mining	77
9. Construction	82
10. Intellectual Property Rights (IPR)	84
11. Personal Data Protection (PDP)	86
12. Dispute Resolution	90
13. Land Environment and Related Matters	93
14. Other Business-Related Laws	96

<b>C. Taxation in Indonesia</b>	<b>99</b>
1. Tax Administration	99
2. Business Taxation	99
3. Taxes On Individuals	103
4. Withholding Taxes	106
5. Double Taxation Relief	107
6. Transfer Pricing and International Tax	108
7. Indirect Taxes	112
8. Tax Incentives	113
9. Taxation On Transaction Through Electronic System	116
10. Other Taxes On Corporations and Individuals	117
<b>D. Audit and Compliance</b>	<b>120</b>
1. Accounting Period	120
2. Currency	120
3. Language, Accounting Basis, and Standards	120
4. Audit Requirements	120
5. Independence	121
<b>E. Workforce Environment</b>	<b>122</b>
1. Employee Rights and Remuneration	122
2. Wages and Benefits	122
3. Termination of Employment	123
4. Employment Relationship	128
5. Employment of Foreigners	128
6. Golden Visa For Foreign Investors In Indonesia	129
<b>Contacts Us</b>	<b>132</b>

# List of Figures

Figure 1: Overview of Indonesia's geography and demographics	19
Figure 2: Indonesia's key economic outlook indicators	20
Figure 3: Indonesia's macroeconomic and national development targets in APBN 2026	21
Figure 4: Indonesia's quarterly GDP growth comparison, 2020-2024 (in %)	22
Figure 5: Indonesia GDP growth projection comparison	23
Figure 6: World Bank Group GDP growth rate forecast of several Southeast Asian countries for 2025-2026, January and June 2025 reports comparison*	24
Figure 7: Indonesia's Q1-Q3 2025 export highlights	25
Figure 8: Indonesia's Q1-Q3 2025 import highlights	26
Figure 9: The population of Indonesia by age and gender (2025)	29
Figure 10: FDI realisation based on province (in US\$ million)	30
Figure 11: FDI realisation by origin of investment (in US\$ million)	31
Figure 12: FDI realisation based on sector (in US\$ million)	31
Figure 13: FDI realisation based on the downstream industry	32
Figure 14: Indonesia's sovereign credit ranking	33
Figure 15: The 9 investment priorities of Indonesia	34
Figure 16: Indonesia Renewables Capacity and Generation Forecast	37
Figure 17: Top 10 regional demographics*	44
Figure 18: Top 10 Gross Regional Domestic Product provinces (in IDR billion)	44
Figure 19: Top 10 regional FDI realisation by investment value (in US\$ Million)	45
Figure 20: Top 10 regional FDI realisation by number of projects	46
Figure 21: Top 10 provincial minimum wage (UMP) per month (in US\$)*	46
Figure 22: Timeline for the establishment and basic licensing of a PMA company	58
Figure 23: The synergy of institutional support framework	78
Figure 24: LCS project structure	83
Figure 25: The procedure for applying a Golden Visa	189

# Acronym and abbreviation list

<b>AANZFTA</b>	ASEAN-Australia-New Zealand FTA
<b>ACFTA</b>	ASEAN-China FTA
<b>ADB</b>	Asian Development Bank
<b>AEOI</b>	Automatic Exchange of Information
<b>AHKFTA</b>	ASEAN-Hong Kong, China FTA
<b>AHU</b>	Administrasi Hukum Umum (public services by Directorate General of General Law Administration)
<b>AHU Online</b>	Administrasi Hukum Umum Online (online public services by Directorate General of General Law Administration)
<b>AIFTA</b>	ASEAN-India FTA
<b>AJ-CEP</b>	ASEAN-Japan Comprehensive Economic Partnership
<b>AKFTA</b>	ASEAN-Korea FTA
<b>AMDAL</b>	Analisis Mengenai Dampak Lingkungan (Environmental Impact Assessment)
<b>ANDAL</b>	Analisis Dampak Lingkungan (Environmental Impact Statement)
<b>AOI</b>	Articles of Incorporation
<b>AP</b>	Public Accountant
<b>APA</b>	Advance Pricing Agreements
<b>APBN</b>	Anggaran Pendapatan dan Belanja Negara (Indonesia State Revenue and Expenditure Budget)
<b>API</b>	Angka Pengenal Impor (Import Identity Number)
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>ATIGA</b>	ASEAN Trade in Goods Agreement
<b>BAL</b>	Basic Agrarian Law
<b>BANI</b>	Badan Arbitrase Nasional Indonesia (Indonesian National Arbitration Body)
<b>Bappenas</b>	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
<b>BEPS</b>	Base Erosion and Profit Shifting
<b>BI</b>	Bank Indonesia (Central Bank of Indonesia)
<b>BI7DRR</b>	Bank Indonesia-7 Day Reverse Repo Rate
<b>BKPM</b>	Badan Koordinasi Penanaman Modal (Indonesia Investment Coordinating Board)
<b>BLU</b>	Badan Layanan Umum (Public Service Agency)
<b>BMKG</b>	Badan Meteorologi, Klimatologi, dan Geofisika (Meteorological, Climatological, and Geophysical Agency)

<b>BMN</b>	Barang Milik Negara (State Property)
<b>BOD</b>	Board of Directors
<b>BOC</b>	Board of Commissioners
<b>BP BUMN</b>	Badan Pengaturan Badan Usaha Milik Negara (Management Boards of State-Owned Enterprises)
<b>BPH Migas</b>	Badan Pengatur Hilir Minyak dan Gas Bumi (Downstream Oil and Gas Regulatory Body)
<b>BPI Danantara</b>	Badan Pengelola Investasi Daya Anagata Nusantara (Indonesian Sovereign Wealth Fund)
<b>BPJS</b>	Badan Penyelenggara Jaminan Sosial (Social Insurance Administration Organisation)
<b>BPK</b>	Badan Pemeriksa Keuangan (State Audit Board)
<b>BPN</b>	Badan Pertanahan Nasional (National Land Agency)
<b>BPS</b>	Badan Pusat Statistik (Indonesia Central Bureau of Statistics)
<b>BPT</b>	Branch Profit Tax
<b>BRIN</b>	Badan Riset dan Inovasi Nasional (National Research and Innovation Agency)
<b>BSN</b>	Badan Standarisasi Nasional (Indonesia National Standardisation Body)
<b>BUJKA</b>	Badan Usaha Jasa Konstruksi Asing (Foreign Construction Company)
<b>BUJKA RO</b>	BUJKA Representative Office
<b>BUJKN</b>	Badan Usaha Jasa Konstruksi Nasional (local/national construction company)
<b>BUKU</b>	Bank Umum berdasarkan Kegiatan Usaha (Commercial Banks based on Business Activities)
<b>BUMN</b>	Badan Usaha Milik Negara (State-Owned Enterprise)
<b>BUMD</b>	Badan Usaha Milik Daerah (Local Government-Owned Enterprise)
<b>BUMDes</b>	Badan Usaha Milik Desa (Village-owned Enterprise)
<b>CAGR</b>	Compound Annual Growth Rate
<b>CbC</b>	Country-by-Country
<b>CbCR</b>	Country-by-Country Report
<b>CCOW</b>	Coal Contract of Work
<b>CCS</b>	Carbon Capture Storage
<b>CFC</b>	Controlled Foreign Companies
<b>CEX</b>	Certified Exporter
<b>CIT</b>	Corporate Income Tax
<b>CITES</b>	Convention on International Trade in Endangered Species of Wild Fauna and Flora

<b>CORS</b>	Continuously Operating Reference Systems
<b>COSO</b>	Committee of Sponsoring Organisations of the Treadway Commission
<b>COVID-19</b>	Coronavirus Disease-2019, an infectious disease caused by the SARS-CoV-2 virus
<b>CoW</b>	Contracts of Work
<b>CPO</b>	Crude Palm Oil
<b>CR</b>	Company Regulation (Peraturan Perusahaan or PP)
<b>CRS</b>	Common Reporting Standard
<b>CSR</b>	Corporate Social (and Environmental) Responsibility
<b>DDI</b>	Domestic Direct Investment
<b>DDGCD</b>	Decree of the Director General of Construction Development
<b>DER</b>	Debt-to-Equity Ratio
<b>DGIP</b>	Directorate General of Intellectual Property
<b>DGT</b>	Directorate General of Taxes
<b>DKI Jakarta</b>	Daerah Khusus Ibukota Jakarta (Special Territory of the Capital City)
<b>DMO</b>	Domestic Market Obligation
<b>DMTT</b>	Domestic Minimum Top-up Tax
<b>DOE</b>	Deed of Establishment
<b>DPD</b>	Dewan Perwakilan Daerah (Regional Representatives Council)
<b>DPI</b>	Daftar Positif Investasi (Positive Investment List)
<b>DPO</b>	Data Protection Officer
<b>DPOaaS</b>	Data Protection Officer-as-a-Service
<b>DPRD</b>	Dewan Perwakilan Rakyat Daerah (Regional House of Representatives)
<b>DSAK-IAI</b>	Dewan Standar Akuntansi Keuangan-Ikatan Akuntan Indonesia (Financial Accounting Standards Board of the Indonesian Institute of Accountants)
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation, and Amortisation
<b>e-FIN</b>	e-Filing Number
<b>EFTA</b>	European Free Trade Association
<b>e-GMS</b>	Electronic General Meeting of Stakeholders
<b>EIU</b>	Economist Intelligence Unit
<b>EODB</b>	Ease of Doing Business

<b>EPA</b>	Economic Partnership Agreement
<b>ESG</b>	Environmental, Social, and Governance
<b>EU</b>	European Union
<b>EV</b>	Electric Vehicle
<b>F&amp;B</b>	Food and Beverage
<b>FCPA</b>	Foreign Corrupt Practices Act
<b>FCG</b>	Financial Conglomerate Group
<b>FDI</b>	Foreign Direct Investment
<b>FTA</b>	Free Trade Agreement
<b>FY</b>	Fiscal Year
<b>G20</b>	Group of 20
<b>GCA</b>	Government Contracting Agency
<b>GDP</b>	Gross Domestic Product
<b>GMS</b>	General Meeting of Shareholders
<b>GMT</b>	Global Minimum Tax
<b>GNSS</b>	Global Navigation Satellite Systems
<b>GOI</b>	Government of Indonesia
<b>GR</b>	Government Regulation (Peraturan Pemerintah)
<b>GRDP</b>	Gross Regional Domestic Product
<b>GSP</b>	Generalised System of Preference
<b>GVC</b>	Global Value Chain
<b>GW</b>	Gigawatt
<b>GWh</b>	Gigawatt hour
<b>HDI</b>	Human Development Index
<b>HGB</b>	Hak Guna Bangunan (Right to Build)
<b>HGU</b>	Hak Guna Usaha (Right to Cultivate)
<b>HM</b>	Hak Milik (Right of Ownership)
<b>HMSRS</b>	Hak Milik Atas Satuan Rumah (Right of Ownership over Condominium Units)
<b>HP</b>	Hak Pakai (Right to Use)

<b>HPL</b>	Hak Pengelolaan (Right to Manage)
<b>HPAL</b>	High-Pressure Acid Leaching
<b>HPTL</b>	Hasil Pengolahan Tembakau Lainnya (Other Tobacco Processing)
<b>IACEPA</b>	Indonesia-Australia Comprehensive Economic Partnership Agreement
<b>IAI</b>	Ikatan Akuntan Indonesia (Indonesian Institute of Accountants)
<b>IASB</b>	International Accounting Standards Board
<b>IBE</b>	Implementing Business Entity
<b>ICA</b>	Indonesian Customs Authority
<b>ICC</b>	Indonesian Civil Code (Kitab Undang-Undang Hukum Perdata)
<b>IC-CEPA</b>	Indonesia-Chile Comprehensive Economic Partnership Agreement
<b>ICP</b>	Indonesian Crude Price (regulated price of oil per barrel in Indonesia)
<b>ICT</b>	Information and Communications Technology
<b>ICSID</b>	International Centre for Settlement of Investment Disputes
<b>IDR</b>	Indonesian Rupiah
<b>IDX</b>	Indonesia Stock Exchange (Bursa Efek Indonesia)
<b>IFC</b>	International Finance Corporation
<b>IFRS</b>	International Financial Reporting Standards
<b>IEU-CEPA</b>	Indonesia-European Union Comprehensive Economic Partnership Agreement
<b>IIA</b>	Institute of Internal Auditor
<b>IICPA</b>	Indonesian Institute of Certified Public Accountants (Institut Akuntan Publik Indonesia)
<b>IIGF</b>	Indonesia Infrastructure Guarantee Fund
<b>IIF</b>	Indonesia Infrastructure Finance (IIF)
<b>IHSG</b>	Indeks Harga Saham Gabungan (Composite Stock Price Index)
<b>IJEPA</b>	Indonesia-Japan Economic Partnership Agreement
<b>IKN Nusantara</b>	Ibu Kota Negara Nusantara (Nusantara Capital City)
<b>ILO</b>	International Labour Organisation
<b>IMF</b>	International Monetary Fund
<b>INA</b>	Indonesian Investment Authority
<b>IPBUJKA</b>	Izin Perwakilan Badan Usaha Jasa Konstruksi Asing (Foreign Construction Service Business Entity Representative Business Licence)

<b>IPP</b>	Independent Power Product
<b>IPO</b>	Initial Public Offering
<b>IPR</b>	Intellectual Property Rights
<b>IPR</b>	Izin Pertambangan Rakyat (Community Mining Licence)
<b>IPSKA</b>	Instansi Penerbit Surat Keterangan Asal (Issuing Agency for Certificate of Origin)
<b>IRA</b>	Inflation Reduction Act
<b>ISAK</b>	Interpretasi Standar Akuntansi Keuangan (Financial Accounting Standard Interpretation)
<b>ISIC</b>	International Standard Industrial Classification
<b>ITSK</b>	Inovasi Teknologi Sektor Keuangan (Financial Sector Technology Innovation)
<b>IUJK</b>	Izin Usaha Jasa Konstruksi (Construction Business Licence)
<b>IUP</b>	Izin Usaha Pertambangan (Mining Business Licence)
<b>IUPK</b>	Izin Usaha Pertambangan Khusus (Special Mining Business Licence)
<b>IUPR</b>	Izin Usaha Pertambangan Rakyat (People's Mining Business Licence)
<b>JCR</b>	Japan Credit Rating Agency
<b>JETP</b>	Just Energy Transition Partnership (JETP)
<b>KBLI</b>	Klasifikasi Baku Lapangan Usaha Indonesia (Indonesian Standard Industrial Classifications)
<b>KBM</b>	Kawasan Berikat Mandiri (Self-managed Bonded Zones)
<b>KBMI</b>	Kelompok Bank berdasarkan Modal Inti (Bank Group based on Core Capital)
<b>KEK</b>	Kawasan Ekonomi Khusus (Special Economic Zone)
<b>KITE</b>	Kemudahan Impor Tujuan Ekspor (Import Concession for Export Purposes)
<b>KMA</b>	Keputusan Ketua Mahkamah Agung (Head of Supreme Court Decision)
<b>KNKG</b>	Komite Nasional Kebijakan Governansi (National Committee on Governance)
<b>KP</b>	Kuasa Pertambangan (Mining Authorisation)
<b>KP3A</b>	Kantor Perwakilan Perusahaan Perdagangan Asing (Foreign Trade Company Representative Office)
<b>KP3A PMSE</b>	Kantor Perwakilan Perusahaan Perdagangan Asing di Bidang Perdagangan Melalui Sistem Elektronik (Foreign Trade Company Representative Office in the Field of Electronic Commerce)
<b>KPEI</b>	Kliring Penjaminan Efek Indonesia (The Clearing and Guarantee Institution of Indonesia)
<b>KPPA</b>	Kantor Perwakilan Perusahaan Asing (Foreign Company Representative Office)
<b>KPIIP</b>	Komite Percepatan Penyediaan Infrastruktur Prioritas (Committee for Acceleration of Priority Infrastructure Delivery)
<b>KPK</b>	Komisi Pemberantasan Korupsi (Corruption Eradication Commission)

<b>KPPU</b>	Komisi Pengawas Persaingan Usaha (Business Competition Supervisory Commission)
<b>KSEI</b>	Kustodian Sentral Efek Indonesia (The Indonesian Central Securities Depository)
<b>KUHP</b>	Kitab Undang-Undang Hukum Pidana Indonesia (Indonesian Criminal Code)
<b>LCS</b>	Limited Concession Scheme
<b>LCEV</b>	Low Carbon Emission Vehicle
<b>LKPM</b>	Laporan Kegiatan Penanaman Modal (Investment Activity Report)
<b>LKPP</b>	Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah (National Public Procurement Agency)
<b>LST</b>	Luxury-good Sales Tax
<b>LVC</b>	Land Value Capture
<b>M&amp;A</b>	Merger & Acquisition
<b>MAP</b>	Mutual Agreement Procedure
<b>MBG</b>	Makan Bergizi Gratis (Free Nutritious Meal Programme)
<b>MEMR</b>	Ministry of Mineral and Energy Resources (Kementerian Energi dan Sumber Daya Mineral Indonesia)
<b>MK</b>	Mahkamah Konstitusi (Indonesia Constitutional Court)
<b>MLI</b>	Multilateral Instrument
<b>MNEs</b>	Multinational Enterprises
<b>MoCI</b>	Ministry of Communications and Informatics (now known as Ministry of Communication and Digital Affairs)
<b>MoF</b>	Ministry of Finance
<b>MoL</b>	Ministry of Law
<b>MoPWP Reg.</b>	Minister of Public Works and Public Housing Regulation
<b>MPR</b>	Majelis Permusyawaratan Rakyat (People's Consultative Assembly)
<b>MSME</b>	Micro, Small, Medium Enterprises
<b>MTO</b>	Mandatory Tender Offer
<b>MTN</b>	Medium Term Notes
<b>MW</b>	Megawatt
<b>NAV</b>	Net Asset Value
<b>NEET</b>	Not in Employment, Education, and Training
<b>NIB</b>	Nomor Induk Berusaha (Business Identification Number)
<b>NIK</b>	Nomor Induk Kependudukan (National Identification Number)

<b>NPPBKC</b>	Nomor Pokok Pengusaha Barang Kena Cukai (Licensing of Excisable Goods Entrepreneur Registration Number)
<b>NPWP</b>	Nomor Pokok Wajib Pajak (Individual Tax Number)
<b>NRE</b>	New and Renewable Energy
<b>NTA</b>	Net Tangible Assets
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OIKN</b>	Otorita Ibu Kota Negara Nusantara (IKN Authority Body)
<b>OJK</b>	Otoritas Jasa Keuangan (Financial Services Authority)
<b>Omnibus Law</b>	Law Number 11/2020 on Job Creation
<b>OPEC</b>	Organisation of the Petroleum Exporting Countries
<b>OSS</b>	Online Single Submission
<b>PAJK</b>	Penyelenggara Agregasi Jasa Keuangan (Financial Services Aggregation Organisers)
<b>PAT</b>	Profit After Tax
<b>PDAM</b>	Perusahaan Daerah Air Minum (Regional Drinking Water Company)
<b>PDKB</b>	Pengusaha di Kawasan Berikat (Entrepreneur in A Bonded Zone)
<b>PDP</b>	Personal Data Protection
<b>PE</b>	Permanent Establishment
<b>PERMA</b>	Peraturan Mahkamah Agung (Supreme Court Regulation)
<b>Perpres</b>	Peraturan Presiden (Presidential Regulation or PR)
<b>Persero</b>	Perusahaan Perseroan (a state-owned limited liability company)
<b>Perum</b>	Perusahaan Umum (a public service entity wholly owned by the national government)
<b>PIKK</b>	Perusahaan Induk Konglomerasi Keuangan (Financial Conglomerate Holding Company)
<b>PIP</b>	Pusat Investasi Pemerintah (Indonesia Investment Agency/Government Investment Unit)
<b>PKB</b>	Perjanjian Kerja Bersama (Collective Labour Agreement)
<b>PKP</b>	Pengusaha Kena Pajak (VAT Entrepreneur)
<b>PKPU</b>	Penundaan Kewajiban Pembayaran Utang (Suspension of Debt Payment Obligations)
<b>PKWT</b>	Perjanjian Kerja Waktu Tertentu (Specified Time Work Agreement)
<b>PKWTT</b>	Perjanjian Kerja Waktu Tidak Tentu (Unspecified Time Work Agreement)
<b>PLB</b>	Pusat Logistik Berikat (Bonded Logistics Centre)
<b>PLN</b>	Perusahaan Listrik Negara (Indonesian state-owned electricity company)

<b>PMA</b>	Penanaman Modal Asing (Foreign Capital Investment)
<b>PMDN</b>	Penanaman Modal Dalam Negeri (Domestic Capital Investment)
<b>PMK</b>	Peraturan Menteri Keuangan (Minister of Finance Regulation)
<b>PMSE</b>	Perdagangan Melalui Sistem Elektronik (Transactions Through Electronic System)
<b>POJK</b>	Peraturan OJK (OJK Regulation)
<b>PP</b>	Peraturan Pemerintah (Government Regulation or GR)
<b>PPAT</b>	Pejabat Pembuat Akta Tanah (Official Certifier of Land Deeds)
<b>PPATK</b>	Pusat Pelaporan dan Analisis Transaksi Keuangan (Indonesian Financial Transaction Report and Analysis Centre)
<b>PPMSE</b>	Penyelenggara Perdagangan Melalui Sistem Elektronik (PMSE Providers)
<b>PPnBM DTP</b>	Pajak Penjualan atas Barang Mewah Ditanggung Pemerintah (Government-borne Luxury Goods Sales Tax)
<b>PPP</b>	Public Private Partnership
<b>PPP IBE</b>	Public Private Partnership Implementing Business Entity
<b>PPSK</b>	Pengembangan dan Penguatan Sektor Keuangan (Law on the Development and Strengthening of Financial Sector)
<b>PR</b>	Presidential Regulation (Peraturan Presiden or Perpres)
<b>Prolegnas</b>	Program Legislasi Nasional (National Legislation Programme)
<b>PSAK</b>	Pernyataan Standar Akuntansi Keuangan (Indonesian Financial Accounting Standards)
<b>PSE</b>	Penyelenggara Sistem Elektronik (Private Electronic System Organisers)
<b>PSN</b>	Proyek Strategis Nasional (Strategic National Project)
<b>PSCs</b>	Production Sharing Contracts
<b>PT</b>	Perseroan Terbatas (Limited Liability Company)
<b>PUG-KI</b>	Pedoman Umum Governansi Korporat Indonesia (General Guidelines for Indonesian Corporate Governance)
<b>QRIS</b>	Quick Response Code Indonesia Standard
<b>R&amp;D</b>	Research and Development
<b>R&amp;I</b>	Rating & Investment Information Inc.
<b>RCEP</b>	Regional Comprehensive Economic Partnership
<b>RDTR</b>	Rencana Detail Tata Ruang (Detailed Spatial Plan)
<b>REX</b>	Registered Exporter
<b>RI</b>	Republic of Indonesia
<b>RKAB</b>	Rencana Kerja dan Anggaran Biaya (Work Plans and Funding Budget)

<b>RKL</b>	Rencana Pengelolaan Lingkungan Hidup (Environmental Management Plan)
<b>RO</b>	Representative Office
<b>RP</b>	Recompense Payment ( <i>uang penggantian hak</i> )
<b>RPJPN</b>	Rencana Pembangunan Jangka Panjang Nasional (Long-term National Development Plan)
<b>RPJMN</b>	Rencana Pembangunan Jangka Menengah Nasional (National Medium-term Development Plan)
<b>RPL</b>	Rencana Pemantauan Lingkungan Hidup (Environmental Monitoring Plan)
<b>S&amp;P</b>	Standard & Poor's
<b>SAK</b>	Standar Akuntansi Keuangan (Financial Accounting Standards)
<b>SAK EP</b>	Standar Akuntansi Keuangan – Entitas Privat (Indonesian Financial Accounting Standards for Private Entities)
<b>SAK EMKM</b>	Standar Akuntansi Keuangan – Entitas Mikro Kecil dan Menengah (Indonesian Financial Accounting Standards for Micro, Small, and Medium Entities)
<b>SAK ETAP</b>	Standar Akuntansi Keuangan untuk Entitas Tanpa Akuntabilitas Publik (SAK for Entities that Have No Public Accountability)
<b>SBN</b>	Surat Berharga Negara (Indonesia Government Bonds)
<b>SBSN</b>	Surat Berharga Syariah Negara (Indonesian State Islamic Security)
<b>SEZ</b>	Special Economic Zone (Kawasan Ekonomi Eksklusif or KEK)
<b>SEMA</b>	Surat Edaran Mahkamah Agung (Circular of the Supreme Court)
<b>SIN</b>	Single Identity Number
<b>SIPB</b>	Surat Izin Penambangan Batuan (Authorisation Letter for Rock Mining)
<b>SIUP3A PMSE</b>	Surat Izin Usaha Perwakilan Perusahaan Perdagangan Asing di Bidang PMSE (Business Licence for Foreign Trade Company Representative Office in the field of Electronic Commerce)
<b>SKK Migas</b>	Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi (Special Task Force for Upstream Oil and Gas Business Activities in Indonesia)
<b>SKPT</b>	Surat Keterangan Pendaftaran Tanah (Land Registration Certificates)
<b>SMI</b>	PT Sarana Multi Infrastruktur (Persero) (a state-owned company engaged in infrastructure project financing)
<b>SNI</b>	Standar Nasional Indonesia (Indonesia National Standard)
<b>SOE</b>	State-owned Enterprises
<b>SP</b>	Severance Payment ( <i>uang pesangon</i> )
<b>SPC</b>	Special Purpose Company
<b>SPPKP</b>	Surat Pengukuhan Pengusaha Kena Pajak (Taxable Entrepreneur Confirmation Letter)
<b>SPPL</b>	Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup (Letter of Undertaking of Environmental Management and Monitoring)
<b>SPRINT</b>	Sistem Perizinan Otoritas Jasa Keuangan (Financial Service Authority Licensing System)

<b>SRBI</b>	Sekuritas Rupiah Bank Indonesia
<b>SRO</b>	Self-Regulatory Organisation
<b>SVP</b>	Service Payment ( <i>uang penghargaan masa kerja</i> )
<b>SWIFT</b>	Society of Worldwide Interbank Financial Telecommunication
<b>TA</b>	Tax Amnesty
<b>TDP</b>	Tanda Daftar Perusahaan (Company Registration Certificate)
<b>THR</b>	Tunjangan Hari Raya (Religious Festivity Allowance)
<b>TNI</b>	Tentara Nasional Indonesia (Indonesian National Armed Forces)
<b>TRIPs</b>	Trade Related Aspects of Intellectual Property Rights Agreement
<b>UAE</b>	United Arab Emirates
<b>UK</b>	United Kingdom
<b>UKL/UPL</b>	Upaya Pengelolaan Lingkungan dan Upaya Pemantauan Lingkungan (Environmental Management Efforts and Environmental Monitoring Efforts)
<b>UMP</b>	Upah Minimum Provinsi (Provincial Minimum Wage)
<b>UNCITRAL</b>	United Nations Commission on International Trade Law
<b>USA/US</b>	United States of America
<b>USD/US\$</b>	US Dollar
<b>UU</b>	Undang-Undang (Law)
<b>UUD</b>	Undang-Undang Dasar (Constitution)
<b>UUS</b>	Undang-Undang Syariah (Sharia Law)
<b>VAT</b>	Value Added Tax (Pajak Pertambahan Nilai or PPN)
<b>VDP</b>	Voluntary Disclosure Programme
<b>WHT</b>	Withholding taxes
<b>WIUP</b>	Wilayah Izin Usaha Pertambangan (Mining Business Permit Areas)
<b>WIUPK</b>	Wilayah Izin Usaha Pertambangan Khusus (Special Mining Business Permit Areas)
<b>WIPO</b>	World Intellectual Property Organisation
<b>WPR</b>	Wilayah Pertambangan Rakyat (People's Mining Areas)
<b>WtE</b>	Waste-to-Energy
<b>YoY</b>	Year-on-Year
<b>YTD</b>	Year-to-date

# Foreword



## ***Selamat datang di Indonesia! Welcome to Indonesia!***

Over the past year, Indonesia has advanced the Asta Cita agenda with steady progress in policy and regulatory transformation. These changes, alongside institutional transitions, reflect the government's commitment to strengthening the investment climate and positioning Indonesia as a competitive player in the region.

The country's macroeconomic vision targets annual Gross Domestic Product (GDP) growth of 6–8% over the next four years. The World Bank projects Indonesia's growth at 4.8% in 2026, ahead of regional peers such as Malaysia (4.3%) and Thailand (1.7%). Sovereign credit ratings continue to affirm a stable outlook, underscoring resilience to global uncertainty and effective domestic management. Supported by a large consumer base, reform-driven policies, and improving regulatory frameworks, Indonesia remains an attractive destination for long-term investment.

For 2026, the Ministry of Investment and Downstream Industry has set an investment target of IDR2,175 trillion (US\$136 billion), with priority sectors including New and Renewable Energy (NRE), downstream industries, food security, export-oriented manufacturing, and the development of Ibu Kota Nusantara. Meanwhile, infrastructure development under the RPJMN 2025–2029 is reinforced by 77 National Strategic Programmes, ranging from education and housing to energy and connectivity — all designed to strengthen Indonesia's resilience and competitiveness.

On the regulatory aspect, reforms under the Omnibus Law, including Government Regulations (PP) No. 28/2025 on risk-based licensing and updates on foreign investment requirements — BKPM Regulation No. 5/2025, have streamlined processes through the OSS system. The launch of Coretax further modernises tax administration, integrating key functions into a single platform. Together, these initiatives reflect Indonesia's ongoing transformation and its readiness to welcome global investors.

To complement these developments and provide investors with clear, actionable perspectives, Deloitte Indonesia introduces the redesigned **Investment Windows into Indonesia (IWI) – 2026 Edition**. This publication delivers strategic insights into Indonesia's evolving investment landscape, and is available in Japanese, Chinese, and Korean to ensure accessibility for a broader global audience.

We hope this publication serves as a trusted guide as you explore the vast opportunities Indonesia has to offer. May the insights from this publication inspire confidence, spark new ideas, and support informed decisions on your investment journey. We look forward to seeing your contributions play a meaningful role in shaping Indonesia's continued growth and shared prosperity.

**Brian Indradjaja**  
Indonesia Leader,  
President Director of PT Deloitte Konsultan Indonesia

# Executive Summary

**Investment Window into Indonesia (IWI)** positions Indonesia as a compelling investment destination by highlighting its macroeconomic resilience, large domestic market, and continued structural reforms. Supported by abundant natural resources, a growing workforce, and sustained infrastructure development, Indonesia offers long-term opportunities across multiple sectors. These fundamentals are reinforced by government efforts to enhance regulatory clarity, improve institutional coordination, and strengthen the overall investment climate, creating a more stable foundation for both domestic and foreign investors.

From a macroeconomic perspective, Indonesia's growth outlook remains stable and resilient, with GDP projected to grow at around 5.0% in 2025 and 2026. This trajectory reflects the continued role of domestic consumption and public investment as key growth drivers, alongside Indonesia's gradual integration into global value chains. Macroeconomic stability is further supported by policy coordination between fiscal and monetary authorities, providing stable foundation for investment planning.

Within this broader context, Indonesia's business landscape operates under an integrated legal, regulatory, and fiscal framework that governs market entry, business operations, and risk management. Business activities are conducted through defined legal structures and ownership arrangements, subject to governance standards that emphasise transparency, accountability, and investor protection. Sector-specific regulations apply in strategic industries, while cross-cutting legal frameworks address issues such as corporate governance, data protection, dispute resolution, land use, and environmental compliance, shaping the operational boundaries of business activity. Recent policy reforms aim to reduce regulatory uncertainties, streamline licensing and approval processes, and improve inter-agency coordination.

The fiscal framework complements this environment through a centrally administered tax system — Coretax — that balances revenue collection with investment support. Corporate and individual taxation, withholding mechanisms, and cross border tax rules are accompanied by internationally aligned anti avoidance measures and information exchange standards. At the same time, targeted fiscal incentives, such as tax holidays, allowances, and special economic zone facilities are used to promote investment in priority sectors and nationally strategic projects, supporting broader economic development objectives.

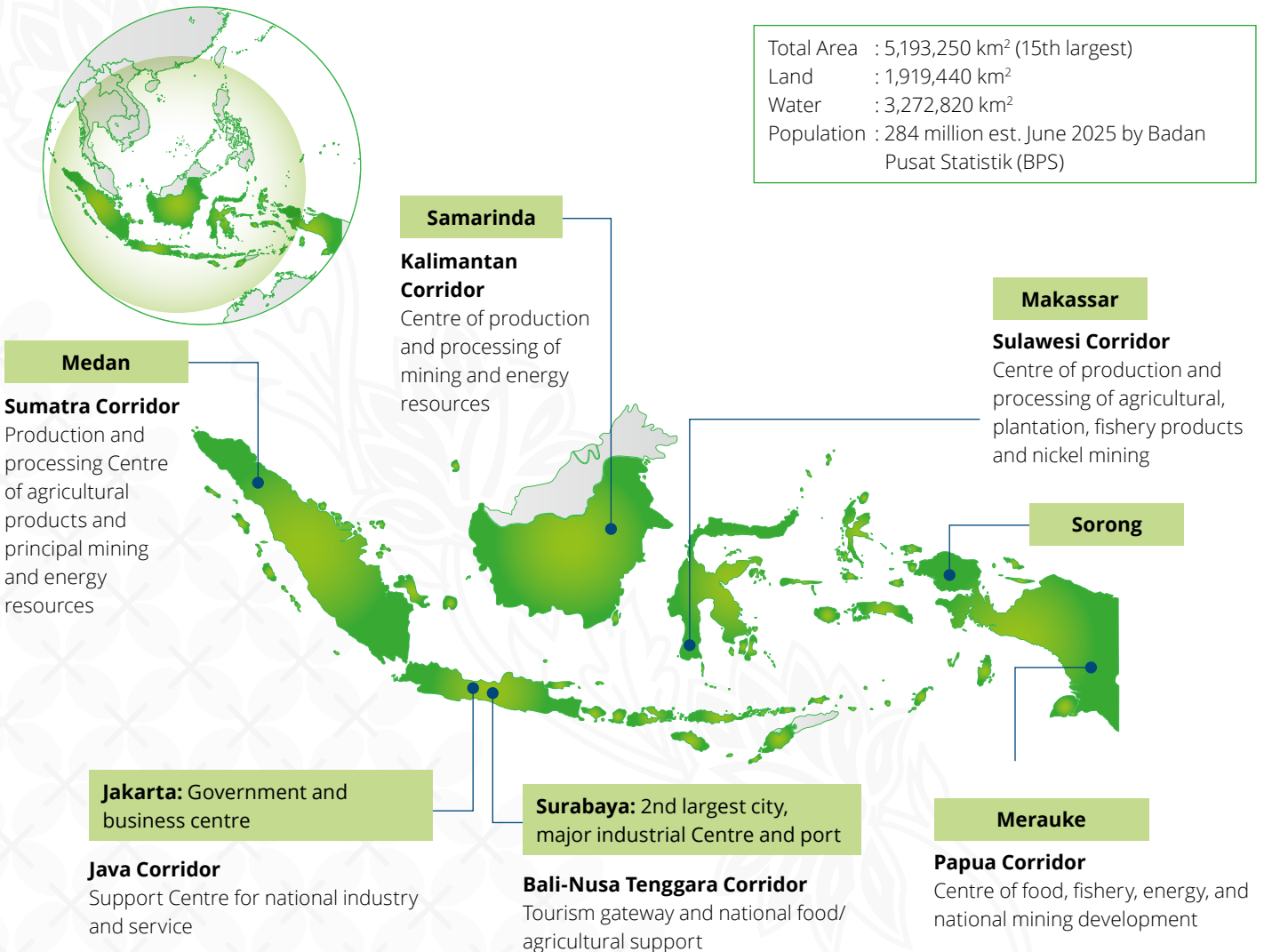
Operational reliability and investor confidence are further reinforced through accounting, audit, compliance, and workforce regulations. Standardised financial reporting, independent audits, and regulatory oversight underpin financial transparency and corporate accountability. Labour and employment regulations define employment relationships, compensation structures, social security obligations, and workforce mobility, reflecting an ongoing effort to balance employee protection with labour market flexibility. **Overall, Indonesia's investment framework reflects a gradual transition toward a more transparent, rules based, and investment-oriented environment, aimed at managing risk while supporting sustainable economic growth.**

# A. Introduction to Indonesia

## Republic of Indonesia

- Archipelagic country with more than 17,000 islands
- Constitutional democracy with an executive presidency
- **Nationality:** Indonesian (40.2% Javanese, 15.5% Sundanese, 3.58% Batak, 3.22% Sulawesi ethnic groups, 3.03% Madurese, 2.88% Betawi and 31.59% other ethnic groups)
- **Religions:** Islam (87%), Christianity (Protestantism (7%), Catholicism (3%)), Hinduism (2%), Buddhism (1%), other beliefs (0.04%), and Confucianism (0.03%)
- **Languages:** Bahasa Indonesia (Indonesian), English (business, professional), and local dialects
- **Currency:** Indonesian Rupiah (IDR/Rp)
- **Payment system:** Cashless (QRIS, card), cash
- **Common communication media:** WhatsApp, email
- **Formal business attire:** Batik, shirt, trousers, dress

Figure 1: Overview of Indonesia's geography and demographics



## 1. General overview

Indonesia is a diverse archipelago nation-state of more than 300 ethnic groups and the largest economy in Southeast Asia. Indonesia ranks as the fourth most populous country in the world, the world's seventh largest economy in terms of purchasing power parity in 2025. It is a member of the G20 group of nations — the only member from the Southeast Asia region. Indonesia's development goals and strategies are outlined in its current medium-term development plan (RPJMN) 2025-2029 and for the long run are reflected in the Golden Indonesia 2045 Vision. While challenges to Indonesia's development include global volatility related to geopolitics, health, and economics, Indonesia is still listed as one of the fastest growing economies among the G20 countries.

From an investment standpoint, the attraction of Indonesia is the combination of its natural resource endowments, geographically strategic location, its large and youthful population, and a Human Development Index (HDI) that is consistently increasing. In 2024, the Statistics Indonesia (Badan Pusat Statistik or BPS) reported that Indonesia attained a Human Development Index of 75.02, which represented a modest increase from the previous year's HDI of 74.39.<sup>1</sup> These factors, paired with improvements in the ease of doing business governance reforms towards a more investment-friendly climate, send positive signals for investors to consider opportunities to invest in Indonesia. The country's vibrant digital economic activity is also indicative of the growing entrepreneurship of the millennial and Gen Z generation in Indonesia and is a basis for building readiness to face the challenges of digitalisation.

## Macroeconomic condition and forecast

Since 2021, the government has prioritised government spending in several sectors, mainly in health, education, and social welfare protection. The Indonesian economy will also continue to be supported by household consumption, which is forecasted to increase by an average of 5% per annum over the next five years. Hence, a combination of growth in private investment and consumption as well as net exports stimulated by government spending is needed in FY2026 to deliver a sustainable economic recovery.

**Figure 2: Indonesia's key economic outlook indicators**

Indicator	2023	2024	2025 <sup>f</sup>	2026 <sup>f</sup>	2027 <sup>f</sup>
GDP growth (% growth, yoy)	5.1	5.0	5.0 <sup>f</sup>	4.9 <sup>f</sup>	4.9 <sup>f</sup>
Private consumption (% growth, yoy)	4.8	45.1	4.9 <sup>f</sup>	4.7 <sup>f</sup>	4.9 <sup>f</sup>
Government consumption (% growth, yoy)	3.0	6.6	2.7 <sup>f</sup>	6.2 <sup>f</sup>	3.5 <sup>f</sup>
Gross fixed investment (% growth, yoy)	1.7	4.6	4.9 <sup>f</sup>	5.8 <sup>f</sup>	5.8 <sup>f</sup>
Exports of goods & services (% growth, yoy)	1.3	6.5	8.5 <sup>f</sup>	4.6 <sup>f</sup>	4.5 <sup>f</sup>
Imports of goods & services (% growth, yoy)	-1.6	7.9	4.3 <sup>f</sup>	2.0 <sup>ff</sup>	4.0 <sup>f</sup>
Consumer prices (end period) (% growth, yoy)	3.7	2.3	1.9 <sup>f</sup>	2.7 <sup>f</sup>	2.7 <sup>f</sup>
US\$ exchange rate (end period)	15,237	15,855	16,498 <sup>f</sup>	16,950 <sup>f</sup>	16,988 <sup>f</sup>

<sup>f</sup> Forecasts (data taken from EIU as of 17 December 2025)

Key drivers for Indonesian economic growth

Source: Economist Intelligence Unit (EIU).

Indonesia's economic trajectory is shaped under the 20-year long-term national development plan (RPJPN) for the period of 2025-2045. Entering 2025, Indonesia is demonstrating resilience, although 2025 has been challenging due to slowing international trade. The government's prudent management of the State Revenue and Expenditure Budget (Anggaran Pendapatan dan Belanja Negara or APBN)—ran at a healthy deficit, is an essential reason behind Indonesia's stability, while also supported by a strong domestic demand. These factors have enabled Indonesia to stay on track with its long-term vision to achieve a per capita income equivalent to that of high-income countries by 2045.

<sup>1</sup> "Indonesia's Human Development Index (HDI) in 2024 reached 75.02, an increase of 0.63 points or 0.85% compared to the previous year which was 74.39". Statistics Indonesia (BPS). 2024.

APBN is another key element that plays an important factor in Indonesia's economic recovery. APBN has been acting as a 'shock absorber' in response to external crises, such as impacts from geopolitical conflicts. The government focuses the APBN in 2026 to achieve high economic growth, equitable distribution of development benefits, and dynamic national stability. APBN is directed as a catalyst for the private sector, supported by strengthening Danantara's role in high-value-added investments, injecting IDR200 trillion (US\$12 billion) from Bank Indonesia — Central Bank of Indonesia — to Indonesian State-owned Enterprises (SoE) banks to encourage credit, and business licensing reforms through Government Regulation Number 28 of 2025. In terms of budget allocation, the spending allocation of APBN 2026 is prioritised on eight priority agendas: food security, energy security, Free Nutritious Meals (MBG) programme, quality education, quality health, village-cooperative-MSME development, universal defence, and acceleration of global investment and trade.<sup>2</sup>

**Figure 3: Indonesia's macroeconomic and national development targets in APBN 2026**

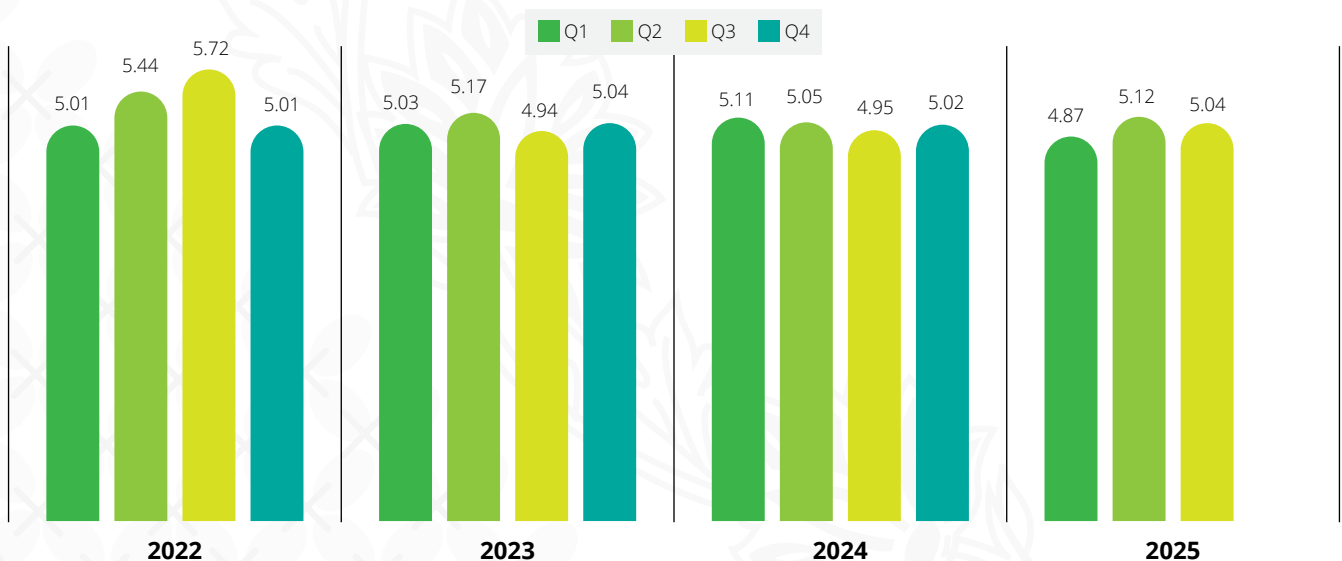
Item	APBN 2024 target	APBN 2025 target	APBN 2026 target
Economic growth (% YoY)	5.2	5.2	5.4
Inflation rate (% YoY)	2.8	2.5	2.5
Government bonds interest rate (%)	6.7	7.0	6.9
US\$ exchange rate (IDR)	15,000	16,000	16,500
Poverty rate (%)	6.5-7.5	7.0-8.0	7.5
Unemployment rate (%)	5.0-5.7	4.5-5.0	4.4-4.9

Source: Ministry of Finance of RI, 2025.

**• GDP growth and forecast**

Despite global economic uncertainty, Indonesia continues to display a considerably robust and resilient economy, which is reflected in several indicators. First, Indonesia has maintained a stable GDP growth rate at around 5% in 2023-2024, and to remain positively projected into 2026-2027. Household consumption and industrial productivity have also remained stable, indicating sustainable mobility levels, purchasing power, and consumer confidence. This productivity is also complemented by a consistent trade surplus, increasing foreign exchange reserves, and a stable debt-to-GDP ratio. Altogether, these factors solidify Indonesia's standing as an adaptable emerging market.

**Figure 4: Indonesia's quarterly GDP growth comparison, 2020-2024 (in %)**



Source: Statistics Indonesia (BPS).

<sup>2</sup> "APBN 2026 Motor Menuju Pertumbuhan Berkelanjutan". Ministry of Finance of RI. 23 September 2025.

Compared to 2024, Indonesia's economy has experienced a slight deceleration in early 2025. Despite this, it is essential to understand the context of why this is the case. The 2024 General Election was a key driving factor behind the growth of Indonesia's GDP that year as campaign-related spending stimulated household and domestic consumption.<sup>3</sup> This momentum in which activities within various sectors such as food and beverage, transportation, and retail sectors all surged made way for a high base effect. Consequently, as the General Election passed by, it would only make sense for consumption to return to its normal state. On that note, the seemingly underwhelming numbers do not necessarily signal weakening fundamentals within the Indonesian economy. Instead, it is the result of a distorted comparison following election-related stimulus.

Indonesia's GDP was at 5.04% YoY in Q3 2025. Based on production, the manufacturing industry became the highest growth contributor due to increasing domestic and international demand in Crude Palm Oil (CPO), basic metals, and chemical, pharmacy, and traditional medicine. Household consumption remains as the top contributor based on expenditure, contributing 2.54% to the 5.04% Q3 2025 GDP. Additionally, tax revenue performance is still growing.<sup>4</sup> As of Q3 2025, state revenue from taxes reached IDR1,517 trillion (US\$91 billion), or 63.5% of the 2025 State Budget target.<sup>5</sup>

Externally, the global economic landscape has also experienced challenges due to President Trump's newly introduced trade policies, as far as resulting in a revision of the global growth projection by the IMF from 3.3% to 2.8%.<sup>6</sup> These policies are a disruption to international trade, negatively affects business confidence, and has forced re-evaluations of economic projections amidst increasing uncertainties.

As for Indonesia itself, the IMF has also reduced the growth projection rate from the original 5.1% to 4.7%.<sup>7</sup> Although lowered, it is still well above the average. This resilience is the result of the aforementioned prudent refocusing of the APBN which was run at a healthy deficit. The government has also prepared stimulus Programmes to support domestic consumption such as discounts on transportation and electricity, increased allocation for social assistance, and wage subsidies for low-earning workers.<sup>8</sup>

The World Bank Group predicted Indonesia's GDP growth rate in 2025 would reach 4.7% and 4.8% in 2026.<sup>9</sup> As shown in Figure 5, the IMF and Asian Development Bank (ADB) predicted a GDP growth rate of 4.9% in 2025, and 4.9% and 5.0% in 2026, respectively. **In July 2025, S&P Global ratings affirmed Indonesia's outlook as stable**, projecting that Indonesia would achieve economic growth at around 5% rate through 2027, with the newly-established sovereign wealth fund, Danantara, to pick up some slack in infrastructure spending.<sup>10</sup>

Figure 5: Indonesia GDP growth projection comparison

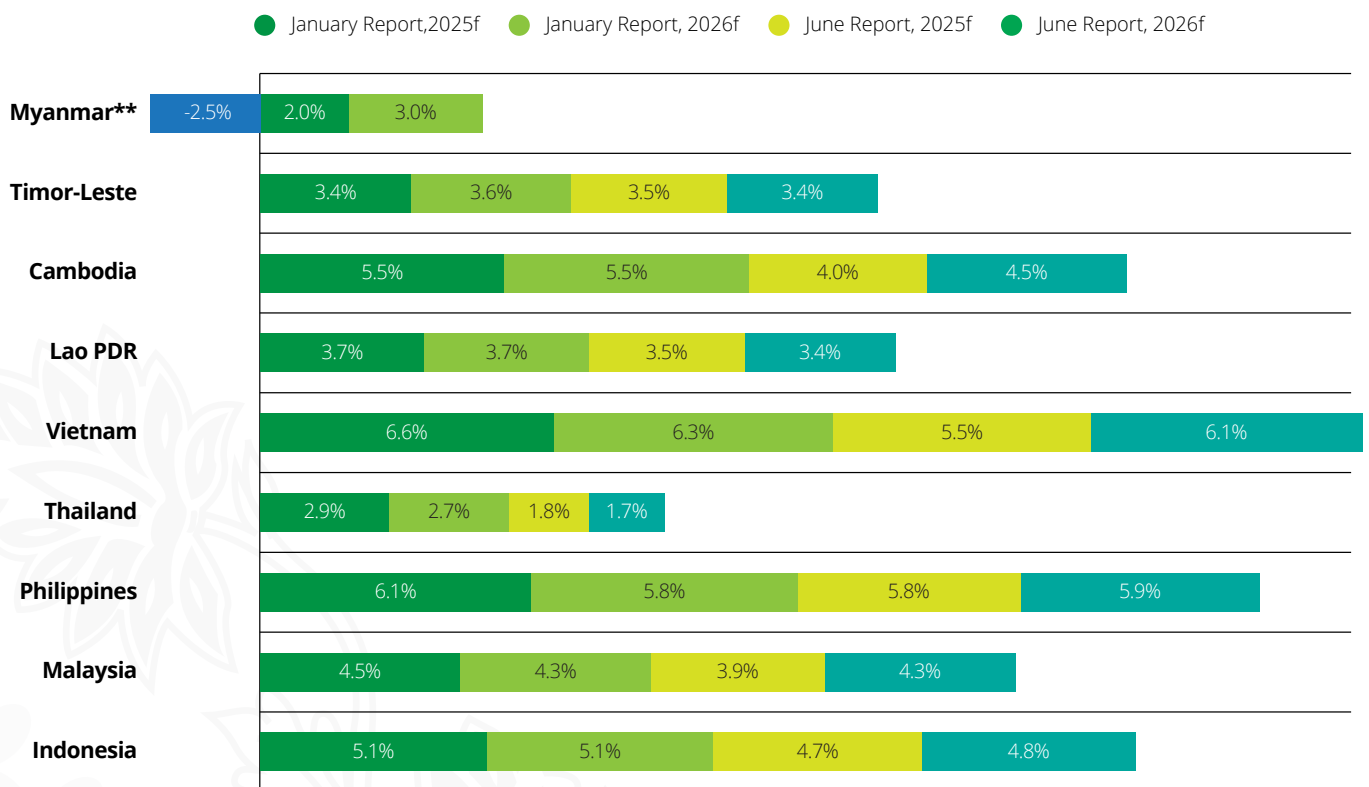


Source: World Bank Group, IMF, ADB, 2025.

<sup>3</sup> "Menko Perekonomian: Pemilu Tingkatkan Konsumsi Masyarakat". Antaranews.com. 14 Februari 2024.  
<sup>4</sup> "Berita Resmi Statistik, 5 November 2025. Statistics Indonesia (BPS). 5 November 2025.  
<sup>5</sup> "Konferensi Pers APBN Kita". Ministry of Finance of RI. 14 October 2025.  
<sup>6</sup> "IMF turunkan proyeksi ekonomi global jadi 2.8 persen dan Indonesia jadi 4.7 persen". Jawapos.com. 23 April 2025.  
<sup>7</sup> Ibid.  
<sup>8</sup> "Indonesia prepares 6 stimulus packages to avoid sluggish consumption". IDN Financials. 27 May 2025.  
<sup>9</sup> "Indonesia Economic Prospects". World Bank. June 2025.  
<sup>10</sup> "Indonesia Ratings Affirmed At 'BBB/A-2'; Outlook Stable". S&P Global Ratings. 29 July 2025.

**Figure 6** provides a snapshot of the World Bank Group's forecasts for Southeast Asian economies in 2025-2026, where the regional trend of stronger anticipated recovery has been dulled by global external crises. Despite this, Indonesia's resilience and the myriads of opportunities due to the combination of its youthful demographics, relatively high HDI, access to natural endowments, vibrant domestic markets and e-commerce, and a pro-investment government mean that the government and domestic businesses would be keen on being more integrated to the global supply chain. Global investors would potentially benefit particularly from the investment-friendly ecosystem offered in Special Economic Zones (Kawasan Ekonomi Khusus or KEK) and partnerships with domestic businesses either to better serve the large domestic market or to invest in downstream industrialisation as part of the global supply chain.

**Figure 6: World Bank Group GDP growth rate forecast of several Southeast Asian countries for 2025-2026, January and June 2025 reports comparison\***



\*No data of Brunei Darussalam in the documents.

\*\*Forecast for Myanmar beyond 2026 excluded by World Bank due to high degree of uncertainty.

Source: World Bank Global Economic Prospects, January and June 2025 Editions.

### • Major risks affecting Indonesia's security

**Spill-over effects from major geopolitical conflicts are threatening Indonesia's security.** For a start, the **Russia-Ukraine conflict** — that has been occurring since early 2022 — disrupted both the energy and food supply chains that led to global spikes in prices and shortages in supplies of essential commodities. In early 2025, prices in rice and sugar commodities in Indonesia underwent constant rise due to the increasing production price of in agriculture (i.e., rise of fertiliser price).<sup>11</sup> Additionally, **the rising tension of Israel-Palestine conflict** — which has spread to the neighbouring countries — has resulted in the Indonesian Crude Price (ICP) of oil experiencing a hiccup, although still in a manageable rate.<sup>12</sup> The Minister of Foreign Affairs has stated that Indonesia condemns any attack on any nation's territory, particularly the one carried out by Israel, which constitutes a violation of a country's territory and sovereignty.<sup>13</sup> **Global concerns have also intensified following the India-Pakistan conflict** that escalated in April 2025. A prolonged conflict could drive up the prices in rice and pharmaceuticals, posing risks to Indonesia's food and health security—already strained by the Russia-Ukraine war. Moreover, since India and Pakistan are key export markets for Indonesia's CPO and coal, further escalation may disrupt these commodities. To mitigate potential impacts, the government has announced a CPO market diversification strategy targeting East Asian and African countries.<sup>14</sup>

**Indonesia is also placing greater concern and focus on combating global warming.** Global warming conditions are at a concerning level, resulting in natural phenomena anomalies such as climate change, disrupted hydrological cycle, and an increase in hydrometeorological catastrophes. According to the Meteorological, Climatological, and Geophysical Agency (Badan Meteorologi, Klimatologi, dan Geofisika or BMKG), climate change has resulted in extreme weather events, damage to natural wonders, and socio-economic loss (e.g., crop failure that leads to fluctuating inflation rate in volatile food sector).<sup>15</sup> Recognising the dire impacts of climate change, Indonesia has been active in numerous climate change initiatives, while also opening its doors for climate change-countermeasures investments. President Subianto emphasises Indonesia's commitment in combating climate change and the efforts in achieving clean energy.<sup>16</sup> In addition, the government focuses on the construction of giant sea wall across northern Java coast to mitigate tidal flooding — the combination of rising sea level and land subsidence — that endangers the safety of communities and economy along the northern Java coastal areas.<sup>17</sup>

### Trade performance

Global external crises such as geopolitical conflicts and climate change have certainly created major challenges for the international community, including Indonesia. Fortunately, since 2022, Indonesia has experienced strong economic growth and recovery. The government, along with relevant stakeholders, has been maximising its efforts to push Indonesia's recovery and stability in many sectors. **Indonesia's overall trade balance achieved a surplus for 65 consecutive months by the end of September 2025.** From January 2025, BPS reported Indonesia's trade balance surplus worth US\$33.5 billion by the end of Q3 2025.<sup>18</sup> Indonesia's Q1-Q3 2025 cumulative export value rose by 8.1% compared to the same period in 2024. The manufacturing industry contributed the most to Indonesia's export increase. China, ASEAN, and the US remain Indonesia's top three non-oil and gas export destinations.<sup>19</sup>

<sup>11</sup> "3 Tahun Perang Rusia-Ukraina, Harga Beras - Minyak Goreng Melambung!". CNBC Indonesia. 22 February 2025.

<sup>12</sup> "Apa Dampak Perang Iran-Israel terhadap Perekonomian Indonesia?". Kompas.com. 18 June 2025.

<sup>13</sup> "Konflik Iran-Israel Terus Memanas, Kemenlu Prioritaskan Evakuasi WNI Terus Berjalan". Hukumonline.com. 30 June 2025.

<sup>14</sup> "Dampak Perang India-Pakistan, Pemerintah Berencana Ekspor CPO ke Mesir". Tempo.co. 14 May 2025.

<sup>15</sup> "BMKG ajak masyarakat kontribusi tahan laju pemanasan global". ANTARA News. 20 March 2023.

<sup>16</sup> "Presiden Prabowo Tegaskan Komitmen Indonesia Hadapi Perubahan Iklim dan Krisis Kesehatan Global". Cabinet Secretariat of RI. 8 July 2025.

<sup>17</sup> "Kilas Balik Rencana Pembangunan Giant Sea Wall yang Diungkit Prabowo". 15 June 2025.

<sup>18</sup> "Berita Resmi Statistik, 3 November 2025". Statistics Indonesia (BPS). 3 November 2025.

<sup>19</sup> Ibid.

Figure 7: Indonesia's Q1-Q3 2025 export highlights

Export	Export value		
	Description	Value	% Growth compared to the same period in 2024
	Total oil & gas exports	US\$10.0 billion	-14.1%
	Total non-oil & gas export	US\$199.8 billion	9.6%
	Total cumulative export	US\$209.8 billion	8.1%
	Export contributors		
	Sector	Value	% Growth compared to the same period in 2024
	Manufacturing industry	US\$167.9 billion	17.0%
	Mining and others	US\$26.7 billion	-23.7%
	Oil and gas	US\$10.0 billion	-14.1%
Agriculture, forestry, and fisheries	US\$5.2 billion	34.3%	
Top non-oil & gas export destination			
Destination	Value	% from total export	
China	US\$46.5 billion	23.3%	
ASEAN	US\$38.5 billion	19.3%	
United States of America	US\$23.0 billion	11.5%	
India	US\$14.0 billion	7%	
European Union	US\$14.5 billion	7.2%	

Source: Statistics Indonesia (BPS), "Berita Resmi Statistik", 3 November 2025.

As for imports, Indonesia's cumulative imports value from January-September 2025 rose by 2.6% compared to the same period in 2024. This is mainly influenced by increasing imports of capital goods. Non-oil and gas imports in the January-September 2025 period were primarily coming from China, ASEAN, and Japan.<sup>20</sup>

<sup>20</sup> Ibid.

Figure 8: Indonesia's Q1-Q3 2025 import highlights

Export	Export value		
	Description	Value	% Growth compared to the same period in 2024
	Total oil & gas imports	US\$23.7 billion	-11.2%
	Total non-oil & gas imports	US\$152.6 billion	5.2%
	Total cumulative import	US\$176.3 billion	2.6%
	Import contributor based on use of goods		
	Sector	Value	% Growth compared to the same period in 2024
	Raw/auxiliary goods	US\$124.4 billion	-0.7%
	Capital goods	US\$35.9 billion	19.1%
	Consumption goods	US\$16.0 billion	-2.1%
Top non-oil & gas import destination			
Destination	Value	% from total export	
China	US\$62.1 billion	41%	
ASEAN	US\$24.1 billion	16%	
Japan	US\$11.0 billion	7%	
European Union	US\$8.9 billion	6%	
United States of America	US\$7.3 billion	5%	

Source: Statistics Indonesia (BPS), "Berita Resmi Statistik", 3 November 2025.

#### Indonesia and the US' trade tariff adjustment

Indonesia is listed as one of the countries that received additional trade tariff adjustment from the US — initially at 32% additional increase of tariff, but went down to 19% after official negotiation between the two countries. The percentage is one of the lowest among Southeast Asian countries such as Vietnam (20%) and Thailand (36%).

The Coordinating Ministry for Economic Affairs of Indonesia stated that the lower tariff agreement can strengthen the competitiveness of national labour-intensive sectors, particularly the garment and footwear industry.<sup>21</sup> This will also increase the opportunity for national labour-intensive sectors to gain additional market and Indonesia's competitiveness compared to other countries. The government considered this agreement beneficial for Indonesia, as it will allow for lower tariffs on key export commodities like palm oil.

<sup>21</sup> "Sepakati Tarif Baru 19% dengan Amerika Serikat, Jadi Huge Wins Untuk Industri Padat Karya Indonesia". Coordinating Ministry for Economic Affairs of RI. 18 July 2025.

## Monetary and fiscal performance and strategy

Indonesia's capital market is in a relatively stable condition despite of the fluctuations happened throughout Q1-Q3 2025. The US-China tension, combined with the US' Federal Government shutdown, have impacted capital flows into emerging market economy countries, which has affected Indonesia's capital inflow-outflow from government bonds (Surat Berharga Negara or SBN) and Sekuritas Rupiah Bank Indonesia (SRBI), as well as resulting in the Rupiah weakening somewhat against the US dollar. The Ministry of Finance of the Republic of Indonesia (RI) assured that Indonesia's domestic market remains strong. This resulted in the fluctuation in the capital market in a manageable rate and does not affect the overall positive trend of the market.<sup>22</sup> The government is confident that Indonesia will continue to experience capital inflows of government bonds. Meanwhile, foreign investor confidence has also shown positive trend — as shown in Bank Indonesia's **Consumer Confidence Index** (*Indeks Keyakinan Konsumen*) surveys, which **resulted in scores of over 100 (optimistic)** since Q1-Q3 2025.

On the other hand, the **Rupiah exchange rate has been fluctuating since end of 2024, though remains in a manageable and stable rate.**<sup>23</sup> The Rupiah exchange rate appreciated by 0.5% in October 2025 since September 2025. The US Federal Reserve's "hawkish" policy and uncertain geopolitical condition have contributed to the Rupiah fluctuation — and to some extent, driving capital outflows from emerging markets. Moreover, according to Bank Indonesia, Indonesia's foreign exchange reserves as of late October 2025 remain high at US\$148.7 billion, equivalent to financing 6.2 months' worth of imports or 6 months' worth of imports plus the government's foreign currency debt payments.<sup>24</sup>

**Bank Indonesia emphasises that Indonesia's inflation rate is manageable and stable, recorded at 2.7% YoY in September 2025.** Inflation rate will be maintained at 2.5%±1% for 2025 and 2026.<sup>25</sup> Indonesia's inflation rate is still relatively low compared to other emerging economy countries, such as Vietnam (3.4%).<sup>26</sup> Some factors contributing to the month-on-month reduction include expanding domestic economic capacity, the consistency of Bank Indonesia's monetary policy, manageable imported inflation, and positive impacts of digitalisation. As a note, Bank Indonesia has been focusing on accelerating digitalisation of payment systems in order to increase digital economic and financial inclusion. Digital payment systems are growing consistently in Indonesia, as the people are embracing digitalisation and having better access for digital payments. **By Q3 2025, Bank Indonesia recorded a digital payment transaction volume of 12.9 billion transactions (a 38% increase YoY)** — followed by growth in mobile and internet banking transactions of 13.1% YoY and 17.8% YoY respectively, as well as 147.6% YoY growth of QRIS payment transactions.<sup>27</sup>

Bank Indonesia has been playing a vital role in keeping the inflation rate stable with its flexible use of monetary policy. The monetary policy is directed to increase the stabilisation of the Rupiah exchange rate in order to reduce the effects of the uncertain global financial market. For instance, **Bank Indonesia lowered the interest rate/BI-7 Day Reverse Repo Rate (BI7DRR) to 4.75% by September 2025** — a 150-base point (bps) decrease since September 2024. The efficiency of giving liquidity incentives to banks to stimulate credit/financing is being strengthened, while flexible macroprudential policies are still being implemented to support growth in priority sectors and create job opportunities.

<sup>22</sup> "Kementerian Keuangan Tanggapi Hengkangnya Modal Asing dari Pasar SBN. Tempo.com. 10 October 2025.

<sup>23</sup> "BI-Rate Tetap 4,75%: Mendorong Pertumbuhan Ekonomi, Mempertahankan Stabilitas". Bank Indonesia. 22 October 2025.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> "Consumer price index, gold price index and US\$ price index for September, third quarter and 9 months of 2025". National Statistics Office of Vietnam. 6 October 2025.

<sup>27</sup> "BI-Rate Tetap 4,75%: Mendorong Pertumbuhan Ekonomi, Mempertahankan Stabilitas". Bank Indonesia. 22 October 2025.

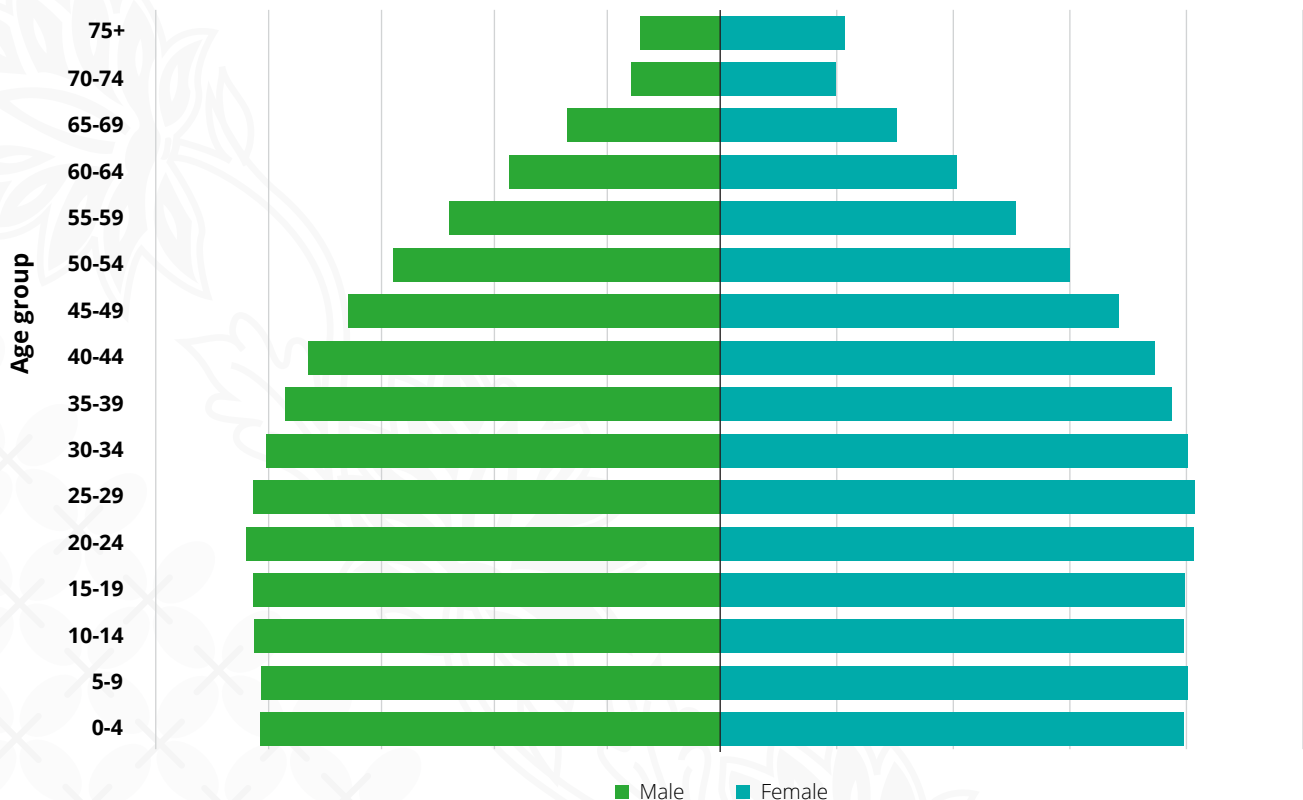
## 2. Demography

Buoyed by domestic consumption and investment, Indonesia's economy is anticipated to steadily grow in 2026. One of the key strategies to boost the economy is to embrace Indonesia's ever-expanding population by driving investment and improving management in key sectors. Indonesia consists of 38 provinces, more than 17,000 islands, and more than 280 million people, making Indonesia the fourth largest country in the world in terms of population. With a young and growing labour force, Indonesia is set to benefit from a favourable demographic, such as:

- Over 70% of the population is aged between 15 and 65, with a low dependency ratio and a dynamic workforce with high literacy rates.
- Around 59% of the population lives in urban areas.
- Indonesia's population accounts for over 40% of the total population of ASEAN countries combined.

The demographic above can impact economic growth through various channels, including the size of labour force, productivity, and capital formation. According to BPS, as of August 2025, 218 million people were of working age. Of these, **154 million people were in the labour force, equivalent to 70.6% of the Labour Force Participation Rate**. As the economy steadily recovers, the Open Unemployment Rate was at 4.8% in August 2025 (7.46 million people), a decrease of 0.01 million people compared to the same period in 2024.<sup>28</sup> Employment rates are high in agriculture, trading, manufacturing industry, and F&B and accommodation sectors. In addition, Indonesia also has a large consumer base with fast-increasing spending power.

**Figure 9: The population of Indonesia by age and gender (2025)**



Source: Statistics Indonesia (BPS), 2025.

<sup>28</sup> "Berita Resmi Statistik, 5 November 2025". Statistics Indonesia (BPS). 5 November 2025.

### 3. Investment climate overview

A significant part of Indonesia's economic success is attributed to the growth of its middle class and stable economic growth. According to the Ministry of Finance, Indonesia's debt-to-GDP ratio stood at 39.81% in 2024, rising slightly to 39.86% as of June 2025, indicating that the country's fiscal position remains well within a safe range.<sup>29</sup> The government continues to manage public debt prudently, targeting a debt-to-GDP ratio not exceeding 60%, in line with the maximum limit set under Law No. 17/2003 on State Finance.<sup>30</sup> Moreover, Indonesia's debt-to-GDP ratio is considered moderate compared with several other countries in the region, including Malaysia (61.9%), Thailand (62.8%), the Philippines (62%), and India (84.3%), reflecting a strong and sustainable fiscal position relative to its peers.<sup>31</sup>

#### Foreign Direct Investment (FDI) realisation

Consistent with the World Bank's projection of Indonesia's economic growth at around 4.8 per cent in 2025, and expected to remain at the same level in 2026,<sup>32</sup> investment realisation has demonstrated a positive trend thus far. From Q1-Q3 2025, data from the Ministry of Investment and Downstream Industry/Investment Coordinating Board (Badan Koordinasi Penanaman Modal or BKPM) indicated that Foreign Direct Investment (FDI) was at IDR644.6 trillion (almost US\$38.9 billion), which represented 44.9% of Indonesia's total investment realisation. Cumulatively, Domestic Direct Investment (DDI) and FDI combined from Q1-Q3 2025 totalled IDR1,434.3 trillion

(approximately US\$86.5 billion), achieving 75.3% of the annual investment target of IDR1,905.6 trillion (around US\$106.8 billion).<sup>33</sup>

As a developing country, Foreign Direct Investment (FDI) is an important source of capital and contributes to national development through the transfer of assets, management, and technology to stimulate the country's economy. In 2024, FDI in West Java led with US\$7.5 billion, or 17% of national FDI realisation by province, followed by Central Sulawesi with US\$6.4 billion or 15%. For FDI realisation in Q1-Q3 2025, West Java still led, followed by Central Sulawesi, as shown in **Figure 10**. Furthermore, in terms of FDI realisation based on origin of investment, in 2024, Singapore was the largest investor in the country with an investment value worth US\$20 million, which was followed by China at US\$8.1 million. The largest investments in 2024 were in basic metal, metal goods, non-machinery and equipment, with a value of US\$10.2 billion or 23% of total direct investment. These conditions remained relatively unchanged until Q3 2025, as illustrated in **Figures 11 and 12**.

Additionally, the government of Indonesia is placing great focus on downstream processing (*hilirisasi*) activities, which are expected to create lucrative advantages for Indonesia in achieving the Golden Indonesia 2045 Vision. As shown in **Figure 13**, the downstream sector has generated IDR262.3 trillion (around US\$17 billion) from Q1-Q3 2024, which accounts for 21.6% of the total investment realisation in the period.

**Figure 10: FDI realisation based on province (in US\$ million)**

Province	2023		2024		2025 (Q1-Q3)	
	Investment value	% of Total value	Investment value	% of Total value	Investment value	% of Total value
West Java	8,283	16%	7,450	17%	6,183	15%
Central Sulawesi	7,244	14%	6,369	15%	5,708	14%
DKI Jakarta	4,830	10%	6,124	14%	4,559	11%
North Maluku	4,998	10%	3,541	8%	3,488	9%
Banten	4,451	9%	3,201	7%	2,354	6%
East Java	4,740	9%	2,767	6%	2,034	5%
Riau	2,042	4%	1,172	3%	750	2%
South Sulawesi	337	1%	246	1%	314	1%
Central Java	1,564	3%	1,664	4%	2,304	6%
Other Provinces	11,779	23%	11,093	25%	12,593	31%
<b>Total investment value</b>	<b>50,268</b>	<b>100%</b>	<b>43,627</b>	<b>100%</b>	<b>40,287</b>	<b>100%</b>

Source: Ministry of Investment and Downstream Industry of RI, "Perkembangan Realisasi Investasi Triwulan III dan Januari-September 2025", 17 October 2025.

<sup>29</sup> "Indonesia's Debt Nears \$551 Billion but Stays Well Below Danger Zone". Jakarta Globe. 10 October 2025.

<sup>30</sup> Ibid.

<sup>31</sup> "Terbaru! Utang Indonesia Tembus Rp 9.138,05 T". CNBC Indonesia. 10 October 2025.

<sup>32</sup> "World Bank: Strong Jobs, Reforms to Anchor Indonesia's 4.8% Growth". Jakarta Globe. 8 October 2025.

<sup>33</sup> "Perkembangan Realisasi Investasi Triwulan III dan Januari-September 2025". Ministry of Investment and Downstream Industry of RI. 17 October 2025.

Figure 11: FDI realisation by origin of investment (in US\$ million)

Origin of investment	2023		2024		2025 (Q1-Q3)	
	Investment value	% of Total value	Investment value	% of Total value	Investment value	% of Total value
Singapore	15,355	31%	20,075	33%	12,594	31%
China	7,438	15%	8,107	14%	5,433	13%
Hongkong	6,504	13%	8,217	14%	7,263	18%
Japan	4,639	9%	3,464	6%	2,330	6%
USA	3,283	7%	3,697	6%	2,326	6%
Malaysia	4,060	8%	4,244	7%	2,720	7%
South Korea	2,543	5%	2,988	5%	1,481	4%
Netherlands	1,258	3%	1,977	3%	929	2%
Others	5,187	10%	7,245	12%	5,210	13%
<b>Total investment value</b>	<b>50,267</b>	<b>100%</b>	<b>60,013</b>	<b>100%</b>	<b>40,286</b>	<b>100%</b>

Source: Ministry of Investment and Downstream Industry of RI, "Perkembangan Realisasi Investasi Triwulan III dan Januari-September 2025", 17 October 2025.

Figure 12: FDI realisation based on sector (in US\$ million)

Origin of investment	2023		2024		2025 (Q1-Q3)	
	Investment value	% of Total value	Investment value	% of Total value	Investment value	% of Total value
Base metal, metal goods, non-machinery, and equipment	11,787	23%	10,186	23%	10,791	27%
Transportation, warehouse, and telecommunication	5,615	11%	3,977	9%	2,459	6%
Chemical and pharmaceutical industry	4,805	10%	3,225	7%	2,636	7%
Mining	4,715	9%	3,860	9%	3,541	9%
Paper and printing industry	3,431	7%	2,650	6%	1,797	4%
Electricity, gas, and water supply	2,742	5%	1,841	4%	1,425	4%
Housing, industrial estate, and office building	2,575	5%	2,336	5%	1,821	5%
Food industry	2,263	5%	2,196	5%	1,811	4%
Others	12,334	25%	13,355	31%	3,373	8%
<b>Total investment value</b>	<b>50,267</b>	<b>100%</b>	<b>43,627</b>	<b>100%</b>	<b>40,286</b>	<b>100%</b>

Source: Ministry of Investment and Downstream Industry of RI, "Perkembangan Realisasi Investasi Triwulan III dan Januari-September 2025", 17 October 2025.

Figure 13: FDI realisation based on the downstream industry

Industry/sectors	Investment value (IDR)	Investment value (US\$)*
<b>Mineral</b>		
Nickel	136.1 trillion	US\$8.2 billion
Bauxite	43.2 trillion	US\$2.6 billion
Copper	61.2 trillion	US\$3.7 billion
Iron & steel	31 trillion	US\$1.9 billion
Tin	5 trillion	US\$300 million
Others	15.1 trillion	US\$900 million
Total value	292 trillion	US\$17.4 billion
<b>Agriculture</b>		
CPO/Oleochemical	52.7 trillion	US\$3.2 billion
Timber	36.6 trillion	US\$2.1 billion
Rubber	9.7 trillion	US\$581 million
Others	4.3 trillion	US\$258 million
Total value	103.3 trillion	US\$6.2 billion
<b>Oil &amp; gas</b>		
Crude oil	18.3 trillion	US\$1.1 billion
Natural gas	14.3 trillion	US\$856 million
Total value	32.6 trillion	US\$2 billion
<b>Fisheries &amp; marine</b>		
Commodities (including salt, fish, shrimp, seaweed, blue swimming crab, tilapia)	3.9 trillion	US\$234 million
<b>Total</b>	<b>431.4 trillion</b>	<b>US\$27.9 billion</b>

\*Based on 8 December 2025 exchange rate (US\$1 = IDR16.698,90)

Source: Ministry of Investment and Downstream Industry of RI, "Perkembangan Realisasi Investasi Triwulan III dan Januari-September 2025", 17 October 2025.

### Sovereign credit ratings and business readiness

Indonesia's sovereign bonds remain attractive to investors, backed by investment-grade ratings from major global agencies. **As of 2025, Fitch and S&P reaffirmed BBB/stable, Moody's maintained Baa2/stable, while JCR and R&I rated Indonesia at BBB+, with R&I assigning a positive outlook.** These ratings, as summarised in **Figure 14**, reflect Indonesia's resilience to the global crises, improving government and external credit metrics, and an ability to manage domestic political challenges to the reform agenda.

**Figure 14: Indonesia's sovereign credit ranking<sup>34</sup>**

Rating agency	Rate	Outlook
Fitch Ratings	BBB	Stable
S&P	BBB	Stable
Rating and Investment Information Inc.	BBB+	Stable
Japan Credit Rating Agency	BBB+	Stable
Moody's Investor Service	Baa2	Stable

Source: Indonesia Financial Services Authority (OJK), 2025.

Furthermore, the World Bank's Business Ready Assessment 2024, which evaluates business and investment climates of economies across three core pillars (Regulatory Framework, Public Services, and Operational Efficiency) and 10 firm lifecycle topics, shows that Indonesia is steadily building a stronger business environment. Indonesia scores 64.0 in Regulatory Framework, 63.4 in Public Services, and 61.3 in Efficiency, reflecting resilience and adaptability. Across the firm lifecycle, **Indonesia demonstrates strong readiness for business in areas such as labour, utility services, and business location**, while challenges remain in market competition, financial services, and business insolvency.<sup>35</sup>

When compared to other Southeast Asian countries, Indonesia ranks second in ASEAN, ahead of the Philippines and Vietnam, and is steadily narrowing the gap with Thailand. However, Singapore remains the regional leader, highlighting the opportunities Indonesia still has to further strengthen its competitiveness. With its large market size, reform-driven policies, and upward trajectory in regulatory and service frameworks, Indonesia presents a promising and competitive investment destination in the region.<sup>36</sup>

### 4. Hotspots for investment – Industry sector analysis in Indonesia

Indonesia has a well-balanced economy, in which all major sectors play an important role. Agriculture historically has been the dominant sector in terms of both employment and output. The country has a vast range of mineral resources, which have been exploited over the past decades, enabling the mining sector to make an important contribution to Indonesia's balance of payments. Indonesia also has a well-diversified trading economy. The country's largest exporter includes the manufacturing industry, coal and other mining products, oil and gas products, and agriculture, forestry, and fishery products.

Indonesia is home to **25 special economic zones (SEZs)** spanning from Aceh to Sorong, with two SEZs dedicated for pharmaceutical industries and **free trade zones located in Sabang (Aceh), Batam, Bintan, and Karimun (Riau Islands) in Malacca Strait**. By Q3 2025, these SEZs have generated investment worth IDR3.6 billion and export worth US\$5.4 billion and created 79,000 jobs. In 2026, the government aims to add six more SEZs, ranging from downstream, electric vehicle, and petrochemical.<sup>37</sup> Additionally, the Ministry of Investment and Downstream has announced **84 projects ready-to-offer to investors with the pre-feasibility study**. These include projects in manufacturing (40 projects), food and agriculture (14 projects), tourism (13 projects), infrastructure (9 projects), industrial estate (5 projects), and renewable energy (2 projects), and carbon trading (1 project).<sup>38</sup>

Following leadership transition, Indonesia's investment priorities show no significant changes. **Figure 15** shows the nine-investment priority focus of the Ministry of Investment and Downstream Industry that is in line with the Asta Cita.

<sup>34</sup> "Siaran Pers R&I Pertahankan Peringkat Kredit Indonesia pada BBB+ dengan Outlook Stabil". Financial Services Authority of RI (OJK). 30 October 2025.










<sup>35</sup> "Business Ready (B-READY) 2024". The World Bank. 2025.

<sup>36</sup> Ibid.

<sup>37</sup> "Hingga kuartal III 2025, investasi KEK capai Rp314 triliun". ANTARA News. 9 December 2025.

<sup>38</sup> "Potensi Investasi Regional". Ministry of Investment and Downstream Industry of RI.

Figure 15: The 9 investment priorities of Indonesia<sup>39</sup>

Investment priority	Potential opportunity examples
 <b>New and Renewable Energy (NRE)</b>	<ul style="list-style-type: none"> <li>Total NRE potential in Indonesia: 3.687 GigaWatts (GW); Installed capacity: 13.1 GW.</li> <li>NRE breakdown: Hydro: 95 GW, Solar: 3,294 GW, BioEnergy: 57 GW, Wind: 155 GW, Geothermal: 23 GW, and Tidal: 63 GW.</li> </ul>
 <b>Downstream industry</b>	<ul style="list-style-type: none"> <li>Investment opportunity worth U\$618 billion from 28 downstream industry commodities in 2023-2040.</li> <li>Commodities such as: nickel, copper, bauxite, tin, petrochemical, fertiliser, CPO, sugarcane, and seaweed.</li> </ul>
 <b>Food security</b>	<ul style="list-style-type: none"> <li>Investment in rice estate, sugar, and bioethanol in Merauke Regency, South Papua</li> </ul>
 <b>Semiconductor</b>	<ul style="list-style-type: none"> <li>Raw materials availability for the upstream semiconductor industry: Silica, Gallium, Copper, Bauxite, and Gold.</li> </ul>
 <b>Digital economy and data centre</b>	<ul style="list-style-type: none"> <li>Indonesia's digital economy market is projected to reach US\$210-360 billion by 2030, with a growth rate of 5.9% (2024-2029).</li> <li>Current installed capacity (as of November 2024) is 430 MegaWatts (MW) from a potential of 2.7 GigaWatts (GW).</li> </ul>
 <b>Export-oriented manufacturing industry</b>	<ul style="list-style-type: none"> <li>Potential to enter the global supply chain (Global Value Chain/GVC).</li> </ul>
 <b>Healthcare</b>	<ul style="list-style-type: none"> <li>Investment opportunities in pharmaceutical industry, medical devices, and healthcare services.</li> <li>Special Economic Zone for health sector in Sanur, Bali.</li> </ul>
 <b>IKN Nusantara</b>	<ul style="list-style-type: none"> <li>Investment in housing, education, healthcare, eco-friendly transportation, commercial areas, and digital infrastructure.</li> <li>Tax Holiday for 30 years, ease of licensing, building rights (HGU) for 95 years — and can be extended.</li> </ul>
 <b>Education and vocational</b>	<ul style="list-style-type: none"> <li>Super tax deduction of 200% for investments in the Vocational Education sector.</li> <li>Special Economic Zone for Education in BSD, Banten.</li> </ul>

**Indonesia's investment landscape is gradually improving through harmonised policies, streamlined procedures, and supports from stakeholders.** The examples of this can be seen from:

- Harmonisation and simplification of regulations — 79 laws have been revised through the Job Creation Law.
- Centralised investment authority. The Ministry of Investment & Downstream Industry holds the authority to issue business licences through the Online Single Submission (OSS) System, which consists of 16 sectors.
- Providing investment licences based on business classification. Business licensing requirements is different based on their classification of business activities.

Moving forward, Indonesia aims to attract innovation-based investments that can produce multiplier impacts. The strategies include prioritising investment to develop priority industries, as well as strengthening export-oriented investments, green investments, connectivity and logistics infrastructure investments, and research and innovation-oriented investment.

To better help investors in exploring investment opportunities in Indonesia, we have curated potential investment hot spots based on the sectors, which can be read on the next section.

<sup>39</sup> "The Business and Investment Landscape in Indonesia". Nurul Ichwan (Deputy Minister for Investment Promotion of Ministry of Investment and Downstream Industry of RI). Presented at 2024 Deloitte Annual Entrepreneur Summit Southeast Asian Edition. 5 November 2024.



## Energy

Indonesia's gross domestic energy consumption is projected to rise by 2.9% year-on-year in 2025, and to expand at an average annual rate of 2.7% over 2025–2034, supported by sustained economic growth.<sup>40</sup> **The Subianto administration has set target to boost energy security by reviving oil and gas output and strengthening New & Renewable Energy (NRE) development.** Below is the brief breakdown of Indonesia's energy landscape based on the trends in sector drivers:

- **Oil**

Petroleum consumption in Indonesia is projected to grow at a 2.1% CAGR from 2025–2034, driven by population growth and rising incomes despite government promotion of EVs, biofuels, and natural gas. Domestic crude oil output is expected to fall to just below 750,000 barrels/day in 2030 due to ageing fields, despite the government's target of increasing domestic crude oil output to 1 million barrels/day. President Subianto has pledged to revitalise the sector by easing regulations, reopening dormant wells, and boosting productivity at active sites.<sup>41</sup>
- **Gas**

Indonesia's natural gas consumption is projected to grow at a 3.7% CAGR from 2025–2034, driven by industrial expansion, greater use in power generation, and rising gas-fired processes. Authorities aim to raise gas-fired power capacity from 20.9 GW in 2021 to 26.7 GW by 2030. Production is expected to reach 64.7m toe by 2034, supported by new projects that will offset declines from ageing fields.<sup>42</sup>
- **Electricity**

Indonesia's electricity consumption is forecast to grow at a 3.6% CAGR from 2025–2034, driven by industrial demand, rising incomes, grid expansion, and rural electrification. Policy support for renewables, including tariffs for rooftop solar, will further boost usage. Installed capacity is projected to rise from 76.4 GW in 2025 to nearly 100 GW by 2034, supported by new fossil-fuel plants and rapid solar growth. The government also plans to build new substations and expand the 62,440-km transmission network over 2025-2034.<sup>43</sup>
- **Coal**

Gross domestic coal consumption is projected to increase by an average of 2.9% annually over 2025–2034, largely driven by the addition of new coal-fired power plants. On the supply side, local coal output is expected to reach 416.3m toe in 2034. Coal will continue to dominate Indonesia's power mix, accounting for about 65% of electricity generation in 2025 and declining only marginally to 60% by 2034. Even so, coal-based generation is expected to increase from 260 TWh in 2024 to 345 TWh in 2034.<sup>44</sup>
- **New & Renewable Energy (NRE)**

Investing in clean and renewable energy projects is expected to be a worthwhile option for investors in the coming years. By 2030, the government aims to develop renewable energy power plants with a total capacity of up to 20.9 GW, and at a total estimated investment of about US\$55.2 billion.<sup>45</sup> To drive the growth of NRE, Indonesia has enacted Presidential Regulation (PR) 112, introducing a new tariff framework for renewable energy, under which independent power producers (IPPs) and PLN negotiate prices within a government-set ceiling that is revised annually. Tariffs differ based on the renewable technology deployed and the location of the power generation facility.<sup>46</sup>

<sup>40</sup> "Energy: Indonesia". Economist Intelligence Unit (EIU). November 2025.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

<sup>45</sup> "Swasta Dilibatkan dalam Proyek EBT Rp 861,6 Triliun". Investor Daily. 26 October 2022.

<sup>46</sup> "Energy: Indonesia". Economist Intelligence Unit (EIU). November 2025.

Figure 16: Indonesia Renewables Capacity and Generation Forecast<sup>47</sup>

	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Electric capacity (MW)</b>									
Hydro	8,189	8,589	8,989	9,389	9,789	10,489	11,189	11,889	12,589
Wind	261	331	401	471	541	591	641	691	741
Solar	1,287	1,687	2,087	2,487	2,887	3,487	4,187	4,887	5,587
Other	7,496	8,166	8,836	9,506	10,176	11,026	11,976	12,976	13,876
<b>Electric generation (GWh)</b>									
Hydro	30,105	31,575	33,046	34,516	35,987	38,560	41,134	43,707	46,286
Wind	831	1,053	1,276	1,498	1,721	1,880	2,039	2,198	2,357
Solar	1,440	1,888	2,335	2,783	3,230	3,902	4,685	5,468	6,251
Other	21,871	23,873	25,876	27,878	29,880	32,043	34,317	36,591	38,866

Source: EIU, 2025.

Hydropower is currently Indonesia's largest source of renewable power, followed by solar and wind, while geothermal appears under the "Other" category in the table. Despite this classification, geothermal remains a strategic focus, with capacity targeted to reach 5.5GW by 2030 and 9.3GW by 2035. To support this, Presidential Regulation (PR) 112 offers tailored incentives for geothermal development, including a tariff roughly 60% higher than the current rate, exploration risk-sharing, flexibility to raise

electricity tariffs (not available to other renewables), and dedicated financing facility.<sup>48</sup>

Not just NRE, nuclear-based clean energy has become a top energy priority that Indonesia aims to further develop to achieve its energy sufficiency. Under Government Regulations (PP) No. 40/2025 on National Energy Policy, Indonesia targets to establish its own operating nuclear power plant by 2032.<sup>49</sup>

### Recent updates on Indonesia's energy transition ambition

#### • Roadmap for energy transition in the electricity sector

Following PR 112 of 2022 on accelerating renewable energy development, the Ministry of Energy and Mineral Resources (MEMR) has issued Regulation No. 10 of 2025, setting out the Roadmap for Energy Transition in the electricity sector (**MEMR 10/2025**)<sup>50</sup>. Unlike PR 112/2022, which focuses on coal plant retirement, MEMR 10/2025 offers a broader energy transition framework. Key strategies include biomass cofiring in CFPPs, retrofitting with CCS, developing green hydrogen and ammonia, upgrading smart grids, and accelerating early coal plant retirements.<sup>51</sup>

#### • Danantara Waste-to-Energy (WtE) Pproject

Presidential Regulation No. 109/2025 replaces No. 35/2018, streamlining Waste-to-Energy (WtE) and waste-processing frameworks. It introduces a single PLN-paid tariff, centralises procurement at the national level, and assigns Danantara to

lead project structure and procurement.<sup>52</sup> WtE development in Indonesia requires major investment and new technology. The government has prioritised 10 regions—including Jakarta (four sites), Bali, Yogyakarta, Bekasi, Bogor, Semarang, Tangerang, Medan, and West Java (six sites). WtE projects are expected to cut national greenhouse gas emissions by up to 80%, reduce land use by 90%, and generate local economic benefits.<sup>53</sup>

#### • Just Energy Transition Partnership (JETP)

The JETP Indonesia aims to accelerate the country's energy transition by mobilising an initial financing pledge of US\$ billion, marking it as the biggest energy transition financing package. With six investment foci, JETP Indonesia's priority projects consist of 13 energy efficiency and electrification projects, 174 transmission line and grid deployment projects, 78 hydropower projects, 115 geothermal projects, 12 bioenergy projects, 65 solar PV projects, 29 wind projects, and 8 renewable energy supply chain projects.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

<sup>49</sup> Bukan Lagi Pilihan Terakhir, RI Siap Membangun Pembangkit Nuklir". CNBC Indonesia. 9 December 2025.

<sup>50</sup> "MEMR REG 10/2025: Charting Indonesia's Early Retirement of Coal-Fired Power Plants and Energy Transition Strategies". UMBRA Law. 2025.

<sup>51</sup> "MEMR 10 2025: A Bold Roadmap for Sustainable Electricity". ABNR Law. 2025.

<sup>52</sup> "Progress Report 2025". JETP Indonesia. 2025.

<sup>53</sup> Ibid.

## Resources & industrials

Indonesia's industrial sector contributes 19.2% to GDP as of Q3 2025 and employs around 14% of the national workforce — approximately 20.5 million people as of Q3 2025. Anchored by manufacturing and mineral processing, it rebounded from pandemic shocks through commodity exports and downstream policies, notably in nickel, copper, and aluminium. Rapid mineral based industrialisation has made Indonesia the world's top nickel producer (50% of global output) and the third largest copper exporter, securing its role in EV and battery supply chains.<sup>55</sup> Growth is concentrated in Java, Sulawesi, and North Maluku, though manufacturing's GDP share is gradually declining as services expand.<sup>56</sup>

The structure of Indonesia industrial ecosystem reflects a blend of state-owned enterprises, global conglomerates, and rising local industrial groups. Major players in nickel and copper refining include Chinese heavyweights (Tsingshan, Huayou Cobalt), Japanese (Sumitomo), and established Western firms (Vale S.A., Eramet), often in joint ventures with local firms.<sup>57</sup> The Batang Industrial Estate and Morowali and Weda Bay in Sulawesi are flagship hubs attracting nearly US\$40 billion in investments through 2025. Such collaboration has accelerated industrial capacity but also exposed infrastructure and governance challenges that continue to shape Indonesia's competitiveness.

Meanwhile, resource nationalism and fiscal incentives have accelerated industrialisation. Rising environmental and labour concerns have made ESG compliance now critical, opening opportunities in EV supply chains, halal food, textiles, and palm based clusters.<sup>58</sup> Despite competition from Vietnam, skill shortages, and coal intensive smelters, Indonesia's prospects lie in green manufacturing, infrastructure modernisation, digital transformation, and renewable energy.

Indonesia's industrial strategy aims to raise manufacturing's GDP share to 25% by 2030 and achieve net zero by 2060, combining regulatory reforms like the Omnibus Law, Downstreaming policy, and the Making Indonesia 4.0 roadmap with Green Industry initiatives to promote sustainable growth.<sup>59</sup> Central to this agenda is the Danantara programme, which channels investment into low carbon technologies, renewable energy integration, and green industrial estates such as Batang. With ESG compliance now essential for financing and licensing, these policies position Indonesia to advance industrial modernisation while ensuring growth remains competitive, responsible, and inclusive.<sup>60</sup>

## The Industrial Decarbonisation & Downstreaming Roadmap under Danantara

aims for industry-wide carbon neutrality by 2060 but sets intermediate targets for efficiency, electrification, and renewable integration by 2030–2045.<sup>61</sup> The roadmap mandates cleaner production, emphasising energy efficiency, electrification of smelting, deployment of high-purity "Class 1" nickel for EV batteries, and decarbonisation of critical industrial parks. Several flagship initiatives exemplify this transition:

- Rapid deployment of HPAL (high-pressure acid leaching) and hydrometallurgical processing for nickel in Sulawesi and Maluku for battery manufacturing.
- Development of flagship green infrastructure projects such as the Batang Industrial Estate, targeting integration of solar, hydro, and waste-to-energy for power supply.
- Scaling of eco-industrial clusters for copper and aluminum, with a focus on recycling and sustainable material flows.
- Policy and fiscal incentives to support technology localisation, clean tech investment, and green financing access.

## Together, these initiatives mark a decisive shift toward green and circular manufacturing, reinforcing Indonesia's international standing through environmentally certified production such as IRMA-certified nickel mines.

The Industrial Decarbonisation & Downstreaming Roadmap thus provides not only a policy framework but also a strategic vision, one that balances growth with environmental stewardship and positions Indonesia to evolve from a resource exporter into a green industrial leader by 2045.



<sup>55</sup> "The future of Indonesia's green industrial policy". Lowy Institute. 4 March 2025.

<sup>56</sup> "Berita Resmi Statistik 5 November 2025". Statistics Indonesia (BPS). 5 November 2025; "Manufacturing in Indonesia 2025: Key Sectors, FDI & Challenges" The Shiv. 31 March 2025.

<sup>57</sup> "Indonesia's Nickel Downstreaming Policy: Opportunities and Challenges for Investors". ASEAN Briefing. 9 April 2025.

<sup>58</sup> "The future of Indonesia's green industrial policy". Lowy Institute. 4 March 2025.

<sup>59</sup> "Indonesia's Nickel Downstreaming Policy: Opportunities and Challenges for Investors". ASEAN Briefing. 9 April 2025.

<sup>60</sup> "Industry Decarbonization Roadmaps for Indonesia". IESR. February 2024.

<sup>61</sup> Ibid.

## Technology & telecommunications

Indonesia's technology and telecom sector is a key economic pillar, driven by digital infrastructure expansion, a mobile first population, and government transformation policies. By 2025, the digital economy is projected to reach US\$130–146 billion, supported by 80% internet penetration, 212 million users, and 356 million mobile connections.<sup>62</sup> Ongoing 4G growth, early 5G rollout, and rural connectivity programmes aim to close the digital divide.<sup>63</sup>

Telecommunications remain the backbone, valued at US\$13.7 billion in 2025 with modest revenue growth but surging data demand from OTT platforms, e-commerce, and super apps.<sup>64</sup> The mobile market is dominated by Telkomsel, Indosat Ooredoo Hutchison, and XLSmart, while broadband penetration is expected to reach 35% by 2032 through fiber, satellite, and submarine cable expansion. Industry leaders such as Telkom Indonesia, Indosat, and XLSmart are integrating infrastructure, cloud, and AI services.<sup>65</sup> Innovation is centered on AI and data analytics, with initiatives like Telkom BigBox AI, national language models, and the US\$400 million Quantum AI Data Centre in Batam. Global players including NVIDIA, Microsoft, AWS, Tencent, and Alibaba are investing heavily, though challenges remain in capital costs, spectrum scarcity, regulation, and talent gaps.<sup>66</sup> The government targets developing 9 million digital professionals by 2030 to address these constraints.<sup>67</sup>

Policy reforms led by the new Ministry of Communication and Digital (Komdigi) strengthen governance through updated certification, spectrum regulation, cybersecurity mandates, and alignment with the National AI Strategy and AI/Data Infrastructure Roadmap. The roadmap targets mass AI literacy, 100,000 specialists annually, and secure, quantum ready data Centres, supported by flagship projects like BigBox AI, SOE digital platforms, Batam's Quantum AI Data Centre, and BRIN's quantum hubs.<sup>68</sup>

The Ministry of Communication and Digital Affairs reveals investment in AI is growing. Among private sectors alone, investment in AI rose by six times from 2021 to 2023.<sup>69</sup> By 2030, the contribution of AI on Indonesia's GDP is projected to reach US\$366 million — accounting for 12% of Indonesia's GDP.<sup>70</sup> Meanwhile, Indonesia possesses favorable conditions for digital investments — strategic position in the main route of global connectivity, with high internet penetration rate and large domestic digital economy market. Such favorable conditions influence

the growth of the market value of data centre businesses in Indonesia — projected to reach US\$3.8 billion by 2030.<sup>71</sup> Forthcoming presidential regulations are expected on refining AI and robotics governance, enforce cross-sector data interoperability, and accelerate the rollout of green, secure, and interoperable digital infrastructure nationwide.

**Together, these initiatives position Indonesia as Southeast Asia's leading digital economy and innovation hub.** Success will depend on bridging infrastructure and talent gaps, advancing cybersecurity, and sustaining investor confidence in next generation AI and cloud ecosystems.

## Consumer Products, Agri-food, and Automotive

Indonesia's automotive sector contributes greatly to the growth of manufacturing industry, which contributed 1.2% to the national GDP in Q3 2025. Indonesia also remains as a key production base for global automotive manufacturers. From Q1-Q3 2025, Indonesia recorded a 45% absorption rate of four-wheeled vehicle complete built-up exports in the international market.<sup>72</sup>

The government has set an ambitious commitment in sustainable automotive, aiming to have one million electric cars and 12 million electric motorcycles by 2035 — holding the potential to be a leading global battery producer.<sup>73</sup> In line with this commitment, the government develops strategic policies and incentives, such as by giving Government-borne Luxury Goods Sales Tax (PPnBM DTP) for hybrid vehicles and electric vehicles, and through the Ministry of Industry Regulation No. 36/2021 on Low Carbon Emission Vehicle (LCEV) Programme. As of November 2025, 15 companies have participated in the programme and produced various types of low-emission vehicles, created additional investments of IDR22.8 trillion (US\$1.4 billion).<sup>74</sup>

On the other hand, Indonesia's consumer and agri food sector is a cornerstone of development, linking agriculture, food processing, and a growing consumer base. Demographic shifts, rising incomes, and urbanisation are reshaping demand, while the Danantara programme's Food Security & Agri Downstreaming Strategy promotes sovereignty, nutrition, and value addition. By 2023, the food market reached US\$250 billion<sup>75</sup>; by 2025, food spending accounts for 54% of household expenditure, agriculture contributes 12.4% of GDP, and supports 29% of the workforce.<sup>76</sup> Protein rich diets are driving growth in poultry, aquaculture, dairy, and seafood.<sup>77</sup>

<sup>62</sup> "Indonesia Digital Economy Report (2025)". International Trade Administration. 2025; "Digital 2025". DataReportal. 2025; "APJII Internet Usage Report (2025)". APJII. 2025; "Statista Digital Summary 2025". Statista. 2025.

<sup>63</sup> "Digital Transformation Summit Indonesia 2025". 2025.

<sup>64</sup> "Telecommunication Industry in Indonesia". Data Insights Market. 2025.

<sup>65</sup> "Indonesia Telecoms Industry Report: 2025-2032: Broadband Expansion, Spectrum Intelligence, and Tower Trends". Research and Markets. 2025.

<sup>66</sup> "Indonesia to Host Asia's First Quantum AI Data Centre with US\$400 M Investment." Indonesia Business Post. 15 July 2025; "BRIN-Q Official Site (2025)". 2025.

<sup>67</sup> "Advancing SOE Digital Transformation," OpenGov Asia.

<sup>68</sup> "Understanding AI Roadmap Indonesia". Twimbit. 2025; "National AI Roadmap". Intimedia. 2025.

<sup>69</sup> "Menkomdigi: Investasi AI Generatif di Indonesia Capai Rp398 Triliun". MetroTV News. 4 December 2024.

<sup>70</sup> "Geliat Positif Startup AI Lokal". Bisnis Indonesia. 2 August 2025.

<sup>71</sup> "Kemkomdigi paparkan potensi Indonesia jadi tujuan investasi pusat data". ANTARA News. 15 May 2025.

<sup>72</sup> "Kemenperin: Industri otomotif RI punya potensi besar terus ekspansi". ANTARA News. 21 November 2025.

<sup>73</sup> "Indonesia Investment Outlook 2025". Ministry of Investment and Downstream Industry of RI. Presentation in Deloitte Indonesia Chinese Services Group Annual Seminar 2025. 22 October 2025.

<sup>74</sup> "Kemenperin: Industri otomotif RI punya potensi besar terus ekspansi". ANTARA News. 21 November 2025.

<sup>75</sup> "Indonesia Food Market, Industry Analysis and Future Forecast to 2030". Ken Research. November 2024.

<sup>76</sup> "Agriculture - Indonesia". Statista. 2025; "Transforming Indonesia's Agri-Food System (P175446) Completion Report". World Bank Group. 2023.

<sup>77</sup> "Market outlook diverges on grains, proteins as Indonesia launches free meals programme". S&P Global Commodity Insights. 8 January 2025.

Despite global supply chain shocks, Indonesia remains a leading producer of palm oil, cocoa, rice, and aquaculture, with processed food exports expanding. Government initiatives like the Free Meals Programme, targeting 83 million beneficiaries by 2029, aim to boost domestic production and rural development.<sup>78</sup> The sector blends large corporations (Indofood, Garudafood, Mayora, Japfa, Nestlé, Wings) with 1.6 million micro enterprises, supporting both exports and livelihoods. Investment in livestock and processing is rising, though logistics costs, fragmented supply chains, and customs hurdles constrain competitiveness.<sup>79</sup>

FDI in food processing is strong, but challenges include aging farmers, limited technology adoption, and heavy import dependency—65% of raw materials are imported. Opportunities lie in value added exports (cocoa butter, dried shrimp, plant based foods) as consumers demand health, sustainability, and traceability. Climate risks, volatile input costs, and regulatory complexity add pressure, yet Indonesia's demographic scale and resilient domestic market underpin long term growth potential.<sup>80</sup>

The government has made food security a priority, advancing climate smart farming, irrigation, R&D, and farmer financing under the Danantara programme.<sup>81</sup> Policy reforms promote downstreaming, local sourcing, and integrated food estates, while sustainability, digitalisation, and resilience guide strategy. The Food Security & Agri Downstreaming Roadmap emphasises modern supply chains, cold chain infrastructure, aquaculture hubs, and food clusters to reduce losses and strengthen rural economies. Programmes like Merauke sugar estates and East Java seafood processing, alongside the Free Meals programme, are expected to support 1.2 million farm jobs by 2029.

### Looking ahead, Indonesia's agri food sector will remain central to inclusion, food security, and green industrialisation.

Modernised value chains, improved logistics, and digital platforms—anchored by the Danantara roadmap—will help build a resilient food system capable of withstanding global shocks while advancing long term prosperity.

### Financial services

Indonesia is expected to experience faster growth rates in financial services sector among emerging economies during 2025-2029. This expansion will be driven by commodity exports and industrial deepening and consumption. Additionally, a boom in the digital finance and financial technology (fintech) segments are expected to further accelerate the sector's growth over the forecast period.<sup>82</sup> By 2025, Indonesia's digital economy is expected to surpass US\$130 billion,

driven primarily by the rise of e-commerce and fintech.<sup>83</sup> The country's digital economy is rapidly expanding, fueled by a young mobile-first population, rising internet adoption, and strong policy support. Indeed, by Q3 2025, Bank Indonesia recorded 13.1% and 17.8% growth of mobile and internet transactions, respectively. This is followed by a 38% growth in digital transactions thanks to the expanding digital acceptance and payment channels among the population.<sup>84</sup>

Growth in Indonesia's financial services are expected to be driven by trends in the following sectors:<sup>85</sup>

#### • Banks

Banks dominate Indonesia's financial sector, with state-controlled institutions operating as commercial entities and publicly traded. Foreign lenders, especially from Japan and ASEAN, are expanding. Lending is projected to grow at a CAGR of 6.1% (2025–2029), net interest income at 3.6%, while margins narrow to 3.9–4.2%.

#### • Digital finance

Fintech, especially in payments, has surged with e-commerce, smartphone adoption, and a young population. COVID-19 accelerated e-wallet use (GoPay, Ovo, Dana, LinkAja, ShopeePay, PayPal). Fintechs are expanding into Islamic finance, while banks compete with apps like Livin' (Mandiri) and Blu (BCA). Mobile and internet banking transactions are forecast to grow at a CAGR of 29.4% (2025–2029).

#### • Insurance

Insurance penetration is low at 1.3% of GDP (2023), far behind ASEAN peers. Premiums grew 4.7% to IDR577.2 trillion in 2024, after 3.5% growth in 2023, and rose 2% year-on-year by March 2025. The industry remains fragmented and underdeveloped.

#### • Asset management

Indonesia's asset management industry is small and concentrated, with the top 10 firms controlling 70% of assets. Mutual funds have expanded rapidly, reaching IDR502.9 trillion NAV in 2024—double a decade earlier. Fixed-income funds lead (29.1%), followed by capital-protected (23.4%), money-market (18%), and equity (15.2%). Sharia funds remain marginal at 1.1%.

#### • Financial markets and instruments

The Indonesia Stock Exchange (IDX) is small relative to the economy but growing, with IHSG up 16.6% year-to-date in 2025. The bond market is dominated by government securities, with limited corporate and foreign currency issuance. Progress continues as more firms build credit profiles to access bond financing.

<sup>78</sup> Ibid.

<sup>79</sup> "Indonesia Market Assessment". Food Export. 2024.

<sup>80</sup> "Indonesia's Agriculture sector resilient amid medium-term risks". Business Indonesia. 11 October 2024; "Indonesia Market Assessment". Food Export. 2024.

<sup>81</sup> Danantara: National Food Security and Supply Chain Strategy". Ministry of National Development Planning of RI (Bappenas). 2025.

<sup>82</sup> "Financial Services: Indonesia". Economist Intelligence Unit (EIU). November 2025.

<sup>83</sup> "Indonesia Digital Economy". International Trade Administration of USA. 17 November 2025.

<sup>84</sup> "BI-Rate Tetap 4,75%: Mendorong Pertumbuhan Ekonomi, Mempertahankan Stabilitas". Bank Indonesia. 22 October 2025.

<sup>85</sup> "IDX Carbon Catat Transaksi Rp77,95 Miliar per Juli 2025". Liputan6.com. 15 July 2025.



**Given Indonesia's climate vulnerability, the Indonesian Financial Services Authority (OJK) also promotes sustainable finance.**

In 2022 it launched the Green Taxonomy Programme, classifying over 900 business activities by environmental impact: green (beneficial), yellow (neutral), and red (harmful). Upgraded in 2024 as the "Taxonomy of Indonesian Sustainable Finance," it broadened coverage of actions and products. In 2023, OJK required banks to conduct climate risk stress tests, mandating all banks to integrate climate risk into lending by 2026. To accelerate ESG adoption, OJK issued the Sustainable Finance Roadmap Phase II (2021–2025), aimed at building a comprehensive ecosystem through stakeholder engagement and collaboration. The roadmap serves as a foundation for the financial sector and a reference for ministries in developing innovative financing initiatives.

In line with sustainable finance, government of Indonesia developed carbon trading mechanism in September 2023 and its supporting regulations to achieve the Paris Agreement targets. Carbon trading is regulated under Financial Services Authority Regulation No. 14/2023 on Carbon Trading (POJK No. 14 Tahun 2023 tentang Perdagangan Karbon). The Carbon Exchange is fully managed and operated by Indonesia Stock Exchange (IDX) Carbon, as mandated by OJK, and is open for the international market as of January 2025. By early July 2025, carbon trade transaction value reached IDR77.9 billion (around

US\$4.6 million), with 980,475 tonnes of retired carbons. In the same year, the IDX Carbon was awarded with Best Official Carbon Exchange in an Emerging Market in 2025.<sup>86</sup>

**Others**

Indonesia, despite being ASEAN's largest economy, spends relatively less on healthcare compared to regional peers. Healthcare demand in Indonesia continues to rise faster than system capacity.<sup>87</sup> The government of Indonesia has placed greater emphasis on private sector involvement to expand healthcare access and improve service quality.<sup>88</sup> This policy direction is reflected in Indonesia's pharmaceutical industry, the largest in Southeast Asia, valued at around US\$10.8 billion in 2024 and projected to grow to US\$13.0 billion by 2029.<sup>89</sup>

**Supported by rising healthcare demand, policy support, and capacity expansion, the life sciences and healthcare sector presents a long-term structural investment opportunity, rather than a short-term, fiscally driven.** Meanwhile, Indonesia's fiscal policy is directed toward infrastructure development, supply chain connectivity, and support for food and energy as part of economic resilience efforts.<sup>90</sup> **In terms of infrastructure, Indonesia announced its 77 National Strategic Programmes (PSN) for 2025-2029.** Key programmes include Free Nutritious Meal programme (Program Makan Bergizi Gratis), school revitalisation, giant sea wall establishment, and subsidised housing development.<sup>91</sup>

<sup>86</sup> "IDX Carbon Catat Transaksi Rp77,95 Miliar per Juli 2025". Liputan6.com. 15 July 2025.

<sup>87</sup> "Pengeluaran Kesehatan Warga RI Salah Satu yang Terendah di ASEAN". CNN Indonesia. 14 February 2025.

<sup>88</sup> "Perlu Keterlibatan Swasta dalam Meningkatkan Akses Kesehatan bagi Masyarakat". Ministry of Health of RI. 2024.

<sup>89</sup> "Healthcare and Pharmaceuticals in Indonesia". Economist Intelligence Unit (EIU). November 2025.

<sup>90</sup> "APBN 2026: Tujuan dan Arah Kebijakan". Ministry of Finance of RI. 2025.

<sup>91</sup> "Terungkap! Daftar 77 Proyek Strategis Nasional Prabowo 2025-2029". CNBC Indonesia. 3 March 2025.

## 5. Regional snapshots

For those who are targeting appropriate locations to invest in or expand current business scope, we have selected the top 10 provinces and present a regional snapshot, by regional GDP on an annual basis and several indicators relevant to foreign investment, such as FDI by value, FDI by number of projects, as well as monthly minimum wage in 10 provinces in the figures below for further reference. As a note, concerning **Figure 21**, the central government has set the formula for calculating minimum wage increase in 2026 as inflation plus (economic growth multiplied by an alpha coefficient). For the provincial minimum wage (UMP), the alpha coefficient is set within a range of 0.5 to 0.9.<sup>92</sup>

**Figure 17: Top 10 regional demographics\***

Province	Provincial capital	Area (sq. km)	No. of islands	No. of regencies	No. of cities	Population	Human Development Index
DKI Jakarta	Jakarta	660.98	113	1	5	11,350,328	83.08
DI Yogyakarta	Yogyakarta	3,170.64	33	4	1	3,710,229	81.55
East Kalimantan	Samarinda	126,981.28	243	7	3	3,970,764	78.83
Riau Island	Tanjungpinang	8,269.71	2028	5	2	2,150,329	77.97
Bali	Denpasar	5,590.15	34	8	2	4,327,276	77.76
North Sulawesi	Manado	14,500.27	353	11	4	2,676,012	75.03
Riau	Pekanbaru	89,935.90	144	10	2	6,794,944	74.79
Banten	Serang	9,352.77	81	4	4	12,381,098	74.48
West Sumatera	Padang	42,119.54	219	12	7	5,701,545	74.49
West Java	Bandung	37,044.86	30	18	9	49,572,392	74.43

\*Based on 2025 data.

Source: Statistics Indonesia (BPS), 2025.

**Figure 18: Top 10 Gross Regional Domestic Product provinces (in IDR billion)**

Province	2021	2022	2023	2024	% Of National GRDP 2024
DKI Jakarta	2,914,581	3,186,470	3,442,980	3,679,359	17%
East Java	2,454,499	2,730,907	2,953,546	3,168,296	14%
West Java	2,209,822	2,422,782	2,625,218	2,823,339	13%
Central Java	1,420,800	1,560,899	1,696,795	1,817,777	8%
North Sumatra	859,871	955,193	1,026,472	1,146,920	5%
Riau	843,211	991,590	1,050,995	1,112,482	5%
Banten	665,922	747,250	843,571	873,626	4%
East Kalimantan	695,158	921,333	814,124	858,431	4%
South Sulawesi	545,230	605,145	652,574	696,253	3%
South Sumatra	491,566	591,603	629,099	663,962	3%
<b>Total Top 10</b>	<b>13,100,661</b>	<b>14,713,171</b>	<b>15,735,374</b>	<b>16,840,443</b>	<b>76%</b>
<b>Total National GRDP</b>	<b>16,970,789</b>	<b>19,588,446</b>	<b>20,892,376</b>	<b>22,138,964</b>	<b>100%</b>

Source: Statistics Indonesia (BPS), 2025.

<sup>92</sup> "Perbandingan Besaran dan Kenaikan UMP 2026 di 36 Provinsi". Tempo.co. 27 December 2025.

**Figure 19: Top 10 regional FDI realisation by investment value (in US\$ Million)**

Province	2022	2023	2024	2025 (Q1-Q3)
West Java	6,535	8,284	7,450	6,183
Central Sulawesi	7,486	7,244	6,369	5,708
DKI Jakarta	3,744	4,830	6,124	4,559
North Maluku	4,488	4,998	3,541	3,488
Banten	3,411	4,452	3,201	2,354
East Java	3,134	4,741	2,767	2,035
Riau	2,749	2,042	1,172	750
South Sumatera	1,226	1,479	924	694
Central Java	2,362	1,564	1,664	2,304
North Sumatera	1,316	1,181	1,022	1,254
<b>Total Top 10</b>	<b>36,491</b>	<b>40,967</b>	<b>35,110</b>	<b>29,329</b>
<b>Total Investment Value</b>	<b>45,605</b>	<b>50,268</b>	<b>43,627</b>	<b>40,286</b>

Source: Statistics Indonesia (BPS), 2025; Ministry of Investment and Downstream Industry of RI, 2025.

**Figure 20: Top 10 regional FDI realisation by number of projects**

Province	2022	2023	2024	2025 (Q1-Q3)
DKI Jakarta	15,921	20,028	26,626	47,779
Bali	8,179	16,282	23,929	33,516
West Java	12,419	10,512	12,290	15,966
Banten	4,364	4,775	6,310	11,294
East Java	4,311	3,913	4,703	6,105
Central Java	3,087	3,021	3,759	5,067
Riau Islands	2,144	1,753	2,240	3,024
North Sumatera	1,613	1,253	1,348	1,686
West Nusa Tenggara	1,491	1,571	2,111	3,798
East Kalimantan	1,005	822	983	1,184
<b>Total Top 10</b>	<b>54,534</b>	<b>63,930</b>	<b>84,299</b>	<b>129,419</b>
<b>Total FDI Projects</b>	<b>63,080</b>	<b>70,898</b>	<b>92,275</b>	<b>139,482</b>

Source: Statistics Indonesia (BPS), 2025; Ministry of Investment and Downstream Industry of RI, 2025.

**Figure 21: Top 10 provincial minimum wage (UMP) per month (in US\$)\***

Province	2023	2024	2025	2026
DKI Jakarta	307	317	349	344
Papua	242	252	277	266
Central Papua**	242	252	277	257
West Papua	205	219	234	230
Bangka Belitung	205	228	251	242
North Sulawesi	218	222	244	240
Aceh	214	217	238	236
South Sumatera	213	216	238	236
South Sulawesi	212	215	237	235
Riau Islands	219	213	234	233
North Kalimantan	204	210	232	226

\*Based on December 2025 exchange rate (US\$1 = IDR16,678)

\*\*Central Papua was established on 29 July 2022 based on Law No. 15/2022 on the Establishment of Central Papua Province

Source: Ministry of Manpower of RI, 2025; Tempo.co, 2025; Statistics Indonesia (BPS), 2025.

## 6. Legal and political system

### Civil Law tradition and gradual reform

Indonesia's legal system originates primarily from the civil law tradition introduced during Dutch colonial administration, which formally lasted from the early 17th century until independence in 1945. The independence era was characterised by policy reforms, a transition from parliamentary democracy to a more centralised system of "guided democracy" (known as "*demokrasi terpimpin*"), nationalisation of Dutch enterprises and the expulsion of Dutch citizens from Indonesia.

During the era of President Soeharto's administration (the so-called "Orde Baru" or "New Order"), the Indonesian government's attitude towards foreigners underwent a significant change, with a series of policy initiatives and large-scale legal reforms aimed at attracting international investors to improve the country's economy. These efforts were considered largely successful in achieving rapid economic growth, though accompanied by political centralisation and governance challenges.

Following the Asian Financial Crisis (1997/1998), Indonesia's government devolved significant political and legal authority to the provinces, regencies and cities. It re-initiated widespread legal reform in an effort to improve government institutions, reduce

corruption, improve the country's fiscal and monetary policies and meet other policy goals. The reform period also saw Indonesia successfully transition from an authoritarian state to a democracy, with elections being held in 1999, 2004, 2009, 2014, 2019, and the latest in 2024 resulting in the election of Prabowo Subianto as President-elect and Gibran Rakabuming Raka as Vice President-elect, marking a new political era.

Despite these series of reforms, many of Indonesia's laws and regulations remain derived from the Dutch civil-law codes in force at independence, which continue to apply until replaced or amended. For example, the Indonesian Civil Code (Kitab Undang-Undang Hukum Perdata) remains the foundation of Indonesian law regarding contracts and many general rights and obligations relevant to commercial activities. Aside from the Indonesian Civil Code, the Indonesian Criminal Code (Kitab Undang-Undang Hukum Pidana) historically governed criminal law; however, Indonesia enacted a new national Criminal Code in 2023 (Law No. 1 of 2023), which is set to gradually replace the colonial-era code beginning in 2026. Also, the Indonesian Commercial Code (Kitab Undang-Undang Hukum Dagang) continues to serve as the foundation of Indonesian law on commercial activities conducted within the Indonesian territory.

### Hierarchy of laws and regulations in Indonesia

Set out below is the hierarchy of laws and regulations in Indonesia:

- a. 1945 Constitution (Undang-Undang Dasar 1945), which serves as the basic foundation of the state and constitutional arrangements;
- b. Assembly Decree (Ketetapan MPR) contains formal decisions of the People's Consultative Assembly made prior to 2002; while historically important, new MPR Decrees are rarely issued and their current legal standing is limited;
- c. Law or Government Regulation in Lieu of Law (Undang-Undang/Peraturan Pemerintah Pengganti Undang-Undang ("Perppu")) enacts or amends legislation on matters within the constitutional domain; Perppu are issued by the President in urgent circumstances and must be approved by the DPR to become law;
- d. Government Regulation (Peraturan Pemerintah) implements laws;
- e. Presidential Regulation (Peraturan Presiden) covers subjects mandated by law and further implements both laws and government regulations;
- f. Provincial Regional Regulation (Peraturan Daerah Provinsi) implements principles of regional autonomy and laws, government regulations and presidential regulations in respect of the relevant province;
- g. Regency/Municipality Regional Regulation (Peraturan Daerah Kabupaten/Kota) implements principles of regional autonomy and laws, government regulations and presidential regulations in respect of the relevant regency/city.

The above hierarchy may be used as a reference to resolve issues regarding which regulations should take precedence in the event of a conflict between laws and regulations.

Indonesian law also recognises the following additional sources of law which are not specifically mentioned in the hierarchy, namely: treaties, customs (*adat*), case precedents (civil jurisprudence or *jurisprudensi*) and opinions of legal experts (*doktrin*). While court precedents and legal doctrines are not formally binding in Indonesia's civil-law system, they are frequently used as persuasive references by judges and practitioners.

In practice, numerous subordinate regulations are also issued by ministers, heads of agencies, and independent commissions (such as Peraturan Menteri or Peraturan Lembaga). Although not explicitly listed in the statutory hierarchy, these regulations have binding effect within their respective sectors and are often critical to implementation of national policy.

### National political system

Indonesia is a presidential representative democratic republic, with an independent legislature and judiciary. The main components of the national political system are:

- President of the Republic of Indonesia: Elected for a five-year term; the President is the head of state, head of Government and appoints and leads the Council of Ministers (the Cabinet of Indonesia). The President also serves as commander-in-chief of

the Indonesian National Armed Forces (Tentara Nasional Indonesia or TNI).

- People's Consultative Assembly (Majelis Permusyawaratan Rakyat or "MPR"): A joint body composed of the People's Representative Council (DPR) and the Regional Representatives Council (DPD). The MPR has constitutional authority to inaugurate the president and vice president, amend the Constitution, and, in specific cases, initiate impeachment proceedings through the DPR. All national legislation is enacted jointly by the DPR and the President. The DPR has full legislative, budgetary, and oversight powers over the executive branch, while the DPD has limited powers to propose and review bills related to regional autonomy, intergovernmental relations, regional formation, and management of natural and economic resources, but cannot formally pass laws.
- Supreme Court (Mahkamah Agung): The highest-level judicial body in Indonesia. The president appoints the judges of the Supreme Court. All civil disputes appear first before a state court (Pengadilan Negeri), before being heard in the high court (Pengadilan Tinggi), the intermediate appellate court. Other components of the judiciary include the commercial courts (Pengadilan Niaga), which hear bankruptcy and insolvency cases, as well as intellectual property cases; the Industrial relation courts (Pengadilan Hubungan Industrial), which examine cases on disputes of rights, interests, termination of employment, and disputes among labour unions within a company. Further, the state administrative courts (Pengadilan Tata Usaha Negara), which hear administrative law cases against the government; religious courts (Pengadilan Agama) which examine specific religious cases; and military court, which has judicial power in the military.
- Constitutional Court (Mahkamah Konstitusi): A judicial body authorised to administer constitutional justice in Indonesia. The Constitutional Court has the same position as the Supreme Court and hears disputes concerning the constitutionality of laws, dissolution of political parties, general election results, and conflict of authority among state institution.
- Indonesian Cabinet (Kabinet Indonesia): Appointed by the President, the Indonesian cabinet is composed of coordinating ministers, departmental ministers, state ministers and certain non-ministerial officials such as the Attorney General, Cabinet Secretary, Commander of the Indonesian Armed Forces, Chief of the Indonesian National Police, Chief of Presidential Staff, Head of the National Research and Innovation Agency (BRIN), and Head of the Nusantara Capital Authority (Otorita Ibu Kota Negara Nusantara or OIKN). Each minister heads a ministry with specific policy and regulatory responsibilities, as determined by presidential regulation.
- National Ministries, Departments and Bodies: Implementation of Indonesia's laws and regulations is formulated and carried out by an array of ministries, bodies and agencies, many of which have a sector-specific authority (such as authority to regulate the oil and gas industry) or area-specific authority (such as authority to regulate land use). Some regulators — such as the Ministry of Trade or the Ministry of Industry — have authority over multiple sectors, and overlapping authority is common. Ministries are sub-divided into directorates general, which may have specific authority over a portion of the responsibilities of the ministry.

In addition to the ministries, there are also various national bodies, agencies and institutions including state auxiliary bodies that play important roles in formulating, supervising and implementing government policy.

The reporting lines of these bodies vary: some report directly to the President, others report to a minister and others report to the legislature. Generally, the various national agencies maintain their head offices in Jakarta but may also maintain regional offices. These regional offices should be viewed as distinct from any local government offices operating in the same region. However, the capital city of Indonesia is planned to move from Jakarta to Ibu Kota Negara (IKN) Nusantara starting in 2024 parallel with the further development of Nusantara, to which such plan has been determined as set forth under Law No. 3 of 2022 on Capital City which most recently amended by Law No. 21 of 2023.

### Local governments and local autonomy

Indonesia's administrative structure comprises three levels of regional government: provincial, regency/city, and village governments. These local governments derive their authority from the 1945 Constitution and Law No. 23 of 2014 on Local Government, as amended several times, most recently by Law No. 6 of 2023 and further refined by Government Regulation No. 12 of 2017 on the Guidance for Local Governance.

Regional governments are granted autonomy to manage and regulate their own governmental affairs within the framework of the Unitary State of the Republic of Indonesia (Negara Kesatuan Republik Indonesia), based on the principles of decentralisation and co-administration (*tugas pembantuan*).

Each regional government has the following components:

- a. Regional Head (Kepala Daerah), which may be a Governor (for provinces), Regent (Bupati) (for regencies), or Mayor (Wali Kota) (for cities), elected by direct popular vote for a five-year term, renewable once.

- b. Regional House of Representatives (Dewan Perwakilan Rakyat Daerah or "DPRD"), which functions as the legislative body of the region, enacting local regulations (Peraturan Daerah), approving budgets, and overseeing the performance of the regional head.
- c. Regional Apparatus (Perangkat Daerah), consisting of local agencies, offices, and technical units that implement regional policies.

Regional governments receive fiscal transfers from the national budget in the form of Dana Perimbangan (Fiscal Balance Funds), Dana Otonomi Khusus (Special Autonomy Funds), and Dana Desa (Village Funds), among others, as regulated under Law No. 1 of 2022 on Financial Relations between the Central Government and Regional Governments. Regional autonomy applies to all sectors except for certain matters that remain under central government authority, including: foreign policy, defense and security, judicial administration, fiscal and monetary policy, and religious affairs. Each province, regency, and city may enact Regional Regulations (Peraturan Daerah or Perda), which serve as local legislation implementing national laws within their jurisdiction.

Special autonomy is granted to several regions with unique political and cultural contexts, including:

- a. Special Capital Region of Jakarta (DKI Jakarta), currently the national capital and governed under a special law providing distinct administrative arrangements.
- b. Special Region of Yogyakarta (DIY), where the Governor is traditionally the reigning Sultan of Yogyakarta, as recognised under Law No. 13 of 2012 on the Privileges of Yogyakarta.
- c. Special Region of Aceh, which implements Islamic law (Syariat Islam) under Law No. 11 of 2006 on the Government of Aceh, as most recently amended by Law No. 7 of 2017.
- d. Papua and West Papua Provinces, which enjoy broad special autonomy and revenue-sharing privileges under Law No. 21 of 2001 as amended by Law No. 2 of 2021 on Special Autonomy for Papua.



# B. Legal and regulatory overview of conducting business in Indonesia

## 1. Getting the business started

Indonesia has become a favoured investment destination since the country has a young workforce, abundant natural resources, and a growing local market. The Indonesian government has been working to attract more investment by expanding investment opportunities for foreign investors, including specific schemes for the development of Indonesian natural resources and the provision of public infrastructure.

Despite the government's objective of boosting foreign investment, the regulation of foreign direct investment includes several protections for local businesses, labour/workforce, goods and services, and requirements for minimum local ownership.

Under the applicable laws, a foreigner or foreign company may set up a presence in Indonesian by means of setting up a representative office (Rep-Office), or a limited liability company (known as a Foreign Direct Investment company — Penanaman Modal Asing or PMA company).

Any proposed foreign direct investments that are carried out through a PMA company may be conducted either by way of acquiring shares in an existing local company or establishing a new company.

Foreign investors may also carry out business in Indonesia through several types of representative offices, such as the foreign company representative office (KPPA), foreign trade company representative office (KP3A), foreign trade company representative office in the field of electronic commerce (KP3A PMSE), construction service provider representative office, and foreign electrical power support representative office. We will discuss these in turn.

### Foreign company representative office and foreign trade company representative office

The main purpose of a foreign company representative office is to market and promote the interests of its principal company, liaise with affiliates and engage in other non-profit activities (e.g., procuring goods, giving presentations and conducting market research). KPPA is prohibited by law from engaging in profit-making activities in Indonesia, including entering into any agreements/sale and purchase transactions for goods and commercial services with local companies or individuals.

On the other hand, the main purpose of KP3A is to market and promote the interests of the foreign trading company which acts as the principal of the KP3A. It is noteworthy that the KP3A is only available if the principal is a trading company. KP3A is prohibited from conducting direct trading and sales-purchase activities, including participating in tenders, signing any contracts, settling any claims, and conducting any activities related thereto.

An application for the establishment of a KPPA and KP3A can be conducted through an online system, namely the Online Single Submission System (OSS System). Both types of representative office are intended to market and promote the principal foreign company's interests, liaise with relevant affiliates and engage in other non-profit activities.

These representative offices could purchase items and enter into contracts but are restricted from making a profit by engaging in business activities in Indonesia.

### Foreign trade company representative office in the field of electronic commerce

A foreign trade company representative office in the field of electronic commerce (Kantor Perwakilan Perusahaan Perdagangan Asing di Bidang Perdagangan Melalui Sistem Elektronik or KP3A PMSE) is a representative office of a foreign trading company that serves as its local representative in Indonesia. KP3A PMSE may only act as and on behalf of the represented company in matters related to consumer protection, domestic products competitiveness guide, and dispute resolution.

Under Indonesian law, foreign trading companies are required to establish a KP3A PMSE in Indonesia if they meet any of the following criteria:

- a. have conducted transactions with at least 1,000 (one thousand) consumers within a period of 1 (one) year;
- b. have delivered at least 1,000 (one thousand) packages to consumers within a period of 1 (one) year; and/or
- c. have reached a traffic volume or number of visitors equal to at least 1% (one per cent) of domestic internet users within a period of 1 (one) year.

KP3A PMSE may only represent one foreign company and may only be located in the provincial capital and/or regency/city capitals throughout Indonesia. In conducting its activities in Indonesia, KP3A PMSE is required to obtain a Business Licence for Foreign Trade Company Representative Office in the field of Electronic Commerce (Surat Izin Usaha Perwakilan Perusahaan Perdagangan Asing di Bidang PMSE or SIUP3A PMSE) which can be acquired through the Online Single Submission System (OSS System).

#### **Construction service provider representative office**

A foreign construction company (Badan Usaha Jasa Konstruksi Asing or BUJKA) may establish its presence in Indonesia in the form of a representative office (Badan Usaha Jasa Konstruksi Asing Representative Office or BUJKA RO) in order to participate in and bid for potential projects and carry out construction services in Indonesia. BUJKA RO may be a profit-generating operation, which is different to a regular foreign company representative office or a foreign trade company representative office.

Prior to performing construction services, a BUJKA RO is required to obtain the relevant licences through the OSS system. The BUJKA RO may only carry out construction services in a high-risk, high-tech, and/or high-cost market segment with large business entity qualifications. In addition, BUJKA RO must also enter into a joint operation with a local construction company (Badan Usaha Jasa Konstruksi Nasional or BUJKN) with a large business entity qualification for implementing any construction services in Indonesia. The portion of construction works that must be performed by the BUJKN as a joint operation partner are as follows:

- in terms of construction work and integrated construction work, a minimum of 30% of the work value must be carried out by the BUJKN, and 50% of the work must be performed in Indonesia; and
- in terms of construction consultancy, a minimum of 50% of the work value must be carried out by the BUJKN, and all works must be performed in Indonesia.

#### **Foreign electrical power supporting services representative office**

A foreign electrical power supporting services company may perform its business activity in Indonesia by way of establishing a representative office. Similar to BUJKA RO, the foreign electrical power supporting services representative office may also perform income-generating activities.

In performing its business activity, a foreign electrical power supporting services representative office is required to obtain Business Entity Certification and an Electrical Power Supporting Services Business Licence and shall only be engaged in high-cost business activities relating to consultation for electrical power plant, construction and installation of electrical power plant, and maintenance of electrical power plant, subject to the additional requirements as follows:

- may only carry out high-value electrical power supporting services activities such as construction and installation of electrical power plant with the minimum project value of IDR100 billion; and
- may only carry out high-value electrical power supporting services activities relating to consultation services for the installation of electrical power plant or maintenance of electrical power plant with the minimum project value of IDR10 billion.

#### **Limited liability companies**

In the context of investment, Indonesian companies are categorised as follows:

- Foreign capital investment company (PMA company): having foreign shareholding with a certain minimum capital requirement established by a minimum 2 (two) shareholders, entitled to fiscal incentives and other investment incentives, registered with the Ministry of Law (MOL) and the OSS System, licenced by the OSS Institution (currently the Institution is managed by BKPM) and/or other relevant sectoral authorities.
- Domestic capital investment company (PMDN company): having only domestic shareholding established by a minimum 2 (two) shareholders, entitled to fiscal incentives and other investment incentives, registered with MOL and the OSS System, licenced by the OSS Institution (currently the Institution is managed by BKPM) and/or other relevant sectoral authorities.

In practice, a foreign company intending to carry out business activities in Indonesia that are open for foreign investment would do so by establishing a PMA company or acquiring an equity stake in an Indonesian company. To carry out business in Indonesia, foreign companies must obtain sector-specific licences, depending on the business activity. Each business may face additional requirements based on its specific industry and location.

### State-owned enterprises

According to Indonesia prevailing laws and regulations, state-owned enterprise (Badan Usaha Milik Negara or BUMN) is a business entity which meets at least one of the following: (i) all or a majority of its capital is owned by the Republic of Indonesia through direct participation; or (ii) there are special rights held by the Republic of Indonesia. There are two types of state-owned enterprises which are:

- a. Persero is a BUMN in the form of a limited liability company whose primary objective is to pursue profit; and
- b. Perum is an entity wholly owned by the national government (without share capital), for the purpose of providing public services.

However, in practice, the nature between such two types of state-owned enterprises may be biased due to being assigned by the government to act as a pioneer in the less desirable business sector, implementer of public services, balance the power of the large private sector and develop small business/cooperatives.<sup>93</sup> They are subject to government regulations and policies, ensuring alignment with national interests.

In line with the Government of Indonesia's ongoing policy to enhance the governance, efficiency, and accountability of State-Owned Enterprises, the Government of Indonesia has enacted Fourth Amendment to Law No. 19 of 2003 on State-Owned Enterprises. This amendment represents a significant milestone in the comprehensive reform of the BUMN management framework.

Through the Fourth Amendment, the Government has redefined the institutional structure of BUMN oversight by establishing the Management Boards of State-Owned Enterprises (Badan Pengaturan Badan Usaha Milik Negara or BP BUMN) as the successor to the Ministry of State-Owned Enterprises. The BP BUMN is mandated to formulate policies, conduct regulation, and oversee the strategic direction of the BUMN sector in alignment with national development priorities.

Furthermore, the Fourth Amendment further regulates Badan Pengelola Investasi Daya Anagata Nusantara ("BPI Danantara"), which was first mentioned in the Third Amendment to Law No. 19 of 2003 on State-Owned Enterprises. BPI Danantara is entrusted with the functions of managing and supervising BUMN through its subsidiary entities, namely Investment Holdings and Operational Holdings. Under this structure, regulatory authority rests with BP BUMN, while the management, investment, and operational oversight of BUMN are implemented by BPI Danantara, ensuring a clear delineation between policymaking and enterprise management functions.

This reorganisation is intended to strengthen the performance, transparency, and competitiveness of BUMN, while optimising their contribution to national economic growth and public welfare in accordance with the principles set forth under Law No. 19 of 2003 and its amendments.

### Regional-owned enterprises

Local governments are authorised to establish regional-owned enterprises (Badan Usaha Milik Daerah or BUMD). In practice, there are two forms of regional-owned enterprises, which are regional-owned companies 'for profit' (Perusahaan Perseroan Daerah) and companies carrying out a public function (Perusahaan Umum Daerah).

### Village-owned enterprises

Indonesian traditional communities may individually or jointly form village-owned enterprises (Badan Usaha Milik Desa or BUMDes) to manage businesses, utilise assets, develop investment and productivity and provide services and/or other business activities to achieve the welfare of local communities. Village-owned enterprises are given more flexibility in managing their assets and business by enabling them to set up business units in the form of single-shareholder limited liability companies in accordance with their needs and goals. Such flexibility is given by the issued Omnibus Law that will be specifically discussed hereunder.

### Public service agencies

An office or working unit within a government institution, both national and regional, may establish a public service agency (Badan Layanan Umum or BLU) to provide services to the public on a non-commercial basis, which will be in the form of sales of goods and/or services. Examples of BLU are the Indonesia Investment Agency (Pusat Investasi Pemerintah or PIP) and BLU Transjakarta, a BLU that was established to operate and manage Jakarta's bus rapid transit system.

### Positive investment list

On 2 February 2021, President Jokowi enacted new Presidential Regulation No. 10/2021 as amended by Presidential Regulation No. 49/2021 on Investment in Business Sectors (the Positive Investment List). The Positive Investment List is a government policy aimed at opening more sectors of the economy to foreign investment, and it significantly reduces the number of sectors that were previously closed or restricted to foreign investment, which were previously outlined in the Negative Investment List (as regulated under now-revoked Presidential Decree No. 44/2016). The Positive Investment List allows for increased levels of foreign ownership in many sectors, sometimes up to 100% (one hundred per cent), which was previously capped at lower percentages.

Business sectors that are open to foreign investment under certain conditions or closed to foreign investment completely are primarily identified by the Positive Investment List. Business sectors that are not identified in the Positive Investment List are generally considered to be open to foreign investment without restriction unless another law and/or regulation provides otherwise.

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<sup>93</sup> Under Indonesian company law concept, the main purpose and objective of a limited liability company is to generate profit and conduct business activities based on its KBLI (Indonesia Classification Business Code) as mentioned in Articles of Association. However, SOE companies which have a "Persero" status, such may also have public service obligations as assigned by the government.

Previously, the Negative Investment List summarised business activities that were closed or partly open to foreign investment. With the current Positive Investment List, the general principle is that all lines of businesses are 100% open to foreign investment except for those restricted or limited under the Positive Investment List.

Foreign ownership restrictions under the Positive Investment List:

- a. Business activities that are reserved for domestic investors (cooperatives and small-medium enterprises).
- b. Business activities that are open to foreign ownership with limitations;
- c. Business activities that are subject to special licensing requirements; or
- d. Business activities that are limited and closely monitored and regulated in separate laws and regulations in the field of control and supervision of alcoholic beverages.

The conditions for foreign investment imposed by the Positive Investment List include the imposition of a maximum amount of foreign shareholding, requiring a local partner, reserving certain areas for micro-, small- and medium-sized enterprises and cooperatives, and imposing special licensing requirements. Despite its objective to promote investment in Indonesia, the issued Omnibus Law also adds certain types of restricted sectors/business activities into the Positive Investment List due to their harmful nature.

The Omnibus Law restricts businesses from undertaking the following activities: (i) cultivating and producing class 1 narcotics; (ii) gambling / casinos; (iii) fishing certain types of fish species listed in Appendix I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); (iv) making use of and collecting any living/recently-dead coral (including natural coral) for building materials / lime / calcium / aquariums / souvenirs / jewellery; (v) manufacturing chemical weapons; and (vi) manufacturing industrial chemicals and ozone-depleting substances. Further, the Omnibus Law also prohibits private businesses from conducting certain business activities that may only be carried out by the central government.

The Positive Investment List acknowledges business sectors that are generally based on the Indonesian Standard Industrial Classifications (Klasifikasi Baku Lapangan Usaha Indonesia or KBLI). The KBLI have been developed with reference to, among others, the International Standard Industrial Classification of All Economic Activities (ISIC) of the United Nations and the ASEAN Common Industrial Classification. The KBLI is periodically updated, with the most recent version (as of this publication) having been enacted on 24 September 2020.

BKPM determines the appropriate business sector for a proposed investment as part of its review and processing of registrations and approvals. Some proposed business activities may not clearly fall into one category in the Positive Investment List (Daftar Positif Investasi or DPI) or KBLI; either multiple categories may appear to apply, or the business activity does not appear to fit in any category. In such

cases, investors are well advised to seek a preliminary opinion from BKPM before lodging a formal application.

Aside from restrictions under the Positive Investment List, laws and regulations may have further restrictions and conditions on foreign involvement in certain business sectors. Such conditions may include special licensing regimes for foreign entities, capacity/output requirements or personnel requirements. Consequently, the legal feasibility of a proposed foreign investment should be assessed with reference to both the Positive Investment List and applicable sectoral regulations.

The Positive List also introduces 246 (two hundred forty-six) "Priority Sectors" consisting of several lines of businesses focusing on research and development, and involving a pioneer industry, such as metals, oil refinery, renewables and marine transportation.

Foreign business actors investing in the Priority Sector will be eligible to receive fiscal incentives (such as tax holidays, tax allowances and tax import-duty exemptions) and/or non-fiscal incentives, such as ease of submission of licences, work permits, energy, raw-materials, labour and infrastructure subject to the prevailing laws and regulations.

### Prohibition on nominee arrangements

Law No. 25/2007 on Investment as amended with Law No. 6 of 2023 on Enactment of Regulation of the Government in Lieu of Law Number 2 of 2022 on Job Creation into Law (the 2007 Investment Law), as further strictly restricts arrangements where a person holds shares in a company for the benefit of another person. Such arrangements are deemed null and void by law. Nominee arrangements involve an Indonesian individual or entity holding shares or ownership on behalf of a foreign party, essentially acting as a "proxy" owner to circumvent foreign ownership restrictions. This restriction applies both to PMA companies and to domestically owned companies. However, the main purpose of the restriction on nominee arrangements is to prohibit arrangements that might be made to circumvent Indonesia's foreign investment restrictions, by having a domestic party hold shares on behalf of a foreign investor.

In the spirit of promoting beneficial ownership disclosure, the Government through Presidential Regulation No. 13/2018 on the Application of the Principle of Identifying the Beneficiary of the Corporate in the Framework of the Prevention and Eradication of the Crime of Money Laundering and the Criminal Action of the Financing of Terrorism, has required any form of entities (either limited liability company, foundation, association, cooperative, limited partnership, commercial partnership, and other forms of entities) to implement what so-called "know your beneficial ownership" principle. Any violation of this regulation may be imposed on sanctions based on prevailing laws and regulations.

### Establishing a PMA company

A PMA company may only be established to carry out a particular “line of business” as stated in its articles of association upon obtaining investment licences issued through the OSS system. Previously, PMA companies shall be established with at least IDR10 billion issued and paid-up capital for each business activity (or as determined otherwise by the relevant regulation) and greater than IDR10 billion of investment value (excluding land and building). Since the enactment of BKPM Regulation No. 5/2025, PMA companies are required to have minimum issued and paid-up capital of IDR2.5 billion (or as determined otherwise by the relevant regulation). Meanwhile, the investment value requirement remains consistent with the previous provision. PMA companies shall still provide an amount greater than IDR10 billion of investment value (excluding the land and building) per 5 (five) digit KBLI code for each of their project location. PMA companies are subject to foreign ownership threshold under the Indonesia Positive Investment List with reference to the KBLI.

Foreign investors need to carry out the following steps, amongst others, in order to establish a PMA company:

- Execute the deed of establishment and the articles of association of the PMA company before a public notary;
- Have the notary process the deed of establishment with the MOL through its electronic filing system, (AHU Online), and arrange for publication of the deed of establishment in the State Gazette (Berita Negara Republik Indonesia);
- Open an Indonesian bank account and deposit share capital in said account;
- Obtain a company's Taxpayer Registration Number (Nomor Pokok Wajib Pajak) and Taxpayer Registration Certificate (Surat Keterangan Terdaftar Wajib Pajak); and
- Obtain a certificate of domicile (not applicable in DKI Jakarta).

Subsequent to the incorporation process, the company needs to obtain various licences, permits and approvals necessary to enable it to commence commercial operations, employ personnel, commence construction, import capital goods and carry out other activities. These include Business Identification Number (Nomor Induk Berusaha or NIB), which serves as Company Registry Certificate (Tanda Daftar Perusahaan or TDP), Import Identify Number (Angka Pengenal Impor or API) and Customs Access (Akses Kepabeanan). This is aligned with the provision of the Omnibus Law that has ended the previous requirement for companies to obtain a separate TDP by revoking Law No. 3/1982 on Company Registration Obligation. Additionally, PMA companies may subject to fulfil Basic Requirements in order to carry out their business activities (unless stated otherwise in the regulation), as regulated by GR No. 28/2025 on the Organisation of Risk-Based Business Licensing.

Prior to 2007, the now-revoked BKPM principal licence would include a requirement that a portion of the PMA company's shares must be divested to Indonesian shareholders after a certain period (generally 15 (fifteen) years after the commencement of commercial operations). The 2007 Investment Law removed the general divestment requirement for a PMA company. However, a PMA company incorporated before the promulgation of the 2007 Investment Law may still be subject to the divestment requirement and companies operating in regulated industries (such as mining) may be subject to divestment requirements specific to their industry.

Within the newly enacted BKPM Regulation No. 5/2025 on Guidelines and Procedures for Implementing Risk-Based Business Licensing and Investment Facilities Through an Electronically Integrated Business Licensing System (Online Single Submission), it is required by PMA companies to fulfil the divestment obligation stated in the previous approval/business licence regime according to its determined period. The shares may only be divested to Indonesian citizens or 100% Indonesian-owned companies. There are two ways of conducting the divestment, namely by way of direct sale of shares or through the Indonesian capital market. Furthermore, the regulation opens up the opportunity to conduct a share buyback, subject to MOL approval and complying with prevailing laws and regulations.

There are exemptions for the mandatory divestment that may only be implemented after fulfilling the following requirements:

01. If the PMA company is not a 100% foreign-owned company, the Indonesian shareholder(s) is required to confirm that it is not interested in owning the shares; and
02. If the PMA company is a 100% foreign-owned company, the shareholders should state that they do not have any commitments/agreements to sell the shares to any Indonesian third party.

**Figure 22: Timeline for the establishment and basic licensing of a PMA company**

No.	Work description	First month				Second month				Third month			
		1	2	3	4	1	2	3	4	1	2	3	4
1	Company name selection	█											
2	Drafting and preparing the draft Deed of Establishment (DOE) of the PMA Company	█	█										
3	Finalising and executing the DOE of the PMA Company		█										
4	Obtaining the ratification of incorporation of the PMA Company issued by MOL and arranging announcement of PMA Company's legal entity in the State Gazette		█										
5	Investment database registration on the OSS system			█									
6	Obtaining Business Identification Number (NIB) (including obtaining of Company Registration Certificate (TDP), General Importer Identification Number (Angka Pengenal Importir or API), and customs access ( <i>akses kepabeanan</i> ).			█									
7	Obtaining Taxpayer Identification Number (NPWP)			█		█							
8	Opening Company's bank account (timeline and required documents would depend on the relevant bank)			█		█							
9	Obtaining Taxable Entrepreneur Confirmation (Surat Pengukuhan Pengusaha Kena Pajak or SPPKP)					█	█						
10	Obtaining Business Licence (not effective yet)					█							
11	Fulfilment of commitments as set out in the Business Licence, including Operational/ Commercial Licence (as necessary)					█	█	█	█				
12	Obtaining Business Licence (effective)												█

**Note:** In practice, the time required to complete the PMA's establishment and obtain all licences will be subject to the availability of documents required by the relevant authority. The application shall be processed after the documents are deemed complete by the authority.

## Omnibus Law

On 2 November 2020, the Indonesian government enacted the Omnibus Law — a much-anticipated piece of Indonesian legislation that had been long awaited by various stakeholders, including Indonesian business owners who are seeking a more business-friendly environment to boost Indonesian economic growth and investment. The primary purpose of the Omnibus Law is to create greater job opportunities for Indonesians by promoting greater investment growth. Prior to the promulgation of the Omnibus Law, the regulatory framework for business and investment affairs included many instances where regulations overlapped with one another which resulted in slow economic growth and a lack of job opportunities.

The Indonesian government intends to make the Omnibus Law a single legal instrument that amends or removes all the provisions in several existing regulatory frameworks that hinder investment. The Omnibus Law seeks to amend, delete, and/or add any provisions in 78 (seventy-eight) existing laws that cover various sectors. The law comprises 15 (fifteen) Chapters with 186 (one hundred eighty-six) Articles which cover 10 (ten) primary “clusters” that deal with the following matters:

- a. Investment ecosystem and business improvement.
- b. Employment.
- c. Facilities, protection, and empowerment of cooperatives as well as micro, small and medium enterprises.
- d. Ease of doing business.
- e. Research and innovation support.
- f. Land acquisition.
- g. Economic zone.
- h. Central government investment and acceleration of national strategic projects.
- i. Government administration implementation to support job creation; and
- j. Imposition of sanctions.

With regards to the investment and licensing aspects which will directly impact business sectors, the Omnibus Law introduces substantial breakthroughs that will reduce the burden on businesses in carrying out their businesses in Indonesia. In terms of licensing requirements, businesses may expect a much simpler licensing regime. Unlike the previous regime, the requisite licences for each business will be determined based on the risks and potential risks posed by the business activities. By taking health, safety, environment, and resources aspects into account, the Omnibus Law differentiates business risks into 3 (three) categories, as follows:

### Low-risk business activities

Business activities that are classified as low-risk business activities will only be required to obtain a Business Identification Number (NIB) that serves as proof of registration to carry out business activities.

### Medium-risk business activities

This category consists of medium-low-risk business activities and medium-high-risk business activities. Business activities that are classified as medium-low and medium-high risk business activities are required to obtain NIB and a Standard Certificate (Sertifikat Standar).

It is noteworthy, however, that the Standard Certificates for medium-low and medium-high business activities are different. The Standard Certificate for medium-low-risk business activities serves as a statement from the entrepreneur that it has fulfilled all requirements to conduct business activities, while the Standard Certificate for medium-high-risk business activities serves as a verification of the fulfilment of requirements to conduct business activities issued by the central/regional government.

### High-risk business activities

Business activities that are classified as high-risk business activities are required to obtain NIB and a licence. The licence is granted by the central/regional government to carry out business activities. The licence must be obtained prior to conducting the business activities.

The risk-based licensing regime will streamline the complexity of licensing requirements under the preceding regulatory framework. Under this approach, not all business activities are required to obtain business licences.

The Omnibus Law also streamlines licensing requirements in 15 (fifteen) sectoral laws and regulations. With the enactment of Government Regulation Number 28 of 2025 on the implementation of Risk-Based Business Licensing, as one of the implementing regulation of Omnibus Law, there is an addition of new sectors bringing the total of 22 sectors. Under the Omnibus Law, businesses will only be required to obtain a single business licence (subject to the risk-based licensing regime explained above) granted by the central government to carry out their commercial activities. The sectors cover the following:

- a. Marine affairs and fisheries.
- b. Agriculture.
- c. Forestry.
- d. Energy and mineral resources.
- e. Nuclear.
- f. Industry.
- g. Trade and legal metrology
- h. Public works and public housing.
- i. Transportation.
- j. Health, medicine, and food.
- k. Education and culture.
- l. Tourism.
- m. Religious affairs.
- n. Postal, telecommunications and broadcasting.
- o. Defence and security.
- p. Creative Economy.
- q. Geospatial Information.
- r. Manpower.
- s. Cooperatives.
- t. Investment.
- u. Electronic System and Transaction Implementation.
- v. Environment.

Other than business licensing streamlining, the Omnibus Law also presents investment-related breakthroughs that will be discussed separately in each relevant section hereunder. However, please note that many of the provisions introduced by the Omnibus Law requires follow-up implementing regulations to become fully effective. To date, there are more than 45 (forty five) implementing regulations of Omnibus Law. In essence, messages from the Indonesian government are clear that Omnibus Law and its implementing regulations are intended to accelerate and provide a more friendly investment and business climate to support further growth of the Indonesian economy.

On 25 November 2021, the Indonesian Constitutional Court rendered Decision No. 91/PUU-XVII/2020 ("MK Decision") in relation to a petition filed on 15 October 2020 for a formal judicial review of the Omnibus Law. The Constitutional Court has now ruled that the enactment of the Omnibus Law contravened the 1945 Constitution of the Republic of Indonesia due to legislative procedural errors. Therefore, the Court further ruled that the Indonesian Government is required to implement a corrective action to correct the flaws in the Omnibus Law.

The MK Decision further states that a revision must be completed by the Indonesian Government within 2 (two) years after the MK Decision was rendered or otherwise, the Omnibus Law shall be deemed permanently unconstitutional.

As such, it is understood that the Omnibus Law along with those implementing regulations that have been enacted to date will remain in force for the next 2 (two) years. Eventually, the implementation of Omnibus Law has finally been updated with the issuance of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation which was issued on 30 December 2022. As of 31 March 2023, Omnibus Law has been finalised as regulation by Law No. 6 of 2023 on Enactment of Regulation of the Government in Lieu of Law Number 2 of 2022 on Job Creation into Law.

Despite the fact that Omnibus Law aims to address regulatory complexities, providing a more conducive environment for economic growth, however it has sparked debate, particularly among labour groups and environmentalists.

### Indonesian Company Law

An Indonesian limited liability company (Perseroan Terbatas) is a legal entity governed by the Company Law which is separate from its shareholders. Upon approval of the company's establishment by the MOL, the limited liability of the shareholders becomes effective. During the period from when the articles of association of the company are signed until prior to obtaining approval from the MOL, the founders of the company are considered to be partners and may still be held liable for the obligations of the proposed company. In practice, a newly established company will adopt any obligations of the founders shortly after the minister's approval is obtained and ratify such assumption of obligations in the first general meeting of shareholders of the newly established company.

The Company Law recognises the concept of "piercing the corporate veil", by which a shareholder may be held liable for fraud or other wrongful acts committed in the name of the company. A shareholder may be held liable for the company's acts if the requirements to form the company as a statutory body are not fulfilled; a shareholder directly or indirectly, with bad intention, utilises the company for personal interests; a shareholder is involved in an unlawful act committed by the company; or the shareholders, directly or indirectly, unlawfully use the assets of the company, which causes the assets of the company to become insufficient to settle the liabilities of the company.

By the governance of the Omnibus Law, a limited liability company may also be established by 1 (one) founder under certain requirements. The Omnibus Law adds new types of limited liability companies that are exempted from the minimum of 2 (two) shareholders' requirements. Limited liability company whose shares are wholly owned by the state, Regional-owned enterprises, village-owned enterprises, company that manages stock exchanges, clearing and assurance agency, depository and settlement institutions, and other institutions in accordance with the provisions of laws and regulations in the capital market sector, and companies that meet the criteria of micro-small enterprises may be formed by a single individual. As such, it is now allowable for an individual to form a single-shareholder legal entity in the form of a limited liability company if the business is classified as a micro and small enterprise by registering a Statement of Establishment to MOL. The criteria of micro and small enterprises will be based on the net worth and annual sales revenue of the business, including the number of shareholders. It is noteworthy, however, that when such a company is no longer classified as a micro and small enterprise and/or has more than 1 (one) shareholder, it shall be reclassified as an ordinary type of limited liability company.

### Corporate governance

The activities of an Indonesian company are governed by three bodies, namely: the Board of Directors, the Board of Commissioners and the General Meeting of Shareholders. The Board of Directors is responsible for the day-to-day management of the company. The Board of Commissioners is responsible for the supervision of the management of the company and advising the Board of Directors. The General Meeting of Shareholders has all the authorities that are not given to the Board of Directors or Board of Commissioners within the limits provided in the Company Law and/or the articles of association.

### Board of Directors

The Board of Directors shall serve as the management of the company. The Board of Directors shall consist of at least one member (except for a company whose line of business is in the collection and/or management of the public's funds. A company that issues acknowledgments of indebtedness to the public or is a listed company shall have at least 2 (two) members of the Board of Directors).

Members of a Board of Directors shall be appointed for a certain period and may be re-appointed. If there is a change in the composition of the Board of Directors (either by way of a new appointment, replacement or dismissal), the Board of Directors shall notify the Ministry of Law no later than 30 (thirty) days from the GMS date approving such appointment, replacement or dismissal. Furthermore, the Board of Directors is also required to report his/her shares ownership and/or their families in the respective company and other company, to be later registered in the Special Register of the company.

In addition, specific industry and sectoral regulations may also require a minimum number of members of the Board of Directors in a particular company, for example, an insurance company would need to have at least 3 (three) directors and one of whom shall be a director specifically in charge of compliance matters.

### Board of Commissioners

The Board of Commissioners shall be responsible for the supervision of the company's management policies, and course of management in general, including with respect to the company as well as its business activities, and provide advice to the Board of Directors. The Board of Commissioners shall consist of at least 1 (one) member. The articles of association of a company may stipulate the presence of an independent commissioner who is selected from a person who is not affiliated with any of the shareholders, Board of Directors and other members of the Board of Commissioners.

Members of the Board of Commissioners shall be appointed for a certain period and may be re-appointed. If there is a change in the composition of the Board of Commissioners (either by way of a new appointment, replacement or dismissal), the Board of Directors shall notify the MOL no later than 30 (thirty) days from the GMS date approving such appointment, replacement or dismissal. Furthermore, the Board of Commissioners is also required to report his/her shares ownership and/or their families in the respective company and other company, to be later registered in the Special Register of the company.

Similar to the above, specific industry and sectoral regulations, such as those applied in the insurance sector, may also require a minimum number of members of the Board of Commissioners (i.e., a minimum 3 (three) commissioners, half of whom shall be independent commissioners, for an Indonesian insurance company) which need to be complied with.

### Corporate social responsibility

Corporate Social Responsibility (CSR) is mandated under several legislative frameworks, and CSR rules are particularly stringent for companies operating within natural resources sectors, such as mining, oil and gas, and plantations. CSR in Indonesia seeks to balance economic growth with social welfare and environmental sustainability, encouraging companies to contribute positively to society. The enforcement of CSR varies, with ongoing efforts to strengthen regulatory frameworks and ensure effective implementation across sectors. Such companies are also required to include a report on the implementation of the CSR programme in the company's annual report and such CSR report must be disclosed to the shareholders. Furthermore, PMA Company is obliged to report CSR implementation as part of the Investment Activity Report (Laporan Kegiatan Penanaman Modal or LKPM) submitted by the companies to the authorities.

### Capitalisation and shareholding structure of a private company

The Company Law initially provides that the minimum authorised capital of an Indonesian company is IDR50 million (approximately US\$3,000) and at least 25% (twenty five per cent) of such authorised capital must be fully paid-up. That requirement, however, has been updated by the Omnibus Law and Government Regulation No. 8/2021 regarding the Company Authorised Capital and Registration for Establishment, Change, and Dissolution of Companies Classified as Micro and Small-Scale Enterprise, which sets out that the authorised capital of a limited liability company shall be based on the agreement of the company's founders. As such, the founders will have flexibility in determining the authorised capital when establishing a limited liability company depending on the company's needs and objectives. Certain sectors, however, may impose higher capital requirements.

For a PMA company, the requirement has been updated under the newly enacted BKPM Regulation No. 5/2025 regarding Guidelines and Procedures for Implementing Risk-Based Business Licensing and Investment Facilities Through an Electronically Integrated Business Licensing System (Online Single Submission). This regulation amends the investment value requirements for foreign investment that were previously regulated under BKPM Regulation No. 4/2021.

In general, the minimum issued and paid-up capital to establish a PMA Company is IDR2.5 billion or its equivalent value, while the minimum investment value must exceed IDR10 billion. The funding realisation may consist of: (i) capital; (ii) loan; (iii) retained earnings; or (iv) share agio (retained earnings and share agio are applicable for business expansion). Meanwhile, the investment value may consist of: the value of equipment, working capital for one year, and other investments excluding land and buildings. Please note that BKPM may require higher capital for PMA companies depending on their proposed investment.

The share capital may be paid up in the form of money and/or in other forms which shall be specified based on a reasonable value determined in accordance with market prices or by an expert (appraiser) not affiliated with the Company. The shares paid up in the form of immovable property must be announced in 1 (one) or more Newspapers within a period of 14 (fourteen) days after the deed of establishment is signed or after the General Meeting of Shareholders resolves on the relevant subscription.

The capital of a company may be increased upon approval of the general meeting of shareholders and such increase shall be reported to the Minister of Law. All shares issued for the increase of capital must first be offered to each of the existing shareholders in proportion to their ownership of shares with the same classification (pre-emptive rights).

A company may also make a reduction of capital. Reduction of capital may be made upon approval from a general meeting of shareholders. Such general meeting of shareholders shall be communicated to all creditors by the Board of Directors by an announcement in one or more newspapers within a period of no later than 7 (seven) days from the date of such general meeting. Within a period of 60 (sixty) days from the date of the announcement, the creditors may submit written objections to the resolution to reduce capital together with the reasons thereof to the company (copied to the Minister of Law), and the company shall respond within 30 (thirty) days thereafter. The capital reduction constitutes an amendment of articles of association which must have approval from the Minister of Law. The capital reduction may be made by way of the withdrawal of shares or a reduction in the nominal value of shares.

The Company Law requires that every limited liability company shall have at least 2 (two) shareholders. The company's paid-up capital shall be divided into shares, which reflect the portion of the company's ownership.

The value of shares must be stated in Rupiah and shall have a nominal value that can be issued. All shares issued shall be recorded in a shareholder register which should be maintained by the Board of Directors and such relevant shareholders shall be given evidence of share ownership (a share certificate). In addition, the Board of Directors shall also make and keep a special register that contains information regarding shares in the company or in other companies owned by the members of the Board of Directors and Board of Commissioners together with their families and the date when such shares were obtained.

A share shall give the owner the right to attend and cast one vote in the general meeting of shareholders (although it is possible for the creation of shares that do not give the owner any voting rights) and receive payment of dividends and the remainder of assets from liquidation.

### 2. Joint ventures

Incorporated joint ventures involving a foreign investor may be established either through the formation of a new PMA company (in the case of 'greenfield' projects and new business operations) or through the foreign investor acquiring a stake in an existing company.

The parties to the incorporated joint venture typically enter into a joint venture agreement or shareholders' agreement to supplement the governance arrangement set out in the company's articles of association. There are no particular requirements for such agreement except that its terms must not contravene the applicable laws, particularly the mandatory corporate governance requirements of the Company Law, the applicable foreign investment regulations (including foreign ownership restrictions), or matters of public policy.

It is increasingly common for agreements involving foreign parties (including joint venture or shareholders' agreement) involving foreign parties to be made in dual language (English and Bahasa Indonesia), in compliance with the Law No. 24/2009 in conjunction with Presidential Regulation No. 63/2019 and for such agreements to be governed by Indonesian law (even where a choice of foreign law clause would be enforceable). Commonly, these agreements will include an arbitration clause, with parties tending to select regional arbitral forums. Indonesian investors and/or state-owned enterprises have exhibited a strong preference for BANI arbitration (domestic arbitration).

Joint ventures remain a strategic option for foreign investors wishing to leverage local expertise while tapping into the growing Indonesian market. Investors should focus on finding the right local partners and staying abreast of regulatory changes to ensure long term success.

### 3. Mergers and Acquisitions (M&As)

The Company Law regulates mergers, consolidations, acquisitions and splits of companies. Mergers generally are permitted with the consent of 75% of the shareholders with the voting rights. Some protection for minority shareholders is provided, particularly with respect to the share sale price, which must be "fair." In case of a merger, unless the surviving company retains its name and management, the merged entity must adopt a new name and management.

Mergers of limited liability companies are possible where one or more companies are merged into a single surviving company (with the simultaneous and automatic dissolution of the other company or companies). In a consolidation, two or more companies merge into a new entity and each of the original companies is automatically dissolved; in an acquisition, an individual or legal entity takes over all or generally more than 50% of the shares of a company, resulting in a transfer of control.

Under Law No. 5/1999 regarding Restriction of Monopoly Practices and Unfair Business Competition (most recently amended by Law No. 6/2023) in conjunction with KPPU Regulation No. 3/2023 regarding the Assessment of Merger, Consolidation, or Acquisition of Shares and/or Assets Which may Result in Monopolistic Practices and/or Unfair Business Competition (the Competition Law), a company is required to report mergers, consolidations or acquisitions to the Business Competition Supervisory Commission (Komisi Pengawas Persaingan Usaha or KPPU), so long as the transaction meets the criteria set out below:

- a. The combined value of the assets of the relevant business actors would be more than IDR2.5 trillion (or IDR20 trillion for banks);
- b. The combined value of the turnover of the relevant business actors would be more than IDR5 trillion;
- c. There is a change of control;
- d. The transaction is not between affiliated business actors; and
- e. The transaction is between business actors who have assets and/or turnover in Indonesia.

The business entity has an obligation to notify KPPU after the merger, consolidation, or acquisition becomes effective (or obtains the approval of the Minister of Law for a private company, or OJK approval for a public company pursuant to OJK Regulation No. 74/POJK.04/2016 as amended by OJK Regulation No. 58/POJK.04/2017). The business entity also has a right to consult with KPPU before the merger, consolidation, or acquisition becomes effective (pre-evaluation), should the company suspect that it meets the threshold as mentioned above.

The notification must be submitted at the latest 30 (thirty) days after the merger, consolidation, or acquisition becomes effective. KPPU has the authority to impose monetary fines from IDR1 billion to IDR25 billion on a business entity that does not fulfil the applicable reporting obligations.

The M&A procedures differ significantly between publicly listed companies and limited liability companies, emphasising the impact of mandatory disclosure requirements, and protections offered to the minority shareholders. Understanding these distinctions is crucial for navigating the M&A landscape effectively.

### Due diligence

Conducting due diligence on Indonesian companies has proven to be rather difficult considering the lack of easy access to, or reliable public records of, constitutional corporate documentation, encumbrances on corporate assets, share capital or land ownership and related encumbrances. For corporate document data and share ownership, it is still possible to purchase it at the Directorate General of General Law (Administrasi Hukum Umum or AHU), Ministry of Law. In addition to this, non-public company financial reports cannot be accessed, and there is also no obligation to submit financial reports to the government regularly, except for certain sectors, including financial services. The financial reports that have been submitted are also not available to the public. Even though Indonesian companies are required to publish their articles of association in the State Gazette (Berita Negara), which is a matter of public record, the available information is frequently incomplete and may omit, among other things, records of share transfers completed after the company's establishment. In short, a search of public records may not be reliable as the records of the changes of (i) company's name, (ii) its shareholders, (iii) its directors or commissioners, or amendment to the articles of association are not updated regularly. Public records can, however, establish some historical information about a company in relation to the foregoing matters with the exception of encumbrances and liens.

Performing due diligence on an Indonesian company is also complicated by the seemingly scattered data management, lack of information technology maturity for source of truth data. Often, the company has several data sets due to multiple systems and data recordings. Countless licences, permits and approvals required to conduct business in Indonesia and the related reporting requirements also add to the complication. Even though the said requirements are commonly viewed as administrative in nature, in many cases, the

penalty for failing to comply includes the warning letter, administrative fines, temporary suspension, or revocation of licence. Furthermore, the terms of a licence may impose various obligations and conditions to be performed by the licence holder, some of which frequently cannot be verified by documentary evidence.

### Acquisitions of private companies

Performing an acquisition of a private Indonesian company primarily involves compliance with the Company Law and the foreign investment regulations. There may be approvals that have to be obtained prior to performing an acquisition. It is important to note, that in certain cases, the approval needed for the acquisition may differ, depending on the type of business sector of the company. For example, acquisition of a private banking institution will require approval from Indonesian Financial Service Authority (commonly known as the OJK Banking, which serves as supervisor of Indonesia Banking industry).

Further, the Company Law imposes various requirements in connection with the direct change of control of an Indonesian company (including public notice requirements and a requirement that employees be notified).

If the target of a foreign buyer is a PMDN company, the process of acquisition involves conversion to a PMA company. This conversion raises issues similar to those faced by parties that intend to establish a new PMA company. These issues include assessing whether the type of business activities of the target is eligible for foreign investment in accordance with the DPI and, if so, whether there are any restrictions involved. The conversion of a PMDN company to a PMA company would be a condition to complete the acquisition.

### Acquisitions of public companies

Acquisitions of Indonesian public companies (known as “public companies” or perusahaan terbuka, which have the “Tbk.” suffix following their corporate name) are subject to regulations promulgated by the Indonesian Financial Services Authority — Capital Market (commonly known as the OJK Capital Market, which serves as Indonesia’s capital markets regulator) and, for listed companies, the rules of the Indonesia Stock Exchange (IDX). By law, a public company is defined as a company that has at least 300 shareholders and issued capital of at least IDR3 billion, or such other number of shareholders and issued capital that may be stipulated under government regulations.

Acquisition of a public company must also comply with the relevant provisions referred to in the Company Law. Additional regulatory requirements may apply for the acquisition of a company in a regulated sector, such as banking, insurance, or oil and gas.

### Defining an acquisition

The capital markets regulations define an acquisition of a public company as any direct or indirect action that results in a change of control over the public company. A controlling party is defined as:

- A party that owns more than 50% of a company's shares; or
- A party that has the ability to control the company directly or indirectly (e.g., by way of appointing or dismissing the BOD or BOC of the company or amending the articles of association of the company).

Under OJK Regulation No. 9/POJK.04/2018 regarding the Acquisition of Public Company (OJK Regulation No. 9/2018), the ability to control the company directly or indirectly could be evidenced by:

- An agreement with other shareholders that shows possession of more than 50% of the voting rights;
- A document/information providing evidence of the authority of a shareholder to control the financial and operations policy of the publicly listed company based on the articles of association/agreement;
- A document/information providing evidence of the authority to appoint or dismiss most members of the BOD and BOC;
- A document/information providing evidence of the power to control the majority voting rights in the BOD and BOC meetings; and/or
- A document/information providing other means to exercise control over a publicly listed company.

The Company Law provides that the acquisition of an Indonesian company can be executed through either the sale and purchase of shares from an existing shareholder (or shareholders) or through the acquirer's subscription to newly issued shares (through a capital increase or rights issue). Unlike acquisition of an Indonesian company, the acquisition of a public company requires the implementation of a Mandatory Tender Offer (MTO), particularly when there is a change of control in the public company.

Under OJK Regulation No.9/POJK.04/2018, any action whether direct or indirect, that results in change of control in public company will fall within criteria of acquisition. A controller is a Party who, directly or indirectly: (a) holds more than 50% of the shares with voting rights that are fully paid in the public company; or (b) has the ability to determine, directly or indirectly, by any means, the management and/or policies of the public company. Under the Regulation, if an individual or legal entity acquires shares that impacts change of control, an MTO must be conducted. The purpose of the MTO is to provide a fair opportunity for minority shareholders to sell their shares at terms and prices equivalent to those offered to the majority shareholders.

### Negotiation and disclosure

An acquisition of a public company is typically initiated by negotiations between the potential acquirer and either the controlling shareholders of the target company (in the case of an acquisition of existing shares) or the BOD of the target company (in the case of an acquisition of newly issued shares).

A prospective acquirer who initiates such negotiations for the purpose of acquiring a public company and has decided to disclose the negotiation, is required to make an announcement in at least one nationally circulated Indonesian language newspaper and to convey such announcement directly to the target company, OJK and, if the company is listed, the IDX. The announcement could also be conducted through the IDX website and conveyed such announcement directly to the target company and OJK.

Under OJK Regulation No. 9/2018, the announcement must include at least the following information:

- The name of the target company;
- An estimate of the number of shares that is proposed to be acquired;
- The identity of the prospective acquirer, including its name, address, phone number, email, business activity and the potential acquirer's reason for pursuing the acquisition;
- The amount of any securities in the target which are already owned by the prospective acquirer (if any);
- The purpose of control;
- Any plan, agreement or determination among parties to cooperate in an organised group to act as the potential acquirer (e.g., acting as a consortium);
- The proposed method and procedure for the negotiation; and
- Negotiation material.

If following the announcement of negotiations, no agreement is reached, the relevant parties must announce the termination of negotiations in at least one nationally circulated Indonesian language newspaper and convey such announcement directly to the target company, OJK and, if the company is listed, the IDX. The announcement could also be made through the IDX website and convey such announcement directly to the target company and OJK.

### Shareholder approval

The proposed terms of the transaction will require the approval of the target's shareholders to the extent required by laws and regulations in the capital market sector and the company's articles of association.

Unless the articles of association provided a higher threshold:

- An amendment to the articles of association of a public company, or an increase in authorised capital, requires the approval of 2/3 of the shareholders with valid voting rights in attendance at the shareholders meeting; and
- An acquisition, merger, encumbrance, or sale of substantially all the assets of a public company requires the approval of 3/4 of the shareholders with valid voting rights in attendance at the shareholders' meeting.

Because the existing shareholders of a company have pre-emptive rights in respect of any new issue of shares, if the acquisition is proposed to be conducted through the issue of new shares, existing shareholders will have to agree to waive their pre-emptive rights, or to transfer their right to acquire the newly issued shares, to an extent that allows the acquisition of a controlling interest by the proposed acquirer.

Capital markets regulations specify the procedures for convening a meeting of the shareholders of a public company, including related formalities and notice requirements. (as well as the procedures for convening electronic general meetings of shareholders for Indonesian public companies).

### Announcement of a successful acquisition

A successful acquirer is required to announce the acquisition in at least one nationally circulated Indonesian language newspaper or the IDX website and to convey the result to OJK within one working day after the completion of the transaction. Under OJK Regulation No. 9/2018, such announcement should include at least the following information:

- The number of shares which were acquired, name of the shareholder whose shares are acquired by the acquirer, acquisition price per share, total value of the acquisition and total ownership of the shares;
- The identity of the acquirer, including its name, address, telephone, email, business activity, structure of the shareholders, BOC, and BOD, as well as the capital structure;
- The acquirer's reason for pursuing the acquisition;
- If applicable, a statement that the new controlling party is an organised group;
- The beneficiary of the acquirer;
- The nature of the affiliate relationship; and
- Description of the approval from the authorised party.

### Mandatory tender offer

Following a change in the controlling party of a public company, the new controlling party is required to conduct a mandatory tender offer for the remaining shares of the company, subject to the following exceptions:

- Any shares owned by the shareholder from whom the new controlling party acquired the shares to effect the acquisition;
- Any shares that the new controlling party has separately offered to purchase on the same terms and conditions as were agreed with the predecessor controlling party;
- Shares owned by any other party who also conducted a mandatory tender offer or voluntary tender offer for shares of the same public company at the same time (i.e., another potential acquirer);
- Shares owned by any shareholder who owns at least 20% of shares of the public company; and
- Shares owned by any other controlling shareholder.

The new controlling party is required to announce the mandatory tender offer along with necessary supporting documents to OJK and the target company within two days after the announcement of the successful acquisition.

Moreover, if any additional information and/or amendments to the initial announcement are requested by OJK, the additional information and/or amendments must be submitted no later than five working days after receipt of the request.

OJK will review the initial announcement and will determine whether the new controlling party is permitted to disclose the information to the public. The new controlling party is required to announce information disclosure for the purpose of the mandatory tender offer in a nationally circulated Indonesian language newspaper within two working days after receiving written confirmation from OJK, authorising the new controlling shareholder to disclose the information.

Following the publication of the notice of the mandatory tender offer, the shareholders of the target company have 30 (thirty) days to accept or reject the offer at the price stipulated. The process of acceptance by the shareholders is proscribed by regulation, with all share transfers and payments being affected through the buyer's and seller's respective securities companies or custodian banks. The offeror is required to acquire any shares in respect of which the tender offer has been accepted within the offering period (the 30 (thirty) days period following the public notice of the tender offer). Payments must be received from the offeror within 12 (twelve) days of the end of the offering period.

#### Free float requirement

In the event that the acquisition results in a controlling party owning more than 80% of the issued capital of the target company (except, in each case, where the company is taken 100% private), then the new controlling party is required to divest or re-float sufficient shares, or to cause the company to issue new shares, to reduce its shareholding to below 80%. The shareholding shall be reduced within two years of the initial acquisition.

#### Voluntary tender offer

A voluntary tender offer is an alternative way for potential acquirers to acquire a controlling stake in a target company by way of purchase or exchange with other securities. The offer can be made by any party (whether an existing shareholder or not) and is typically made through the media, meaning that an offer will be made to the public at large through newspapers or magazines, television, radio, and other electronic media, or letters brochures, and other media distributed to more than 100 (one hundred) parties. The party who intends to conduct a voluntary tender offer is required to convey a voluntary tender offer statement to the target company, OJK, any other party who has also announced a voluntary tender offer concerning the same target company but whose tender period has not ended yet and, for listed companies, the IDX.

Additionally, the party who intends to conduct a voluntary tender offer is also required to announce such statement in at least two Indonesian language newspapers, one of which is nationally circulated, on the same day as the submission of the voluntary tender offer statement to OJK.

A voluntary tender offer statement will become effective on the occurrence of the following, whichever is earlier:

- OJK issuing a written approval of the voluntary tender offer.
- Where OJK has not requested, and the potential offeror has not proposed, any changes to the voluntary tender offer statement, 15 (fifteen) days having elapsed from the date the voluntary tender offer statement is received by OJK; or
- Where OJK has not requested, and the potential offeror has not proposed, any changes to the voluntary tender offer statement, 15 (fifteen) days having elapsed from the date of last changes submitted by the potential offeror or based on OJK's request.

A voluntary tender offer must commence within two working days upon the voluntary tender offer statement becoming effective. The period of a voluntary tender offer is at least 30 (thirty) days and may be extended up to 90 (ninety) days, unless otherwise approved by OJK.

#### 4. Infrastructure

Indonesia has substantial infrastructure needs and has therefore instituted large-scale legal and institutional reforms (including unbundling and liberalisation) to encourage private investment and increased transparency in the infrastructure procurement process. Among the various initiatives, the Indonesian government has established a public-private partnership ("PPP") scheme, with numerous projects now in various stages of development. With PPP scheme, opportunity for private sector along with the Government and State-Owned Enterprises/Regional-Owned Enterprise to be actively involved in infrastructure delivery in Indonesia is opened. Further, on 18 February 2020, the Indonesian government enacted Presidential Regulation No. 32/2020 on Infrastructure Financing through Limited Concession Rights, as amended by Presidential Regulation No. 66/2024, which introduces an alternative scheme for financing public infrastructure through utilisation of existing assets that are currently being operated by the central government and/or state-owned enterprises.

In accordance with Indonesian laws and regulations, infrastructure is categorised and governed by sector or type (for example, roads, railways, electricity, telecommunications, water supply and sanitation — including solid waste, etc.), with a specific ministry or regulatory body assigned to regulate a particular sector or sectors. State-owned enterprises also play a main role in these sectors (although in most cases the legal monopolies and quasi-regulatory powers these enterprises previously enjoyed have been eliminated and the private sector may participate in infrastructure development in Indonesia without being obliged to enter joint ventures with state-owned enterprises).

## Procurement regulations

Indonesia's public procurement rules have been the subject of extensive reforms, both in terms of improving procurement procedures and accommodating the enhanced fiscal authority of local governments under principles of regional autonomy.

The regulations extend to the procurement of goods and services by the national and local governments, state-owned legal entities (such as public universities) and state-owned enterprises or regionally owned enterprises that are financed, wholly or partially, from state or regional budgets. Presidential Regulation No. 16/2018 on Government Procurement of Goods/Services in Indonesia as amended by Presidential Regulation No. 46/2025 is the base for the procurement of goods and services by the Government, while Minister of State-Owned Enterprises Regulation No. PER-2/MBU/03/2023 of 2023 on Guidelines for Governance and Significant Corporate Activities of State-owned Enterprises is the base for procurement of goods and services by State-Owned Enterprises.

As for privately funded projects, Indonesian law does not provide any specific regulation on the definition and mechanism to procure service providers. The procurement process will typically refer to the respective procuring entity's guidelines/regulations. Fundamentally, it is possible for the Indonesian public procurement regulations to be referred to even where the procuring body is not directly a governmental institution. In the field of infrastructure, the general procurement regulations are especially relevant in traditional state-financed modes of infrastructure delivery, as well as in cases where the project structure may not be deemed to fall within the PPP programme and therefore has an impact on the state budget.

Competitive public tender is mandatory, except for limited cases. While the Indonesian public procurement regulations govern general requirements, certain areas or sectors may have particular regulatory requirements and may be subject to specific government procurement guidelines.

## Public-Private Partnerships (PPP) regulatory framework

In recent years, the Indonesian government has acknowledged the urgency for using the PPP scheme to meet the infrastructure financing gap in Indonesia. Significant improvements have been made to the legal and institutional framework for PPP projects in Indonesia, with the Indonesian government expressing its policy commitment to improve risk allocation for infrastructure projects and support competitive bidding from the private sector. For example, projects procured under the PPP regulations may be developed on a solicited or unsolicited scheme but in all instances, the selection of winning bidders would be initiated through an open tender process and such projects are designed to allocate risks to a party to manage the risks. This contrasts with the various Build-Own-Transfer, Build-Own-Operate and other privatisation schemes conducted by Indonesia in the 1980s and 1990s, where many projects were initiated through direct negotiation with the government.

In this regard, Presidential Regulation No. 38/2015 on Public-Private Partnership for Infrastructure Procurement and the newly enacted Ministry of National Development Planning Agency Regulation No. 7/2023 on the Implementation of Public-Private Partnership in the Provision of Infrastructure (revoking the latest Ministry of National Development Planning Agency Regulation No. 4/2015 as amended by Ministry of National Development Planning Agency Regulation No. 2/2020 on Procedures for the Implementation of Public-Private Partnership Scheme in the Provision of Infrastructures) are the bases for PPP implementation in Indonesia (PPP Regulations). Under the PPP Regulations, the types of infrastructure which are eligible for implementation as a PPP include:

- a. transportation;
- b. road infrastructure;
- c. water resources and irrigation;
- d. drinking water;
- e. centralised wastewater management system;
- f. local wastewater management system;
- g. hazardous and toxic waste management system;
- h. telecommunications and informatics;
- i. electricity;
- j. oil & gas and renewable energy, including bio-energy;
- k. energy conservation;
- l. urban facilities economy infrastructure;
- m. education, research, and development facilities;
- n. sports, art, and cultural facilities;
- o. areal;
- p. tourism;
- q. health;
- r. correctional/prison;
- s. public housing;
- t. state building;
- u. industrial ecosystem; and
- v. battery-powered electric vehicle.

Except the list of sectors above, the enactment of Ministry of National Development Planning Agency Regulation No. 7/2023s also provides some changes in the PPP Implementation in Indonesia, including:

- a. **PPP Process Simplification:** The simplification of the process is made in the planning and preparation stages. In the planning process, the GOI only conducts (i) PPP identification, (ii) determination of financing scheme, (iii) budgeting plan preparation. In addition, the simplification is also made in the content of pre-feasibility study (planning stage) and feasibility study (preparation stage).
- b. **Existing IBE Utilisation:** The winning bidder of the IBE may determine a limited liability company that has been established before the PPP Procurement begins to act as the PPP IBE. This may be applied by the bidding winner of the IBE for Small Scale PPP.
- c. **Return of Investment:** If the previous regulation prohibits the combination of several return of investment (e.g. Availability Payment and User Charge), the new regulation stipulates different provisions. The new regulation permits the combination of several return of investment scheme by considering clarity regarding the allocation of PPP project risks.

- d. **Small Scale PPP:** The special treatments for the Small-Scale PPP are (i) the feasibility study is more simplified and (ii) the winning bidder may use the existing IBE. The criteria of Small-Scale PPP are (i) Infrastructure provision plan with a relatively simple structure and/or scope, (ii) planned technical solutions using proven technologies and/or those that have been applied in similar projects., (iii) the projects do not require Viability Gap Funding, (iv) maximum PPP period of 10 (ten) years.
- e. **PPP Agreement Amendment:** The new regulation makes clear on the provisions restricted to be changed in the agreement amendment after it has been signed by the parties. The restrictions shall be the amendment (i) does not change the project structure, (ii) does not change the predetermined bidding parameters, (iii) does not change the financial viability of the project, (iv) does not reduce the Services, (v) does not change the risk allocation, (vi) does not increase the government's obligations under the PPP Agreement.
- f. **Financial Close Duration:** The new regulation amends the provisions regarding the limitation of the period for conducting financial close no later than 12 months and can be extended a maximum of 2 (two) times with a maximum period of 6 (six) months each.

Other than the PPP regulation above, the Indonesian Parliament has passed new laws for specific sectoral infrastructure which are intended to streamline and provide clarity on the procurement and private sector development and participation for projects in these sectors, including:

- a. Law No. 17/2019 regarding Water Resources (as amended by the Omnibus Law and partially revoked by Law No. 32/2024);
- b. Law No. 38/2004 regarding Roads (as amended by Law No. 2/2022 regarding Second Amendment of Law No. 38/2004 regarding Roads and the Omnibus Law);
- c. Law No. 23/2007 regarding Railways (as amended by the Omnibus Law);
- d. Law No. 17/2008 regarding Maritime Transportation/Shipping (as amended by the Omnibus Law and Law No. 66/2024);
- e. Law No. 18/2008 regarding Waste Management;
- f. Law No. 1/2009 regarding Aviation (as amended by the Omnibus Law); and
- g. Law No. 30/2009 regarding Electricity (as amended by the Omnibus Law).

Subject to the relevant sectoral laws and regulations, infrastructure projects may be procured by ministries, institutions and agencies of the Indonesia national government or a local government. A PPP project may also be procured by a state-owned enterprise or regional-owned enterprise where such an entity has been appointed to provide a public infrastructure service. Examples include Indonesia's state-owned electricity company, PT PLN (Persero), and the regional-owned water supply companies, Perusahaan Daerah Air Minum or PDAMs. The procuring party is generally referred to as the Government Contracting Agency (GCA).

Based on the tender results, the winning bidder (or a new company established by the winning bidder) and the GCA will enter into a Cooperation Agreement (Perjanjian Kerja Sama) to govern and regulate the implementation of the PPP project. The term "Cooperation Agreement" is a general term used to apply to the main project agreement between the public and the private sector. Depending on the sector and project type, the form of agreement will follow a power purchase agreement, a water purchase agreement, a concession agreement or some other type of agreement.

The Cooperation Agreement must include terms and conditions regarding, among other things, the scope of work and duration of the project, provision of a performance bond, an initial tariff and adjustment mechanism, rights and obligations including risk allocation, service performance standards, sanctions, dispute resolution mechanisms, force majeure conditions, asset ownership status and the terms for returning the project assets back to the GCA at the end of the project term. Additionally, the governing law must be Indonesian law. The Cooperation Agreement may be executed in more than one language and, in case of an inconsistency between the two languages; the prevailing language shall be Indonesian as stipulated under Presidential Regulation 38/2015. The terms of the Cooperation Agreement may also be subject to additional sector specific requirements.

#### Public-Private Partnerships (PPP) Nusantara Capital City

Public-Private Partnerships (PPP) continue to serve as a critical policy instrument for accelerating Indonesia's infrastructure development, particularly in the context of constrained fiscal space and increasing infrastructure demand. Economically, PPPs enable more efficient resource allocation by leveraging private sector capital, innovation, and operational expertise to complement public investment. This approach not only alleviates the immediate fiscal burden on the state budget (APBN) but also generate long-term multiplier effects through enhanced infrastructure quality, productivity growth, and regional competitiveness.

The application of the PPP model has become increasingly significant in advancing strategic national initiatives, notably the development of the new capital city, Ibu Kota Nusantara (IKN). The IKN project represents one of the most ambitious infrastructure programmes in Indonesia's history, encompassing substantial investment requirements across multiple sectors, including transportation, utilities, housing, digital infrastructure, and social facilities. Through the PPP framework, the government seeks to attract sustainable private investment, optimise value for money, and ensure equitable risk-sharing between the public and private sectors.

From a regulatory and legal standpoint, the framework governing PPPs in IKN largely mirrors the national PPP framework but incorporates additional legal provisions designed to reflect the capital city's distinctive development and governance context. In principle, PPP implementation in IKN remains subject to the Bappenas Regulation No. 6 of 2022 on Procedures for Implementing Public-Private Partnerships in Infrastructure Provision, as well as the LKPP (National Public Procurement Agency) regulations, which establish procurement standards, transparency measures, and accountability mechanisms.

Furthermore, PPP projects in IKN must comply with relevant sectoral regulations governing specific infrastructure types and specific regulatory framework, notably the Presidential Regulation No. 63 of 2022 on the IKN Authority and its derivative regulations. These IKN specific provisions introduce a dedicated governance and institutional mechanism under the Nusantara Capital Authority, which acts as both regulator and coordinator for PPP initiatives within the capital region.

**The integration of these regulatory layers strengthens legal certainty and creates a stable environment for private participation. This ensures that PPP projects within IKN are not only aligned with national development priorities but also designed to optimise fiscal efficiency, risk allocation, and value for money for long-term economic growth.**

#### **Institutional framework to support PPP**

In order to promote and support PPP in Indonesia, the government provides supporting facilities to the private sector through the use of various funds and financing facilities.

For instance, in order to address difficulties arising from land acquisition for PPP projects by the private sector, the Indonesian government has sought to provide financial support for the said private land acquisition as well as to clarify laws and regulations on both public and private land acquisition — including by passing Law No. 2/2012 on Land Acquisition for the Public Interest (as amended by the Omnibus Law), that is intended to reduce uncertainty in land acquisition for infrastructure development. Government Regulation No. 19/2021 (as amended by Government Regulation No. 39/2023) on Implementation of Land Acquisition for the Public Interest (which revokes the previous regulation, i.e., Presidential Regulation No. 71/2012) is the implementing regulation.

In late 2009, the Ministry of Finance established PT Penjaminan Infrastruktur Indonesia (Persero), or PII, which has become known as the Indonesia Infrastructure Guarantee Fund (IIGF) pursuant to the PPP Regulations and Government Regulation No. 35/2009 on State Participation for Establishment of a Limited Liability Company for Infrastructure Guarantees as lastly amended by Government Regulation No. 55/2020 on Second Amendment of Government Regulation No. 35/2009 on State Participation for Establishment of a Limited Liability Company for Infrastructure Guarantees. IIGF has been mandated by the Ministry of Finance to provide a “single

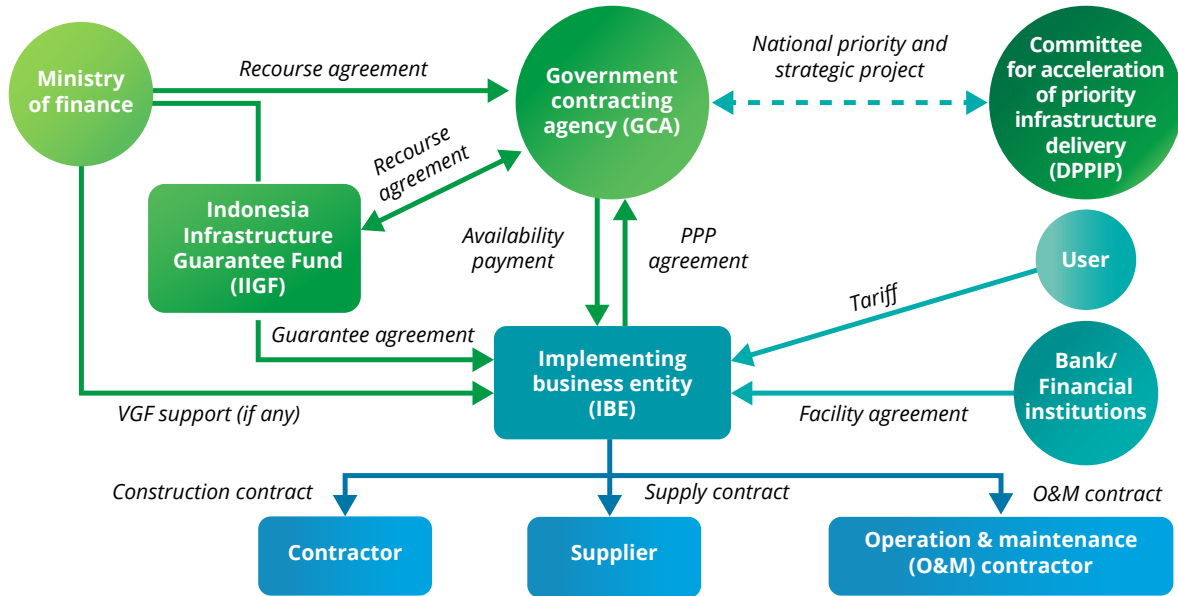
window” for providing government guarantees for infrastructure PPP projects in order to mitigate any project risks of the private sector, thus improving the creditworthiness, bankability and quality of infrastructure projects in the country (such as, in respect of the financial obligations of GCAs under the applicable Cooperation Agreement). The IIGF was established with support from the World Bank to provide such guarantees.

Government guarantees provided by IIGF are entered into between IIGF, as guarantor, and the private company appointed to carry out the project (the project company), as beneficiary. Under the terms of the guarantee agreement, the project company is permitted to assign the benefit of the guarantee to its lenders, and IIGF will enter into a form of direct agreement (a consent letter) with the project company and its lenders to enable this. If the guarantee is called, IIGF will become entitled to compensation for the amount disbursed under the terms of a recourse agreement entered between the GCA and IIGF. The recourse agreement is intended, among other things, to encourage a thorough evaluation by the GCA of the risk allocation under the Cooperation Agreement and the GCA’s performance of the terms of the Cooperation Agreement after it is signed.

The Indonesian government also established the state-owned enterprise, PT Sarana Multi Infrastruktur (Persero) or PT SMI, which is a non-banking financial institution focusing on infrastructure financing. Both IIGF and PT SMI have provided inputs and advice to potential GCAs in connection with project preparation and structuring, for example, in providing project implementation advice to the relevant GCA, preparation of pre-feasibility studies of the project, conducting of market sounding exercises and supporting the GCA in the tender process for its PPP project. For example, PT SMI has been appointed by the Ministry of Finance to spearhead the progress of some of the current noteworthy PPP projects in Indonesia — namely, the Umbulan Water Supply PPP Project and the Soekarno-Hatta International Airport Railway PPP Project.

Another institution within the PPP framework, PT Indonesia Infrastructure Finance (IIF) was established to provide alternative financial assistance to finance PPP projects. Since IIF’s establishment, it has received a significant equity investment from Sumitomo Mitsui Banking Corporation. The synergy of the current institutional support framework is illustrated in **Figure 23**.

Figure 23: The synergy of institutional support framework



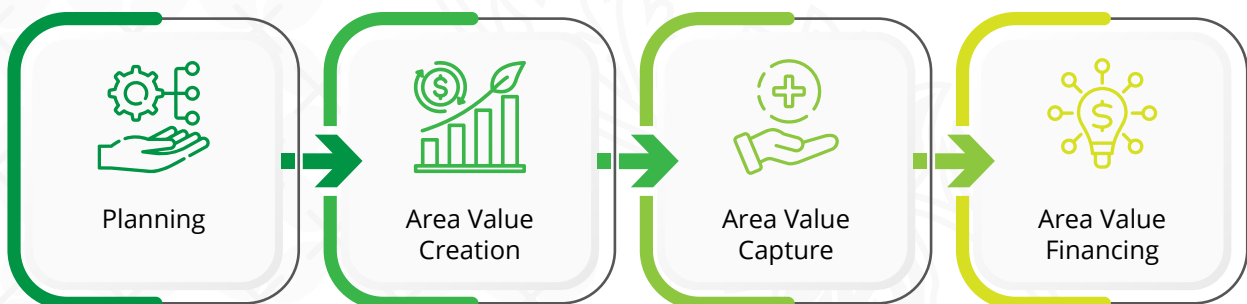
Source: Deloitte analysis.

**Land Value Capture**

The Government of the Republic of Indonesia enacted Presidential Regulation Number 79 of 2024 on Financing Infrastructure Provision Through Management of Increased Land Value Capture (“PR 79/2024”) on 12 August 2024. According to consideration of PR 79/2024, in order to encourage the implementation of national development that is sustainable, it is necessary to optimise alternative financing schemes for infrastructure development so as to reduce the burden on the State/Regional Revenues and Expenditures Budget. One of the schemes as the alternative fund with territorial base for infrastructure financing in an area is through value capture which resulted from the impact of infrastructure provision in an area which known as land value capture scheme.

PR 79/2024 regulates about Management of Increased Land Value Capture or LVC (Pengelolaan Perolehan Peningkatan Nilai Kawasan). LVC means alternative financing for area-based infrastructure provision and/or within a zoning radius/corridor that allows infrastructure provision to be funded from the proportion of value increase on the impact of value creation initiatives carried out by the Central Government, Regional Government, and/or business entities that are obtained from the beneficiaries as well as the results of area development. The aim of LVC is to create a value benefit cycle in connection with infrastructure provision, which consists of value creation, value capture, and value financing. The objectives of LVC including: (i) realisation of sustainable development implementation; (ii) increased quantity, quality and efficiency of Infrastructure services resulting in value enhancement; (iii) creation of new sources of funding to finance an Infrastructure Provision; (iv) creating an investment climate that is attractive, conducive, and guarantees legal certainty; (v) encouraging the society to participate in financing infrastructure provision through the application of the beneficiary pays principle; and (vi) encouragement of awareness and initiative from the Regional Government with the potential for infrastructure provision through LVC.

The cycle of LVC including:



The Implementation of LVC is conducted by:

- a. District/city Regional Government for each LVC in the relevant district/city administrative area; and
- b. Regional Government of the Special Capital Region province of Jakarta in connection with LVC in the administrative area of the Jakarta.

#### The Authority of Head of Regional Government to Conduct LVC

a. Approve the LVC feasibility study;	f. Approve the provision of incentives and disincentives in relation to the implementation of LVC;
b. Establish the LVC manager;	g. Obtain periodic reports in connection with the progress of LVC implementation from the LVC manager;
c. Determine the source of LVC Funds and delineate the value catchment area;	h. Facilitate any public consultation in connection with the preparation of the LVC Feasibility Study;
d. Establish operational funds and sources of operational funds for LVC managers;	i. Facilitate coordination with relevant stakeholders to support the implementation of LVC; and
d. Regulate LVC institutions and governance;	j. Facilitate the resolution of strategic issues in connection with the implementation of LVC.
e. Determine or approve the distribution of funding support for infrastructure provision whose funds are sourced from LVC funds;	

#### Planning

Each economic corridor/economic zone whose development will be supported by LVC must be equipped with a LVC Feasibility Study. The Head of Regional Government assigns the Regional Agency or Regional-Owned Enterprise to prepare LVC feasibility study. Preparation of LVC feasibility study may be prepared by (i) area manager in connection with economic corridor/economic zone and (ii) initiator of infrastructure provision in connection with infrastructure provision which will apply LVC, with the assistance from Regional Agency or Regional-Owned Enterprise based on assignment from Head of Regional Government. The function of LVC feasibility study including:

- a. the basis for making policies related to the implementation of LVC;
- b. the basis for strategic planning to determine the capture area;
- c. a reference in measuring the increase in value that can be captured;
- d. a reference in measuring the increase in value that can be captured; and
- e. a reference for identifying funding in relation to infrastructure provision.

#### Area value creation

The creation of area value is carried out with value creation initiatives, whether carried out by the Central Government, Regional Governments, and/or business entities that have an impact on value increasing. The value creation initiatives may in the form of (i) implementation of certain government policies and (ii) infrastructure provision.

The implementation of certain government policies including:

- a. change of spatial plan; and/or
- b. land consolidation.

The infrastructure provision may be conducted with several schemes:

- a. Financing originating from the State Revenues and Expenditures Budget, including financing in the form of forwarding foreign loans/ grants;
- b. Financing originating from the Regional Revenues and Expenditures Budget, including regional debt financing consisting of regional loans, regional bonds, and/or regional sukuk;
- c. Financing carried out by public service agencies/badan layanan umum and/or State/Regional-Owned Enterprise that organise infrastructure provision;
- d. Financing through PPP scheme and/or limited management rights cooperation;
- e. Financing through the area manager, in the case of area-based development managed by the area manager;
- f. Financing sourced from LVC fund; and/or
- g. other financing schemes in accordance with the provisions of laws and regulations.

### Area value capture

Value capture of the area is conducted by mapping and measuring the value increasing that has been or will be generated as a result of the value creation enjoyed by the beneficiaries and capturing the value increasing. Value capture of the area will be used for value financing. Value capture of the area in the form of: (i) LVC fund and/or (ii) area development results.

### Area value financing

Area value financing is conducted by redistributing the LVC fund and the area development results obtained from the beneficiary.

### LVC fund management

The LVC fund is intended to provide funding for area development, infrastructure provision, and/or improvement of facilities and infrastructure and public services. The provision of LVC funds is based on the existence of a Funding Support Agreement between the LVC Manager and the parties implementing the infrastructure provision. The use of LVC fund may in the form of:

- a. support repayment of any financing that has been entered into by the Regional Government in connection with the provision of infrastructure, including to pay principal, interest, and/or rewards on regional loans, regional bonds, and regional sukuk;
- b. funding support to business entities that organise infrastructure provision in accordance with the provisions of laws and regulations;
- c. Funding support to the government contracting agency and/or the implementing business entity, in the event that the Infrastructure Provision is carried out with government cooperation scheme with business entities;
- d. funding support to the area manager, in the event that the infrastructure provision is organised by the area manager;
- e. funding support to the recipient of the infrastructure provision organiser, in the event that the infrastructure provision is carried out with a scheme government assignment in accordance with the provisions of laws and regulations; and/or
- f. other forms of payment in accordance with the provisions of laws and regulations.

Funding support sourced from the LVC Fund can be provided for infrastructure provision, either alone or in conjunction with a return of investment mechanism and/or other support. The mechanism of return on investment may in the form of:

- a. payment of Infrastructure services by users in the form of tariffs;
- b. availability payment from Central Government/Regional Government;
- c. other forms as long as they do not conflict with laws and regulations.

Other support may in the form of:

- a. viability gap fund for infrastructure provision from Central Government; and/or
- b. other support or incentive.

### Area development results management

The area development results that have been handed over to the Regional Government can be determined by the Head of Regional Government to be managed by the LVC Manager or other parties in accordance with the provisions of laws and regulations. For

the result from horizontal integration of infrastructure provision and property business, managed based on the provisions in the cooperation agreement underlying the implementation of infrastructure provision.

### Use of land value capture in existing or future infrastructure projects

The implementation of LVC in existing or future infrastructure projects should take into account the following criteria:

- a. Infrastructure provision that is being carried out the preparation of a feasibility study of the infrastructure development and will be applied LVC, then the preparation of the LVC feasibility study is made in accordance with PR 79/2024;
- b. Infrastructure provision that has been carried out the preparation of a feasibility study and is undergoing infrastructure development, which is then identified as having the potential for LVC application and will be applied LVC, then the preparation of an LVC feasibility study is made to measure the increased value that can be captured in accordance with PR 79/2024;
- c. Infrastructure provision that has been built and identified as having the potential for LVC application and will be applied LVC, an LVC feasibility study is prepared to measure the increase in value that can be captured in accordance with this Presidential Regulation.

### Concession scheme (assets recycling)

Asset's recycling is a measure that enables the Government or State-Owned Enterprises to fund necessary infrastructure investments through proceeds made from sale or lease of their assets to private sector. In Indonesian regulatory framework, Presidential Regulation No. 32/2020 on Infrastructure Financing through Limited Concession Scheme (as amended by Presidential Regulation No. 66/2024) has introduced a concept of Limited Concession Scheme ("LCS") as one of the asset recycling schemes that can be implemented by Government and State-Owned Enterprises.

Presidential Regulation No. 32/2020 (as amended by Presidential Regulation No. 66/2024) is an enabling regulation which allows private sector investment in operations of existing assets owned by the State or state-owned enterprises. For example, the government can grant private sector investors a 'limited concession' for the operation of a brownfield toll road. The granting of such operational right is dubbed as LCS. Aside from benefitting from the operation of a commercial asset, private sector investors participating in LCS will also partake in the financing of new infrastructure. Private sector investors will be required to pay a premium to compensate the State or state-owned enterprises for the granting of the 'limited concession'. In this way, the government or state-owned enterprises will be able to deploy funding for development of new infrastructure assets.

To provide clarity on LCS, Presidential Regulation No. 32/2020 (as amended by Presidential Regulation No. 66/2024) elaborates the categories of infrastructure assets that can be offered to the private sector through LCS, namely:

- d. transportation (seaport, railway, airport, and bus terminal);
- e. toll road;
- f. water resources;

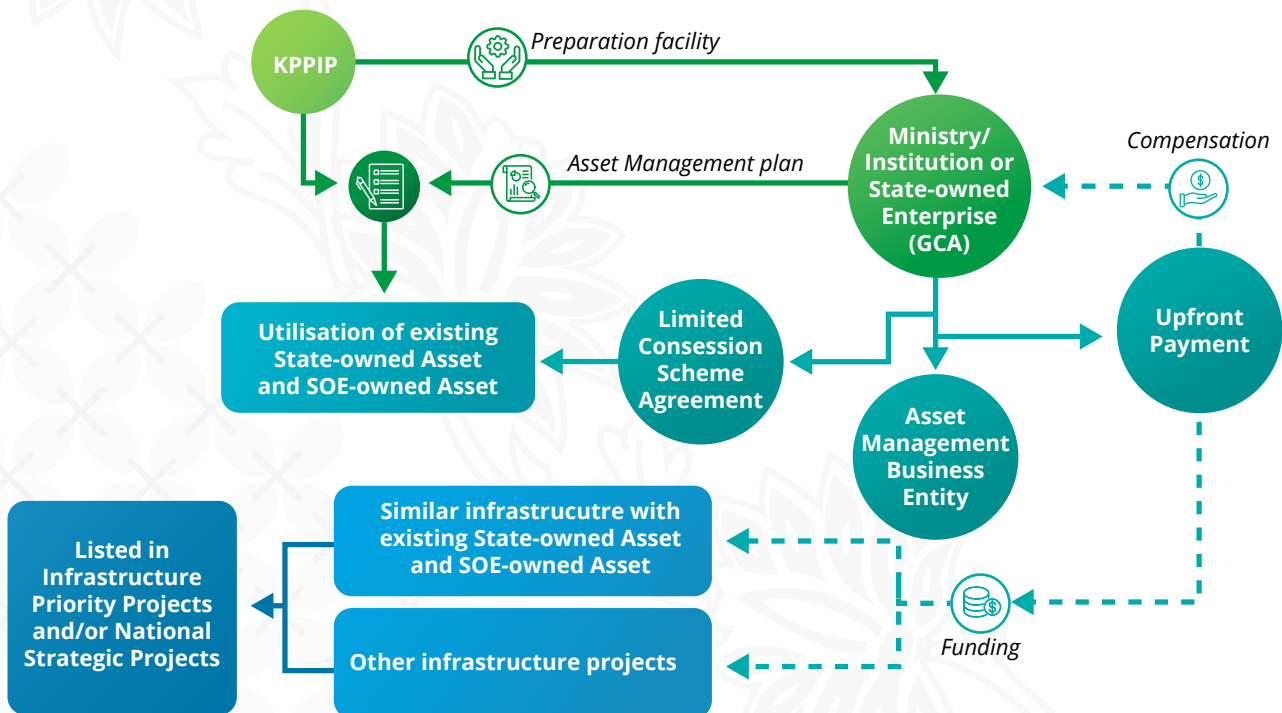
- g. drinking water supply system;
- h. wastewater treatment system;
- i. waste management system;
- j. telecommunications and information system;
- k. electricity;
- l. oil, gas, and renewable energy;
- m. health;
- n. regional infrastructure;
- o. tourism;
- p. government office building; and
- q. housing

Further, Presidential Regulation No. 32/2020 (as amended by Presidential Regulation No. 66/2024) sets out the minimum criteria for public assets to be privately operated through LCS, where such asset:

- a. have been fit for operation either partially or fully;
- b. require partners for the improvement of commercial value and/or operational efficiency in accordance with generally accepted international standards;
- c. have a useful life of infrastructure assets of at least 10 (ten) years;
- d. for BMN, shall be recorded in the financial statements of ministries/agencies which have been audited based on government accounting standards in the previous period; and
- e. for State-Owned Enterprises' assets, shall be recorded in audited books for at least 3 (three) consecutive years based on the guidelines for the statement of Indonesian financial accounting standards.

The minister/head of agency acting as user of the relevant State asset or the BOD of the state-owned enterprise will be assisted by the Committee for Acceleration of Priority Infrastructure Delivery (Komite Percepatan Penyediaan Infrastruktur Prioritas or KPPIP) in carrying out the planning process. The output of this planning process is an Asset Management Plan which acts as a pipeline of assets that are available to be offered for LCS. In the case of assets recorded as State owned, there shall be a competitive tender process to be carried out in offering LCS assets to pre-qualified investors. At this stage, the minister/head of agency as the asset owner will carry out the transaction process. Once the transaction process has been concluded, the government, through a Public Service Agency (BLU) under the Ministry of Finance will take over the assets and enter into an agreement with the winning bidder. In the case of assets recorded as state-owned enterprise owned, the BOD will carry out the transaction in accordance with selection procedures applicable for such state-owned enterprise. After conclusion of the selection process, the state-owned enterprise will enter into an agreement with the winning bidder. Specific for this type of transaction, the state-owned enterprise and winning bidder may establish a special purpose company. The project structure of LCS is illustrated in **Figure 24**.

**Figure 24: LCS project structure**



Source: Deloitte analysis.

Under Presidential Regulation No. 32/2020 (as amended by Presidential Regulation No.66/2024), LCS is beneficial for the asset owner as the scheme will reduce the risk which may incur when the Government or State-Owned Enterprises utilise the respective asset by themselves. On the other side, as an alternative to conventional funding, the implementation of LCS is the way for Government to build much-needed infrastructure without plunging into more debt, while maintaining or potentially improving existing infrastructure service delivery.

On the flip side, it is highly likely that maturation of Presidential Regulation No. 32/2020 (as amended by Presidential Regulation No.66/2024) will depend on several factors, including overarching regulations and investment restrictions. Prior to Presidential Regulation No. 32/2020 (as amended by Presidential Regulation No.66/2024), the Government has established regulatory framework for utilisation of state/ Region Owned Assets and PPPs and this creates overlap in regulation of similar matters which could potentially be a stumbling block in its implementation.

For State-Owned Enterprises, asset recycling can also be implemented through strategic partnership cooperation scheme. Under Minister of State-Owned Enterprises Regulation No. PER-2/MBU/03/2023, strategic partnership cooperation scheme is conducted between State-Owned Enterprises and its partner to achieve mutual objectives where such cooperation will be conducted pursuant to the most optimal benefits for the State-Owned Enterprises. Strategic partnership cooperation schemes can be conducted either by the State-Owned Enterprises as partners or the State-Owned Enterprises as parties who seek partners. Partnership in which State-Owned Enterprises as a party that seeks for a Partner shall be carried out based on the Standard Operating Procedures issued by the Board of Directors.

## 5. Good Corporate Governance implementation

Implementation of Good Corporate Governance principles is governed through Article 4 of Law No. 40/2007 (as amended) and its elucidation on Limited Liability Companies and Article 15 of Law No. 25/2007 (as amended) on Investment which emphasises the responsibilities of good corporate governance from both Limited Liability Companies' and investors' perspectives. Good corporate governance pillars include ethical behaviour, accountability, transparency, and sustainability.<sup>94</sup> Complementary to these regulations, the Coordinating Minister for Economic Affairs, stated that good corporate governance is an important pillar of the market economy as it relates to investors' confidence both in the companies as well as in the overall business environment. Its implementation leads to sustainable economic growth and stability, moreover it is also expected that it will support the efforts of the government in establishing a clean and credible government.

In implementing Good Corporate Governance, companies in Indonesia can refer to the General Guidelines for Indonesian Corporate Governance from the National Committee on Governance (Komite

Nasional Kebijakan Governansi or KNKG) and International Finance Corporation (IFC). The National Committee on Governance has established the Corporate Governance Sub-Committee which reviews and revises the existing national code of corporate governance to be applicable to current circumstances. The IFC, which is a member of the World Bank Group, assists to address various challenges companies face in emerging markets by strengthening their governance practices. These manuals are not legally binding on companies but provide fundamental guidance and reference to implement good corporate governance.

There are three important topics mentioned in these manuals: (i) Risk Management, (ii) Internal Control, and (iii) Internal Audit. Risk Management, Internal Control, and Internal Audit become three main areas that need to be covered in the duties of the Board of Commissioners (BOC) and Board of Directors (BOD).

### Risk management

According to the Indonesia Corporate Governance Manual prepared by the IFC, successful risk management is central to the success of all companies. In risk management, both BOC and BOD are responsible for:<sup>95</sup>

- Determining the nature and level of risks that a company is willing to take in order to achieve the company's strategic goals.
- Ensuring that risks are assessed and mitigated properly.

BOD implements risk management systems while BOC is responsible for monitoring and reviewing implementation. Based on Pedoman Umum Governansi Korporat Indonesia (PUG-KI) 2021 published by the National Committee on Governance (KNKG), it is recommended that:<sup>96</sup>

- The Board of Directors leads the implementation of risk management to be utilised by all levels of management in creating and protecting value for the corporation, by setting an example and being a role model in terms of risk control and management in business and operational activities in order to instil, strengthen and develop a risk-aware culture based on compliance and effective internal control.
- The Board of Directors discloses a) the main risks faced by the corporation and their management; and b) whether there are material exposures to environmental or social risks and, if so, how it manages or intends to manage such risks.
- The Board of Directors ensures the suitability of the internal control system and risk management framework with the characteristics of the needs and business processes of the corporation so that the internal control process and risk management of all types of risks faced by the corporation, including risks faced by the corporation, including communication and reporting on risks, risk management, auditing, and their effectiveness, can be carried out effectively in line with the expectations of stakeholders.

<sup>94</sup> "Pedoman Umum Governansi Korporat Indonesia (PUG-KI) 2021". National Committee on Governance. 2021.

<sup>95</sup> "Indonesia Corporate Governance Manual 2nd Ed". International Finance Corporation. 2018.

<sup>96</sup> "Pedoman Umum Governansi Korporat Indonesia (PUG-KI) 2021". National Committee on Governance. 2021.

- The Board of Directors ensures risk governance processes in Information Technology including disruption, cyber security, disaster recovery, to ensure that all key risks are identified, managed and reported to the Board of Commissioners.

To assist BOC in monitoring and reviewing the implementation of risk management systems, the BOC should establish a Risk Policy Committee, which is recommended for all companies (OJK CG Guidelines). The Risk Policy Committee has responsibility for assisting the BOC in setting the risk governance structure, determining and evaluating levels of the company's risk tolerance, and monitoring key risk indicators & results regularly as well as reviewing the adequacy and effectiveness of risk management and internal control systems. In implementing risk management, most companies in Indonesia refer to guiding framework of ISO 31000:2018 Risk Management and/or COSO Enterprise Risk Management 2017. Nationally, Indonesia National Standardisation Body (BSN) launched Indonesia National Standard (SNI) 8615:2018 ISO 31000:2018 Risk Management Guide.

### Internal control

Referring to the internal control — Integrated Framework (Committee of Sponsoring Organisations of the Treadway Commission 2013), internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.<sup>97</sup> The establishment and maintenance of an effective internal control system are required in risk management.

Based on Indonesian General Guidelines on Corporate Governance (Pedoman Umum Governansi Korporat Indonesia or PUG-KI) 2021 issued by the National Committee on Governance:<sup>98</sup>

- The BOD periodically reviews the appropriateness of the design and operational effectiveness of the corporation's governance, risk management, internal control and compliance systems and reports the implementation and results of the review to the shareholders through the Corporation's annual report.
- Periodic reviews conducted by the Board of Directors specifically consider:
  - a. Any changes since the last periodic review of the nature and scope of significant risks and the corporation's ability to respond to changes in its business and external environment;
  - b. The scope and quality of ongoing monitoring of risk and internal control systems, the role of the internal audit function and other assurance providers;
  - c. The scope and frequency of communication of the results of the above monitoring to the Board of Commissioners (or to the Audit Committee) which enables the Board of Commissioners to thoroughly assess the condition of internal control and its effectiveness in managing risk;

- d. The occurrence of any failures or deficiencies in internal control discovered during the period under review and the extent of any contingencies that have, could, or may occur in the future, that have a material impact on the corporation's financial condition or performance; and
- e. The effectiveness of internal controls relating to financial reporting and compliance with applicable laws and regulations.

- The BOD ensures that the corporation has a function whose role is to keep abreast of changes in various applicable laws and regulations related to its business and laws and regulations in general, and has a system to ensure the corporation's compliance with applicable laws and regulations and internal corporate regulations.

### Internal audit

Internal Audit is responsible for ensuring the adequacy and effectiveness of internal control that is implemented within the company to protect the company from losses. This function evaluates the control environment, assesses risks and aspects in risk management, communicates findings to the BOC (through the Audit Committee) and BOD, and provides recommendations to improve the company.

According to the Indonesia Corporate Governance Manual prepared by the IFC, Internal Audit provides assurance to the BOC and BOD as follows:<sup>99</sup>

- The efficiency and effectiveness of operations for the overall entity, divisions, subsidiaries, operating units, and business functions.
- The risk management framework (including risk identification, risk assessment, response, and monitoring).
- The internal control environment, including the safeguarding of assets and soundness and integrity of reporting processes.
- Compliance with regulations, policies, and procedures.

As mentioned previously, findings are communicated by Internal Audit to BOC through the Audit Committee. The Audit Committee is one of the BOC Committees which is mandatory for issuers and public companies (OJK) and recommended for other companies (OJK CG Guidelines). It has responsibility for assisting the BOC in ensuring the appropriateness of financial reports that are presented, adequacy and effectiveness of internal control structure, internal and external audits in accordance with applicable audit standards, and audit findings are followed up by management.

Internal Audit practice, both globally and in Indonesia specifically, rely on IIA's Global Internal Standards (GIAS) which is universally accepted as the leading standard in ensuring the responsibilities of internal auditors and the internal audit activity. IIA also recognises COSO Internal Control — Integrated Framework (2013) as the leading standard for determining what constitutes effective internal control.

<sup>97</sup> "Internal Control—Integrated Framework". Committee of Sponsoring Organisations of the Treadway Commission. 2013.

<sup>98</sup> "Indonesia's Code of Good Corporate Governance". National Committee on Governance. 2006.

<sup>99</sup> "Indonesia Corporate Governance Manual 2nd Ed". International Finance Corporation. 2018.

## 6. Capital market

### Indonesia Stock Exchange (IDX)

IDX organises and provides the system and the facilities to connect the seller and the buyer of shares for trading purposes. IDX determines the regulations concerning the members, listings, trading, clearing, settlement and other matters related to stock exchange activities. A proposed IDX regulation must be approved by OJK before becoming effective. IDX is also required to maintain an inspection unit assigned to periodically investigate members and their activities on the IDX.

The prospective listed company may list its shares on the Main Trading Board, the Development Trading Board, the Acceleration Trading Board, or the newly New Economic Board as enacted by the Board of Director of IDX Decree Number KEP-00083/BEI/11-2022 of 2022 on Rule Number I-Y on the Listing of Shares and Equity Securities Other than Shares Issued by Listed Companies on the New Economic Board.

The following table summarises the differences in the requirements for listing on the four boards:

No	Matters	Main Trading Board	Development Trading Board	Acceleration Trading Board	New Economic Board
1.	<b>Type of entity</b>	Limited Liability Company	Limited Liability Company	Limited Liability Company	Limited Liability Company
2.	<b>Operational period</b>	36 months (affirmed that the operational period refers to commercial operations confirmed by the company receiving business income).	12 months (affirmed that the operational period refers to commercial operations proven by the existence of business income).	Having commercially performed operational activities as proven by having booked business income during the past fiscal year.	36 months (affirmed that the operational period refers to commercial operations confirmed by the company receiving business income).
3.	<b>Financial statements</b>	<ul style="list-style-type: none"> <li>Have been audited for at least 3 years</li> <li>Audited Financial Statements for the last 2 years and the latest interim Audited Financial Statements (if any) which have obtained an Unqualified Opinion (<i>opini tanpa modifikasi</i>).</li> </ul>	Have been audited for at least 12 months and the latest interim Audited Financial Statements (if any) which have obtained an Unqualified Opinion ( <i>opini tanpa modifikasi</i> ).	Have been audited for at least the last 12 months or since the establishment for the company which has been established for less than 1 year shall acquire the Unqualified Opinion ( <i>opini tanpa modifikasi</i> ).	<ul style="list-style-type: none"> <li>Have been audited for at least 3 years.</li> <li>Audited Financial Statements for the last 2 years and the latest interim Audited Financial Statements (if any) which have obtained an Unqualified Opinion (<i>opini tanpa modifikasi</i>).</li> </ul>
4.	<b>Capital</b>	<ul style="list-style-type: none"> <li>Net Tangible Assets ("NTA") min. IDR250 billion; or</li> <li>Cumulative Profit Before Tax for the last 2 years min. IDR100 billion &amp; Market Capitalisation min. IDR1 trillion; or</li> <li>Revenue min. IDR800 billion &amp; Market Capitalisation min. IDR8 trillion; or</li> <li>Total Assets min. IDR2 trillion &amp; Market Capitalisation min. IDR4 trillion; or</li> <li>Cash Flow from Operating Activities 2 years min. IDR200 billion &amp; min. Market Capitalisation IDR4 trillion.</li> </ul>	<ul style="list-style-type: none"> <li>NTA min. IDR50 billion; or</li> <li>Cumulative Profit Before Tax for the last 2 years min. IDR10 billion &amp; Market Capitalisation min. IDR100 billion ; or</li> <li>Revenue min. IDR400 billion &amp; Market Capitalisation min. IDR400 billion; or</li> <li>Total Assets min. IDR250 billion &amp; Market Capitalisation min. IDR500 billion; or</li> <li>Cash Flow from Operating Activities 2 years min. IDR20 billion &amp; min. Market Capitalisation IDR400 billion.</li> </ul>	<p>For small scale asset:</p> <ul style="list-style-type: none"> <li>Total assets (or other equivalent terms) no more than IDR 50 billion; and</li> <li>Shall not be controlled by controller of issuers/ public companies that are not small or medium enterprises; and/or companies with assets more than IDR 250 billion.</li> </ul> <p>For medium scale asset:</p> <ul style="list-style-type: none"> <li>Total assets (or other equivalent terms) from IDR 50 billion to IDR 250 billion; and</li> <li>Shall not be controlled by controller of issuers/ public companies that are not small or medium enterprises; and/or companies with assets more than IDR 250 billion.</li> </ul>	<ul style="list-style-type: none"> <li>NTA min. IDR250 billion; or</li> <li>Cumulative Profit Before Tax for the last 2 years min. IDR100 billion &amp; Market Capitalisation min. IDR1 trillion; or</li> <li>Revenue min. IDR800 billion &amp; Market Capitalisation min. IDR8 trillion; or</li> <li>Total Assets min. IDR2 trillion &amp; Market Capitalisation min. IDR4 trillion; or</li> <li>Cash Flow from Operating Activities 2 years min. IDR200 billion &amp; min. Market Capitalisation IDR4 trillion.</li> </ul>

No	Matters	Main Trading Board	Development Trading Board	Acceleration Trading Board	New Economic Board
5.	<b>Total number of shareholders</b>	> 1,000	> 500	> 300	> 1,000
6.	<b>Minimum number of shares owned by minority shareholders</b>	300 million shares and meet the requirements: <ul style="list-style-type: none"> <li>At least 20% of total issued shares which have equity value before initial public offering of less than IDR500 billion;</li> <li>At least 15% of total issued shares which have equity value before initial public offering from IDR500 billion up to IDR2 trillion; or</li> <li>At least 10% from issued shares which has equity value before initial public offering of more than IDR2 trillion.</li> </ul>	150 million shares and meet the requirements: <ul style="list-style-type: none"> <li>At least 20% of total issued shares which have equity value before initial public offering of less than IDR500 billion;</li> <li>At least 15% of total issued shares which have equity value before initial public offering from IDR500 billion up to IDR2 trillion; or</li> <li>At least 10% from issued shares which have equity value before initial public offering of more than IDR2 trillion.</li> </ul>	At least 20% of total issued shares	300 million shares and meet the requirements: <ul style="list-style-type: none"> <li>At least 20% of total issued shares which have equity value before initial public offering of less than IDR500 billion;</li> <li>At least 15% of total issued shares which have equity value before initial public offering from IDR500 billion up to IDR2 trillion; or</li> <li>At least 10% from issued shares which has equity value before initial public offering of more than IDR2 trillion.</li> </ul>
7.	<b>Share price</b>	IDR100	IDR100	IDR50	IDR100
8.	<b>Independent commissioner</b>	At least 30% of the Board of Commissioners.	At least 30% of the Board of Commissioners.	At least 30% of the Board of Commissioners, with leniency of fulfilment as follows: <ul style="list-style-type: none"> <li>6 (six) months transition for issuers having medium-scale assets.</li> <li>1 (one) year transition for issuers having small-scale assets.</li> </ul>	At least 30% of the Board of Commissioners.
9.	<b>Corporate secretary</b>	✓	✓	Leniency of fulfilment as follows: <ul style="list-style-type: none"> <li>6 (six) months transition for issuers having medium-scale assets.</li> <li>1 (one) year transition for issuers having small-scale assets.</li> </ul>	✓
10.	<b>Audit committee and internal audit unit</b>	✓	✓	Leniency of fulfilment as follows: <ul style="list-style-type: none"> <li>6 (six) months transition for issuers having medium-scale assets.</li> <li>1 (one) year transition for issuers having small-scale assets.</li> </ul>	✓
11.	<b>Remuneration and nomination committee</b>	✓	✓	Leniency of fulfilment as follows: <ul style="list-style-type: none"> <li>6 (six) months transition for issuers having medium-scale assets.</li> <li>1 (one) year transition for issuers having small-scale assets.</li> </ul>	✓

### **PT Kustodian Sentral Efek Indonesia (KSEI)**

KSEI, which is domiciled in Jakarta, offers central custody and settlement services of IDX transactions, under an agreement with IDX. It serves custodian banks, securities companies and other related parties. KSEI is one of the Self-Regulatory Organisation (SRO) along with IDX and PT Kliring Penjaminan Efek (KPEI).

### **PT Kliring Penjaminan Efek (KPEI)**

KPEI is one of the Self-Regulatory Organisations (SRO) engaging in Clearing and Underwriting under the supervision OJK. As a Clearing and Underwriting Institution, KPEI guarantees clearing and underwriting services for regular, fair and efficient exchange transaction settlements as well as other services based on the provisions stipulated by the OJK.

### **Financial Services Authority (OJK)**

As of 1 January 2013, OJK began regulating the capital markets, insurance companies, securities companies and multi-finance companies. In addition, OJK began monitoring banks on 1 January 2014.

OJK was established to serve as a “one-stop” regulatory body for both bank and non-bank financial institutions, covering banking, capital markets, insurance and other financial services sectors and its authority is intended to be broader than its predecessors. OJK is authorised to investigate corruption in the financial services sector, administer penalties, conduct investigations and initiate prosecutions and has the power to revoke licences.

OJK is also intended to play a central role in consumer protection in the financial services industry, address consumer service complaints and make legal claims on behalf of consumers.

OJK is expected to cooperate with other government agencies, such as the Ministry of Finance and Bank Indonesia. Following the transfer of Bank Indonesia’s authority to supervise commercial and Sharia banks to OJK at the end of 2013, Bank Indonesia’s main task is to supervise the stability of the monetary and payment systems.

In response to the pandemic situation several years ago, the Indonesian government has enacted Government Regulation in Lieu of Law No. 1/2020 on State Financial Policy and Financial System Stability for Managing the Corona Virus Disease Pandemic 2019 (COVID-19) and/or in Dealing with Threats that Harm the National Economy and/or Financial System Stability (which was later amended by Law No. 7 of 2021). To support the stability of the national economy and financial system during that period, and in line with the mandate of the laws, OJK introduced a series of measures by issuing several regulations, including those governing mechanism for general meetings of shareholders (such as electronic GMS or e-GMS). Although the pandemic has passed, several of these regulatory practices, such as the implementation of e-GMS, continue to be applied today.

### **Bond market**

The Indonesian bond market consists primarily of government bonds and corporate bonds. Domestic issuances of asset-backed securities are permitted under a specific regulatory regime. Additionally, the government has issued regulations to allow the issuance of municipal bonds.

The national government has issued various bonds with short-, medium- and long-term maturities in both Rupiah and foreign currencies. National government bonds consist of Indonesian Sovereign Bonds (Surat Utang Negara) and State Sharia Securities (Surat Berharga Syariah Negara, commonly known as SBSN), as bonds issued under Sharia principles in either Rupiah or a foreign currency. Issues of SBSN have utilised a sukuk ijarah sale and leaseback structure.

Corporate bonds primarily consist of conventional corporate bonds, Medium Term Notes (commonly known as MTN), corporate Sukuk and convertible bonds. Corporate issuers also regularly tap the international capital markets through offshore bond issuances through offshore special purpose entities.

Municipal bonds (bonds issued by the local governments) are intended to be implemented in accordance with regional autonomy principles and to facilitate the funding of regional infrastructure projects. Municipal bonds are intended to have a maturity of one-year or more, to be denominated in Rupiah and be offered to the Indonesian public through the domestic capital markets. The bonds may be secured by collateral consisting of the regional project to be funded by the bond issuance. No guarantee is available from the national government for these bonds.

Capital market regulation allows for the issuance of debt securities without public offerings under certain circumstances. The enactment of OJK Regulation No. 30/POJK.04/2019 on the Issuance of Debt and/ or Sukuk Securities without Public Offerings will regulate the legal framework that addresses these matters.

Furthermore, in 2023, Indonesia updated its bond market regulations to expand sustainable finance through the enactment of OJK Regulation No. 18 of 2023, which covers the issuance and requirement for sustainable debts securities and sukuk, replacing OJK Regulation No. 60 of 2017 on the Issuance and Requirements of Green Bond. The new regulation broadens the scope of sustainable finance to include among others not only environmental projects, but also social aspects, as well as allowing the issuance of sustainable debts securities and/or sukuk both with and without public offering.

### Information disclosure

Public companies that intend to issue securities and/or are considering listing on the IDX are required to submit financial statements and other disclosure documents to OJK and make them available to the public. OJK, as the capital markets regulator, sets out the minimum standards for a public company's financial statements, which include annual and mid-year financial statements and quarterly reports on the use of funds.

Financial Statements shall be prepared in accordance with Indonesian Financial Accounting Standards (Pernyataan Standar Akuntansi Keuangan or PSAK) established by the Indonesian Institute of Accountants (Ikatan Akuntan Indonesia or IAI), and other generally accepted accounting practices in the Indonesian capital markets, and include Balance Sheet, Income Statement, Statement of Changes in Stockholders Equity, Cash Flow Statement and Notes to Financial Statements.

Consolidated financial statements are to include all subsidiary companies controlled by the parent company. Control is deemed to exist when the parent company directly owns, or indirectly owns through subsidiaries, more than 50% of the voting shares of a company, or if the parent company meets one of the following conditions:

- The company holds more than 50% of voting rights by virtue of an agreement with other investors;
- The company has the power to direct and determine financial and operational policies based on the articles of association or an agreement;
- The company has the power to appoint or dismiss a majority of the members of company management; or
- The company has the power to direct the majority of voting rights in a management meeting.
- Subsidiaries should, however, be excluded from consolidation if:
- Control is intended to be temporary because the subsidiary's shares are acquired and held with a view to their subsequent disposal in the near future; or
- The subsidiary company is under severe long-term restrictions which significantly impairs its ability to transfer funds to the holding company.

Each Indonesian public company is also required to disclose any material information or fact that may affect the value of the company's stock, by providing a public announcement and notification to OJK, as soon as possible the company know or should reasonably know such information or fact, and no later than the commencement of first trading session at the IDX on the following business days. Such material information or facts include but are not limited to:

- Merger, share purchase, consolidation or establishment of a joint venture company.
- Stock split or dividend.
- Income from the extraordinary dividend.
- Acquisition or loss of an important contract.
- Significant new product or innovation.

- Change in control or significant change in management.
- Call for the purchase or redemption of debt securities.
- Sale of a material amount of securities to the public or in a private placement.
- Purchase, or loss from the sale of, a material asset.
- Relatively important labour disputes.
- Important litigation against the company and/or the company's directors or commissioners.
- An offer to purchase securities of another company.
- Replacement of the company's auditor.
- Replacement of a trustee of the company's debt obligations.
- A change in the company's financial year; and
- Other information or material facts.

### Private placement

In Indonesia, selling of securities in a private placement may be carried out by way of direct negotiation between the company and certain investors. A domestic capital markets transaction may constitute a private placement if the transaction is not offered to Indonesian citizens through the mass media, is offered to 100 parties or less and sold to 50 parties or less.

Private placement of equity of a public company could be conducted through a capital increase without pre-emptive rights of existing shareholders, under the following conditions are fulfilled:

- Financial balance corrections;
- Other than financial balance corrections;
- Issuance of Bonus Shares that:
  - Takes in the form of Share Dividends resulting from Profit Balance which is transformed into capital and/or
  - Do not take the form of Share Dividends resulting from share premiums (*agio saham*) or other equity elements which transformed into capital.

The company is also required to secure approval from the GMS, with also taking into account the GMS attendance and decision quorum for the capital increase.

The primary purpose of the capital increase is to improve the financial position of a company that is experiencing one of the following conditions:

- A bank that has received a loan from Bank Indonesia or another government institution in the amount equal to more than 100% of the company's paid in capital or another condition that may result in the restructuring of the bank by the government institution.
- A non-bank company that has negative net working capital and has obligations greater than 80% of the company's assets at the time the general meeting of shareholders approves the capital increase; or
- The company is in default or is unable to avoid default on its obligations to a non-affiliated lender, and such lender has agreed to accept shares or convertible bonds of the company in settlement of the loan.

The capital increase in purpose for other than financial balance corrections can be performed for a maximum of 10% of the total issued and fully paid-up shares or paid-up capital as set out under the amendment to AOA that has been notified to and received by the MOL.

The company is required to notify OJK of the proposed private placement at least 5 (five) working days prior to the execution of the capital increase without pre-emptive rights and must also issue an announcement to the public. Within 2 (two) working days of the completion, the company must notify OJK and the public of the results, including information about quantity and stock price.

### Initial Public Offering (IPO) process

A company that intends to carry out an initial public offering in Indonesia must submit a registration statement and supporting documents to OJK. The issuer is responsible for the completion and correctness of the information that is disclosed in the said documents (except for specific information such as the offering price and the registration's effectiveness date, which may not be determined at the time of submission). After submitting the registration statement, the issuer may be requested to submit additional information and/or amend the registration statement to meet the prevailing requirements under the laws and regulations.

The issuer is required to announce a summary of the prospectus for the IPO in at least 1 (one) Indonesian nationally circulated daily newspaper within 2 (two) working days from the receipt of permission to do so from OJK and is required to provide OJK with the relevant announcement evidence within 2 (two) working days.

### Effectiveness of registration statement

The registration statement shall become effective on the 20th (twentieth) business day following the receipt of a complete registration statement or on an earlier date if it is declared effective by the OJK. Furthermore, the effective declaration from the OJK may be given at any time after:

- a. the adequacy and objectivity of the information disclosed in the registration statement have been reviewed by the OJK, and the OJK no longer requires additional information nor has further comments; and/or
- b. the issuer has confirmed whether there are any amendments to the disclosed information or has submitted information on the amount and price of the securities offering and/or securities underwriting.

In general, after the registration statement is effective, the issuer is under the obligation to (i) submit the prospectus and supporting documents through OJK's system called SPRINT (Sistem Perizinan dan Registrasi Terintegrasi); and (ii) provide the required prospectus as a part of a registration statement to the public or prospective buyers.

### Period of Public Offering, Allotment, and Public Offering report

The issuer must conduct the public offering process at the latest 2 (two) working days following from when the registration statement is effective; the public offering period is to be within 1 (one) to 5 (five) working days and the allotment of shares must be accomplished within 2 (two) working days after the end of the period of the public offering. Thereafter, the distribution of such shares must be conducted within 1 (one) working day after the date of allotment.

The underwriter or the issuer must submit a report regarding the public offering to OJK within 5 (five) working days from the share allotment date. Thereafter, the underwriter or the issuer (if the issuer is not using an underwriter) is required to appoint a public accountant to conduct a specific examination of the public offering, which must be received by OJK within 30 (thirty) days from the end of the public offering period.

If the offered shares will be listed on the IDX, the listing must be conducted within 1 (one) working day after the share allotment date.

### Rights issue

In the event that an Indonesian public company intends to increase its capital, the existing shareholders of the said public company have a pre-emptive right to acquire a portion of the newly issued securities in proportion to the percentage of their respective current shareholdings. If the capital increase includes the issuance of warrants, the total number of warrants and circulated warrants cannot exceed 35% (thirty-five per cent) of the total paid-up capital at the date the registration statement is submitted.

Furthermore, if a public company intends to conduct a right issue, the proceeds of which are to be used for a transaction in certain value that has been prescribed, such right issue must involve a stand-by buyer who guarantees to purchase the remaining shares that are not exercised by the holder of the pre-emptive rights, at least at the offering price.

## 7. Banking and lending

Bank Indonesia is the central bank of Indonesia. Under Law No. 23/1999 regarding Bank Indonesia as lastly amended by Law No. 4/2023 on The Development and Strengthening of the Financial Sector (“Bank Indonesia Law”), Bank Indonesia is an independent state agency free from interference from the government and/or other parties unless expressly provided otherwise by law. Bank Indonesia’s primary objective is to achieve the stability of the value of Rupiah, maintain the stability of the payment system, and help maintain financial system stability in order to support sustainable economic growth. The Bank Indonesia Law further regulates that in the purpose to achieve the aforementioned objective, Bank Indonesia has the following tasks:

a. Determining and implementing monetary policy in a sustainable, consistent, and transparent manner

In the context of determining and implementing monetary policy, Bank Indonesia is authorised to:

- 1) Manage interest rates;
- 2) Manage exchange rates;
- 3) Manage liquidity;
- 4) Manage foreign exchange traffic;
- 5) Manage the state foreign exchange reserves;
- 6) Regulate, supervise and develop money market and foreign exchange market; and
- 7) Establish and implement other monetary policy.

In implementing the above said authorities, Bank Indonesia shall conduct:

- 1) Regulation, supervision, examination, and imposition of sanctions;
- 2) Accountable and transparency policy communication; and
- 3) Policy coordination with the government, authorities and relevant stakeholders.

b. Regulating and maintaining smooth payment system

In regard to regulate and maintain smooth payment system, Bank Indonesia has the authority to:

- 1) Implement and provide approval and licences for the implementation of payment system services;
- 2) Require payment system service providers to submit reports on their activities; and
- 3) Determine the use of payment instruments.
- 4) To submit reports on their activities.
- 5) Determine the use of payment instruments.

c. Establishing and implementing macroprudential policy

In order to establish and implement the macroprudential policy, Bank Indonesia has the authority to conduct:

- 1) Macroprudential regulation;
- 2) Macroprudential supervision, including examination and imposition of sanctions;
- 3) Regulation and development of inclusive financing and sustainable finance;

- 4) Provision of funds for banks in order to perform the function of lender of the last resort;
- 5) Reverse repo (repurchase agreement) and/or purchase of state securities owned by the Indonesia deposit insurance corporation at the time when the Indonesia deposit insurance;
- 6) Corporation requires liquidity; and
- 7) Coordination with the relevant authorities.

Since 1 January 2014, Bank Indonesia’s role as the primary regulator of the banking industry has been assumed by OJK. Notwithstanding the above and as indicated in the above, the Indonesian government has amended certain laws and regulations governing Bank Indonesia with a view to streamlining its respective roles and functions to better cater to and respond to the adverse impacts caused by COVID-19 pandemic. In relation to that, the Omnibus Law transfers certain authorities in banking affairs from Bank Indonesia to OJK and the central government. Under the Omnibus Law, the authorities to set the requirement to establish a bank, which were previously held by Bank Indonesia, are now assumed by OJK. Further, based on the previous regulatory regime, the provisions dealing with the maximum foreign ownership of Islamic banks are regulated under Bank Indonesia Regulations as a non-government independent institution. The Omnibus Law, however, shifts this mandate to the government (i.e., the government shall govern the maximum foreign ownership of Islamic Bank through laws and regulations regarding investment prepared by the government). Therefore, other than re-aligning the regulatory framework, the Omnibus Law will also centralise the authorities to set foreign ownership conditions of Islamic banks to the central government.

Further, on 12 January 2022, the Indonesian government finally enacted the Law No. 4 of 2023 on The Development and Strengthening of the Financial Sector (“**PPSK Law**”), the long-awaited “legal umbrella” in the financial sector to address the fundamental challenges of the Indonesian financial sector and build a dynamic, strong, independent, sustainable, and just national economy. PPSK Law amends, deletes, and/or stipulates new provisions under various existing laws and regulations related to financial sector ecosystem, including laws and regulations related to Bank Indonesia, OJK, Banking, Sharia Banking, Insurance, etc. As the Law No. 21 of 2011 on OJK (“**Law 21/2011**”) has regulated the scope of OJK supervision in financial services activities including banking, derivative finance, carbon exchange, capital market, insurance, guarantee, pension fund, and financial services related institutions, the PPSK Law amends provisions set out under Law 21/2011 by adding new roles to carry out regulation and supervision in the ITSK sector as well as digital financial assets and crypto assets. Moreover, OJK will also carry out the licensing, regulation, and supervision of cooperatives operating in the financial services sector, where further provisions regarding this matter will be set out under a forthcoming OJK regulation.

### Bank categorisation based on its core capital

Initially, OJK prescribed the categorisation of banks under OJK Regulation No. 6/POJK.03/2016 on Business Activities and Office Network Based on Core Capital of Banks ("OJK Regulation 6/2016") into 4 (four) categories (previously referred to as Bank Umum berdasarkan Kegiatan Usaha or "BUKU"), ranging from BUKU 1 (the smallest category) to BUKU 4 (the largest category) — and such categorisation determines the business activities that the bank under each category is allowed to engage in (e.g. foreign-exchange-related activities, treasury-related activities, region/worldwide scope of activities, etc). However, OJK Regulation No. 12/POJK.03/2021 on Commercial Banks ("OJK Regulation 12/2021") has replaced the BUKU categorisation and provides a new set of categorisations in the form of Kelompok Bank berdasarkan Modal Inti ("KBMI") as follows:

- KBMI 1 (can be equivalent to BUKU 1 and BUKU 2): banks with core capital amounting to IDR6 trillion (six trillion Indonesian Rupiah);
- KBMI 2 (can be equivalent to BUKU 3): banks with core capital of more than IDR6 trillion (six trillion Indonesian Rupiah) up to IDR14 trillion (fourteen trillion Indonesian Rupiah);
- KBMI 3 (can be equivalent to BUKU 3 and BUKU 4): banks with core capital more than IDR14 trillion (fourteen trillion Indonesian Rupiah) up to IDR70 trillion (seventy trillion Indonesian Rupiah); and
- KBMI 4 (can be equivalent to BUKU 4): banks with core capital more than IDR70 trillion (seventy trillion Indonesian Rupiah).

### Single presence policy and shareholding restrictions

Based on OJK Regulation No. 39/POJK.03/2017 on Single Ownership in Indonesian Banking ("POJK 39/2017"), Single Ownership is a condition whereby a party can only be a controlling shareholder of one bank. A controlling shareholder under POJK 39/2017 is a legal entity, individuals, and/or a business group that:

- Owns 25% or more of the total shares issued of a company or bank and has voting rights; or
- Owns less than 25% of the total number of shares issued in a company or bank and has voting rights, but the individual/entity concerned can be proven to have exercised control of the company or bank, either directly or indirectly.

As noted above based on Article 2 Paragraph 1 POJK 39/2017, each party can only be a controlling shareholder in one bank. However, the above provisions on the controlling shareholder in one bank do not apply to the following:

- Controlling shareholder of two respective banks that conduct business activities with different principles, namely conventional and Sharia principles; and
- Controlling shareholder of 2 banks, one of which is a joint venture bank.

In the event that the said party purchases shares of other banks so that they become a controlling shareholder in more than one bank, the said parties must fulfil the provisions under Article 2 Paragraph 1 of POJK 39/2017. This can be achieved by way of:

- Merger or consolidation - the controlled bank shall be merged or consolidated with the controlling bank;
- Establishing a holding company in the banking sector; or
- Establishing a holding function, which aims and is intended to directly control and consolidate all activities of its (bank) subsidiaries.

Based on OJK Regulation No. 56/POJK.03/2016 ("POJK 56/2016") regarding Commercial Bank Ownership, the maximum amount of bank share ownership for each category of shareholder is as follows:

- 40% of a bank's capital, for the category of the shareholders in the form of a legal entity and non-banking financial institution(s);
- 30% of a bank's capital, for the category of shareholders in the form of a legal entity non-financial institution(s); and
- For individual shareholders 20%.

The above maximum amount of share ownership does not apply to the central government and any institution that has been established to manage and/or rescue a bank.

Prospective controlling shareholders who are foreign citizens and/or legal entities domiciled abroad must meet the following additional requirements:

- Have a commitment to support the development of the Indonesian economy by owning shares in the bank;
- Obtain recommendations from the supervisory authority of the country of origin for legal entities of financial institutions; and
- Has ranked at least: (i) one level above the lowest investment grade, for a financial institution legal entity; (ii) two levels above the lowest investment rating for a non-bank financial institution legal entity; and (iii) three levels above the lowest investment rating for a non-financial institution legal entity.

### Offshore financial obligations

Indonesia regulates several reporting and filing obligations for Indonesian companies which obtain debt financing from sources outside Indonesia. The scope of these obligations varies from regulation to regulation, but generally loans, notes, bonds and finance leases would be reportable obligations, as would guarantees in some cases.

The said requirements include reporting obligations to Bank Indonesia regarding the company's annual offshore borrowing plan, along with transaction-specific reporting requirements to Bank Indonesia and the Ministry of Finance. With respect to transaction-specific reports, the Indonesian obligor is required to include copies of the underlying transaction documents and thereafter to provide periodic reports on the realisation of the loan (i.e., drawings and repayment) in the first report.

These reporting requirements are administrative in nature and are imposed on the borrower. There are penalties that may be imposed on a borrower that fails to comply.

In addition, there have been several court cases where a borrower's failure to comply has resulted in a court invalidating the underlying loan agreement. Even though these decisions have been criticised as incorrect applications of the regulations, lenders are well advised to verify submission of the requisite reports as conditions precedent to the first drawdown and to require completion of all periodic reports (as either conditions subsequent or pursuant to the general undertakings).

### Foreign exchange-drawdown via onshore account

Bank Indonesia Regulation No. 16/10/PBI/2014 on the Receipt of Foreign Exchange from Export Proceeds and Withdrawal of Foreign Exchange from Foreign Debt (as amended by Bank Indonesia Regulation 17/23/PBI/2015 and partially revoked by Bank Indonesia Regulation 21/14/PBI/2019) and Bank Indonesia Regulation Number 7 of 2023 on Foreign Exchange Export Proceeds and Foreign-Exchange Import Payments (as most recently amended by Bank Indonesia Regulation Number 3 of 2025), as well as Bank Indonesia Circular Letter No. 18/5/DSTA/2016 provides that (among other things) debtors are required to have their offshore loans disbursed via foreign exchange onshore banks and require information and to provide reports (along with supporting documents (i.e. a copy of incoming transfer and/or SWIFT message)) evidencing that the loan withdrawal has been completed through a foreign exchange onshore bank on offshore loans to Bank Indonesia.

Each disbursement of an offshore loan in cash shall be made through a foreign exchange onshore bank and reported to Bank Indonesia at the latest on the 15th day of the following month after the disbursement of the loan is made. Offshore loans subject to this requirement are those arising from non-revolving loan agreements which are not for the purpose of refinancing or related to debt securities. Any discrepancy between the loans disbursed and the total loan commitments shall be explained by the borrower in writing to Bank Indonesia.

Failure of Indonesian borrowers to withdraw offshore loans via foreign exchange onshore banks as governed under these regulations is sanctioned with a penalty amounting to 0.25% of the nominal value of each loan withdrawal not made through a foreign exchange onshore bank, up to a maximum amount of IDR50,000,000. If the borrower is not able to submit supporting documents evidencing the loan withdrawal through a foreign exchange bank by the end of the relevant reporting month, then it will be considered not withdrawing through a foreign exchange bank (and hence the above sanction may be applied).

### Limitations on Rupiah transactions

Pursuant to Bank Indonesia Regulation Number 6 of 2024 on Money Market and Foreign Exchange Market, banks and/or other parties as determined by Bank Indonesia are prohibited from conducting certain transactions, including provision of Rupiah transfer abroad, non-deliverable forward transaction on foreign exchange against rupiah abroad, purchase of bonds issued by foreign parties in Rupiah, etc. However, there are several exclusions to this prohibition which permits banks to conduct transaction with foreign parties using Rupiah (e.g. in the case of credit/facility provision, it shall be for certain economic activities in Indonesia, etc.).

### Borrower's hedging ratio, liquidity ratio, and credit rating requirement

Bank Indonesia Regulation No. 16/21/PBI/2014 on Application of Prudent Principles in Managing Foreign Debt of Non-Bank Corporation, dated 29 December 2014, as lastly amended by Bank Indonesia Regulation No. 18/4/PBI/2016, sets out the requirements for a non-bank corporation having offshore loans to apply prudent principles by applying hedging ratio, liquidity ratio and credit rating requirements.

This regulation took effect on 1 January 2015, and generally provides that a non-bank corporation intending to receive an offshore loan must have:

- a. hedging ratio of at least 25%;
- b. liquidity ratio of at least 70%; and
- c. credit rating of at least "BB-" (double B minus) - however these requirements do not apply to (among others) refinancing, infrastructure project financing (on certain conditions), and trade credit.

The above requirements do not apply to trade credit. Further, the credit rating requirement does not apply to (1) refinancing or (2) offshore loan from bilateral or multilateral financing entity in relation to infrastructure project financing.

The borrower will need to submit a report and supporting documents in relation to the fulfilment of hedging ratio, liquidity ratio and credit rating.

### Highlights of Law No. 4/2023 on the Development and Strengthening of Financial Sector (PPSK Law)

#### • Bank Sharia Unit Spin-Off

As Law No. 21 of 2008 on Sharia Banking (most recently amended by PPSK Law) stipulates that conventional bank are mandatory to implement spin-offs in the event that the Sharia Business Unit (Unit Usaha Syariah or UUS) have 50% of the total asset values of the relevant parent banks or within 15 (fifteen) years upon the enactment of the law (i.e., by 2023), PPSK Law negates the provision for the specific period of sharia unit spin-off of the Sharia Banking Law and amends it to no specific limits. The regulation stipulates that if after fulfilling certain requirements set by OJK, the conventional bank will be required to spin-off the UUS to become a Sharia Bank. In addition, OJK may also request the UUS spin-off under the framework of bank consolidation. Further provisions regarding spin-off, consolidation and sanctions that can be imposed upon banks that do not carry out the required spin-off is set out under OJK Regulation No. 12 of 2023 on Sharia Business Unit (most recently amended by OJK Regulation No. 22 of 2025).

• **Technological innovations within the financial sector**

The PPSK Law defines Technological Innovations Within the Financial Sector (Inovasi Teknologi Sektor Keuangan or ITSK) as technology-based innovations that impact products, activities, services and business models related to digital financial ecosystem. The scope of ITSK includes payment systems; settlement of securities transactions; investment management; risk management; collection and/or distribution of funds; market support; activities related to digital financial assets, including crypto assets; and other digital financial services activities.

According to the PPSK Law, BI and OJK will regulate and supervise the implementation of ITSK in accordance with their respective scopes of authority, by taking into account the following principles:

- a. The balance between efforts to encourage innovation with risk mitigation;
- b. Economy integration and digital finance;
- c. Efficiency and sound business practices;
- d. Consumer protection; and
- e. Coordination of regulation and supervision between authorities.

• **Digital Rupiah**

On 30 November 2022, Bank Indonesia issued White Paper, a high-level design of digital Rupiah development, which provides a framework for the testing and implementation of the digital currency. Considering its extensive implications, this national-scale initiative requires synergistic efforts in its formulation and implementation. As Law No. 7 of 2011 on Currency (as most recently amended by Law No. 1 of 2023) only recognises Rupiah in the physical form of notes and coins, PPSK Law has added a new type of currency, named digital Rupiah, a blockchain-based currency. Digital Rupiah will be backed, issued, circulated, and organised by Bank Indonesia, and will be treated as legal tender in Indonesia. It is noteworthy that the governance of digital Rupiah must take the following aspects into account:

- a. Provision of digital Rupiah as legal tender in Indonesia;
- b. The effectiveness of the implementation of Bank Indonesia's duties in maintaining monetary stability, payment system and financial system;
- c. Support for technological innovation and digital economic and financial inclusion;
- d. The development of a nationally integrated digital economy and finance; and
- e. Utilisation of digital technology that can ensure the security of data and information systems as well as the protection of personal data.

Furthermore, in conducting the digital Rupiah planning, Bank Indonesia is required to coordinate with the government. Further provisions regarding the issuance of digital Rupiah will be set out under a forthcoming BI regulation.

**Transformation under OJK Regulation 30/2024 on Financial Conglomerate**

In response to enhance regulatory and supervisory efficacy across diverse financial service entities under unified ownership and/or control, OJK promulgated OJK Regulation No. 30 of 2024 on Financial Conglomerates and Financial Conglomerate Holding Companies ("OJK Regulation 30/2024"), which enacted in December 2024, to strengthen the regulatory framework for financial conglomerate groups (FCGs) and introduce clear requirements on the establishment of these FCGs.

This regulatory framework is designed to empower controlling and ultimate shareholders with the means to effectively oversee an FCG's operations. In doing so, it aims to foster a coordinated and consistent application of robust risk management protocols, sound governance frameworks, prudent capital management, and other vital considerations across the entire FCG.

Consists of 100 articles divided into 19 chapters, OJK Regulation 30/2024 stipulating on (among others):

- a. Definition of FCGs: The regulation redefines what constitutes an FCG, moving beyond asset size to also consider the structure and types of businesses involved. Previously, groups with over IDR 100 trillion in assets and which are operating in multiple financial services sectors were classified as FCGs. Under the new framework, the OJK also takes into consideration other factors such as ownership and control relationships amongst the financial institutions within a group.
- b. Mandatory establishment of a PIKK: Prior to this, FCGs had been subject to OJK Regulation No. 45/POJK.03/2020. However, following the enactment of P2SK Law, several updates became necessary to meet growing supervisory expectations. In this regard, one of the most significant provisions under the new regulation is the establishment of a Financial Conglomerate Holding Company (Perusahaan Induk Konglomerasi Keuangan or PIKK). This entity will lead the implementation of integrated governance, risk management, and capital management initiatives across the FCG. The PIKK must obtain approval from OJK, and this requirement is triggered based on the total assets of the FCG calculated over a six-month period. This entity, whether deemed to be Operational or Non-Operational, must be appointed with OJK approval. An Operational PIKK must oversee the consolidation and coordination of all activities within an FCG, including controlling and consolidating operations, conducting capital participation, providing management services to enhance consolidation and business strategy, as well as supporting the financial optimisation.
- c. Enhanced regulatory oversight: The regulation grants OJK authority to oversee and regulate the PIKK as part of its duties supervising financial institutions within the FCG. This includes ensuring the latter's compliance with integrated governance and risk management practices.

To keep pace with the market's evolving needs, ongoing refinement of the regulatory framework will be essential to reflect the realities of the Indonesian market. To support this transition, OJK is set to issue further implementing regulations under OJK Regulation 30/2024, covering critical areas such as reporting, fit and proper assessments, key party reassessments, as well as integrated governance and risk management.

### OJK Introduces Framework for Financial Services Aggregation Organisers under OJK Regulation 4/2025

Following up the mandate of PPSK Law, OJK has issued OJK Regulation No. 4 of 2025 on Financial Services Aggregation Organisers ("OJK Regulation 4/2025"), introducing a comprehensive framework for digital aggregation activities in the financial sector. The regulation establishes licensing, governance, and IT security standards to ensure consumer protection and market integrity while encouraging innovation. Through this framework, OJK seeks to balance technological advancement with prudent oversight, marking a pivotal step in shaping Indonesia's evolving digital finance ecosystem.

At its core, OJK Regulation 4/2025 defines financial aggregation as the collection, filtering, and comparison of financial products and services offered by various licenced institutions. By presenting consolidated and comparable information, aggregators enable consumers to make more informed financial decisions while simultaneously serving as a bridge between financial service providers and potential customers. Entities engaging in these activities are classified as Financial Services Aggregation Organisers (Penyelenggara Agregasi Jasa Keuangan or PAJK), which may aggregate a broad range of financial products—spanning deposits, loans, insurance, investment instruments, and other OJK-approved offerings.

To ensure accountability and sound governance, OJK Regulation 4/2025 requires PAJKs to obtain an OJK licence and meet institutional prerequisites. These include incorporation as a limited-liability company with a minimum paid-up capital of IDR500 million, fit and proper tests for shareholders and management, and compliance with anti-money laundering, counter-terrorism financing, and anti-fraud measures. Foreign ownership is permitted up to 85% of paid-up capital, balancing foreign participation with domestic control. Licence applications are submitted through OJK's Department of Technological Innovation in the Financial Sector.

Recognising that aggregation activities are inherently digital, OJK Regulation 4/2025 places strong emphasis on information technology governance. PAJKs must own and control their systems, safeguard data integrity, and register as Private Electronic System Organisers (Penyelenggara Sistem Elektronik or PSE) within 30 days of licensing. This integration of financial regulation and digital oversight reflects OJK's broader policy direction toward a secure and transparent fintech ecosystem.

In addition, cooperation between PAJKs and licenced financial institutions must be formalised through written agreements ensuring that all aggregated products are Authorised for digital marketing and free from regulatory sanctions. To protect consumers, PAJKs are

expressly prohibited from engaging in fund management, providing misleading information, or misusing personal data.

Transitional provisions under the regulation grant existing aggregators, funding agents, and wealth-tech platforms that were previously registered or sandbox-approved by OJK a 12-month window to secure a PAJK licence. Failure to comply within this period will render their operations unlicensed.

Through OJK Regulation 4/2025, OJK sets a significant milestone in shaping Indonesia's digital financial landscape—promoting transparency, operational integrity, and consumer trust as key pillars of sustainable innovation in the aggregation sector.

## 8. Oil and gas & coal and mineral mining

### A. Oil and gas

Indonesia became a net importer of oil in late 2004 and voluntarily suspended its OPEC membership in January 2009 but reactivated it again in January 2016. However, Indonesia decided to suspend its membership once more in November 2016, reflecting the fact that oil production had been declining since the 1990s.

In recent years, the Indonesian government has attempted to encourage further investment in the oil and gas sector, including for development of deep water and non-conventional oil and gas resources, and also downstream infrastructure (refineries, petrochemical plants and pipelines), through various incentives and most recently providing alternative to the cost-recovery production sharing contracts mechanism for upstream oil and gas sector in form of gross-split production sharing contracts. Other than cost-recovery and gross-split production sharing contracts, the Indonesian government is basically open to other typical cooperation arrangements in the upstream oil and gas sector based on Minister of Energy and Mineral Resources Regulation No. 13 of 2024 on Gross-Split Production Sharing Contracts ("**MEMR Regulation 13/2024**").

Under Indonesian law, oil and gas activities are separated into downstream and upstream sectors. The law stipulates that upstream activities consist of exploration and exploitation, consisting of drilling and completion of wells, facilities construction of transporting, storing, and processing to separate as well as refining the oil and gas in the field, while on the other side, the downstream activities cover the processing, transporting, storing and trading. The Minister of Energy and Mineral Resources has general authority over Indonesia's energy sector. Specifically, in the oil and gas sector, the Special Task Force for Upstream Oil and Gas Activities (Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi or SKK Migas) is the regulatory body overseeing upstream activities and the executor, on behalf of the Indonesian government, over the Production Sharing Contracts (PSCs) and other types of cooperation arrangement. For the downstream sector, the Down Stream Oil and Gas Regulatory Body (Badan Pengatur Hilir Minyak dan Gas Bumi or BPHMIGAS) is the regulatory body.

Under the latest Omnibus Law, business licensing requirements for the oil and gas sector have now been revised. It now specifies the same scope of activities but requires both upstream and downstream oil and gas business activities to be implemented based on business licensing organised by the central government. The Omnibus Law also allows businesses to engage in downstream oil and gas business activities upon the fulfilment of business licensing requirements set by the central government and accordingly, the businesses that have fulfilled such business licensing requirements may be able to engage in processing, transportation, storage and/or commercial activities, such as buying, selling, exporting, and importing (depending on the activities that are being targeted). Nevertheless, the shift towards a licensing-based regime aims to streamline the bureaucracy and expedite the overall licensing process within this sector as the relevant licensing processes will be integrated electronically (i.e. Online Single Submission system) as further implemented under the Ministry of Energy and Mineral Resources Regulation No. 5/2021 on Standards for Business Activities and Products During the Implementation of Risk-Based Business Licensing Within the Energy and Mineral Resources Sector (“MEMR Regulation 5/2021”) which sets out various standards that apply to business activities and products during the implementation of risk-based business licensing within the energy and mineral resources sector (including the oil and gas sector).

### **Acquiring an oil and gas company**

Acquisition or transfer of shares of an oil and gas company in Indonesia shall be conducted by obtaining prior approval or submitting written notification to the relevant institution (herein, Minister of Energy and Mineral Resources), considering the type of the business action upstream or downstream activity). For instance, Minister of Energy and Mineral Resources Regulation No. 48/2017 on the Monitoring of the Mineral and Energy Resources Activities (as most recently amended by Ministry of Energy and Mineral Resources No. 7/2020) stipulates that shares acquisition in the upstream activities is subjected to a prior approval from the relevant Minister whereas shares acquisition in the downstream activities are only required to submit written notification by attaching the Articles of Association (including its updated notification receipt/approval from the Ministry of Law and Human Rights) of the relevant company to the relevant Minister Energy and Mineral Resources by way of the Directorate General of Oil and Gas.

### **Regulatory framework development in oil and gas sector**

As the holding of oil and gas regulatory framework in Indonesia, Law No. 22/2001 on the Oil and Natural Gas is currently on the list of National Legislation Programmes (Program Legislasi Nasional or Prolegnas) to be amended. One of the critical discourses is on the transformation of SKK Migas, as the replacement of the previous government body namely Executive Agency for Upstream Oil & Gas Business Activities (Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi or BP Migas), for becoming a ministry-dominated model (under certain ministry) or national oil company dominated model (under Pertamina as state-owned oil and gas company) or independent body (specific for upstream oil and gas business).

It is essential to follow developments regarding SKK Migas, because currently SKK Migas plays a vital role in the supervision and representation of the Indonesian government in the upstream oil and gas sector.

A significant development regarding oil and gas sector, especially for the PSC aspect emerged with the issuance of the MEMR Regulation 13/2024 and issuance of the Minister of Energy and Mineral Resources Decree No. 230.K/MG.01/MEM.M/2024 on the Guidelines for the Implementation and Components of Gross Split Product Sharing Contracts (“MEMR Decree 230K/2024”). These new rules create a more competitive profit-sharing arrangement under the current Gross Split PSC. For Conventional Oil & Gas PSC Contractors, the pre-tax share ranges from 75% to 95%, based on a study of effective royalty rate, access to gross revenue and incentives. The competitive profit-sharing arrangement also applies to non-Conventional PSC Contractors, who receiving a fixed share of 93% for oil and 95% for gas.

## **B. Coal and mineral mining**

There was a high level of regulatory uncertainty following the promulgation of Law No. 4/2009 on Mineral and Coal Mining (the 2009 Mining Law). Nevertheless, in the period immediately after the law's issuance, the industry had been driven by strong demand for thermal coal for domestic and regional power generation, as well as for coking coal and various other commodities feeding the development of Asia's industrial capacity and public infrastructure. In 2012, the situation changed, with the overall demand for commodities dampening. Significantly lower coal prices resulted in many Indonesian miners lowering production targets and focusing on increasing efficiency.

The Indonesian government lastly passed Law No. 3/2020 on Amendment of Law No. 4/2009 on Mineral and Coal Mining (the 2020 Mining Law) which introduced several changes, including but not limited to mining areas determination, centralisation of authority for mineral and coal management, re-arrangement of licensing matters, investments and divestment obligations, and continuation of operations of Contracts of Work and Coal Contracts of Work holders.

The Mineral and Coal Mining Law was most recently amended for the fourth time with the enactment of Law No. 2 of 2025 (the 2025 Mining Law). These new provisions provide certainty for investors holding business permits in the mining sector, particularly concerning the aspect of spatial planning. This revision affirms that no changes to spatial planning can be applied to business entities that have already obtained a Mining Business Permit (IUP), a Special Mining Business Permit (IUPK), or a People's Mining Permit (IUPR). In this regard, every decision related to spatial planning in a region must consider the pre-existing status of Mining Business Permit Areas (WIUP), Special Mining Business Permit Areas (WIUPK), and People's Mining Areas (WPR).

On the other hand, this fourth revision also stipulates the prioritisation of domestic coal needs before sales abroad (Domestic Market Obligation/DMO). It is regulated that before selling coal overseas, mining companies are required to first fulfil their obligation to supply coal for domestic needs. Other changes also occurred in the aspect of business licensing services through the Online Single Submission (OSS) system. Accordingly, business licensing in the mineral and coal mining sector will be fully administered via the OSS platform, which allows for more efficient and transparent permit processing.

To encourage downstream activities, the latest Omnibus Law offers a new incentive in the form of a 0% royalty for miners who increase the value of coal by establishing downstream processing (i.e. by way of coal upgrading, coal briquetting, coking, coal liquification, coal gasification, coal slurry/coal water mixture). Currently, most coal mining business activities in Indonesia are carried out merely by 'digging, transporting, and selling' raw coal. As such, this new incentive is expected to incentivise miners to process coal through downstream activities before selling it to end-user customers. Following the enactment of the Omnibus Law, the Indonesian government has also enacted Government Regulation Number 25/2021 on the Organisation of the Energy and Mineral Resources Sector ("GR 25/2021"), which stipulates that such 0% royalty will be granted under the following conditions:

- a. Through a consideration of energy independence (*kemandirian energi*) and the fulfilment of various requirements relating to industrial raw materials; and
- b. Through a consideration of volumes of coal utilised during the activities that increase the added value of domestic coal.

As a side note, such activities, amounts, requirements and procedures that relate to the granting of a 0% royalty rate shall first require approvals from the Minister of Finance.

It is noteworthy as well that Government Regulation No. 96/2021 on the Implementation of Business Licences in the Field of Mining and Coal Mining was issued to overhaul previous implementing regulation regime prior to the regime of Law 3/2020 and Omnibus Law. Thus, the previous Government Regulation No. 23/2010 (including its amendment) is not applicable anymore.

### **Contracts of work**

Before 2009, mining agreements known as Contracts of Work (Kontrak Karya) or Coal Contracts of Work (Perjanjian Karya Pengusahaan Pertambangan Batubara) were primarily made by international investors with the Indonesian government. These agreements were generally intended to provide an overall regulatory framework and fiscal regime for the mining activities of the investor, based on Indonesia's then prevailing 1967 Basic Mining Law. The "Contract of Work" system, which retained some characteristics of traditional mining concession agreements found in other developing countries, is now being phased out. New mining projects shall be conducted under a licensing system, which applies both to mining projects developed by domestic investors and those developed by foreign investors. Before 2009, a separate licensing system (the issuance of mining authorisations (Kuasas Pertambangan or KP)) was

available but restricted to domestic mining companies. KPs were required to be converted to mining business licences.

The 2009 Mining Law provided that existing Contracts of Work were to remain effective until their expiry but their terms (other than those relating to state revenues) had to be amended by January 2010 to become in line with the 2009 Mining Law. As of to date, many Contracts of Work have been converted into mining business licences.

Controversial differences between the terms of Contracts of Work/Coal Contracts of Work and the 2009 Mining Law regime include a significant reduction in the maximum size of the mining area and potentially more stringent share divestment requirements and restrictions on the retention of contractors, among other issues.

However, the 2020 Mining Law guarantees that Contracts of Work and Coal Contracts of Work can be extended upon meeting certain statutory requirements (specifically as to an increase in tax and non-tax state revenues). In connection with the extension period itself, if the Contract of Work/Coal Contract of Work has not been previously extended, the extension can be made 2 (two) times each for a maximum period of 10 (ten) years. If the Contract of Work/Coal Contract of Work has previously received its first extension, then such Contract of Work/Coal Contract of Work can receive its second extension for a maximum period of 10 (ten) years. The abovementioned extensions are made in the form of IUPK for the Continuation of Operations of Contracts of Work/Coal Contracts of Work.

Applications for extension of the Contract of Work/Coal Contract of Work (together with all the necessary administrative requirements and documentation), will have to be submitted to the Minister of Energy & Mineral Resources (MEMR) at the earliest 5 (five) years and the latest 1 (one) year prior to the expiration date of the respective Contract of Work/Coal Contract of Work.

### **Mining business licences**

Commercial mining in areas that are not in state reservation areas is authorised by a Mining Business Licence (Izin Usaha Pertambangan or IUP) while mining in state reservation areas is authorised by a Special Mining Business Licence (IUP Khusus or IUPK). Based on the 2020 Mining Law, the authority to issue mining-related licences is centralised with the national government. However, Presidential Regulation No. 55/2022 on the Delegation of the Granting of Business Licences in the Field of Mining and Coal Mining jo. Government Regulation No. 96/2021 on the Implementation of Business Licences in the Field of Mining and Coal Mining as last amended by Government regulation No. 39/2025, the central government has the right to delegate its authority to provincial governments, for example in the case of delegation to provincial governments for issuing Community Mining Licence (Izin Pertambangan Rakyat or IPR) and Authorisation Letter for Rock Mining (Surat Izin Penambangan Batuan or SIPB).

IUPs with respect to non-metal minerals or rocks are obtained by means of an application, and IUPs with respect to metal minerals or coal is obtained by means of a tender and competitive bidding process.

All IUPK licences issued to private enterprises are also obtained by means of a tender and competitive bidding process. Nevertheless, state-owned enterprises and regional-owned enterprises are given priority for such licences.

Based on the mining activity stages, a designated licence will be granted either for exploration or operation production stage, and the holder of an exploration licence is basically guaranteed an upgrade to a production licence as a continuation of the mining business activity providing the fulfilment of the administrative, technical, environmental and financial requirements according to prevailing laws and regulations.

The use of domestic manpower, goods and services is required to be prioritised by the licence holders. There are also specific restrictions on the retention of mining service providers (i.e. contractors). They must also develop a corporate social responsibility programme, including a programme to develop and empower the local community, which is to be established in consultation with the national government, the local government and the local community.

Under the 2020 Mining Law, an IUP(K) for "integrated" metal mineral mining and coal mining shall be valid for 30 (thirty) years and guaranteed with an extension for a period of 10 (ten) years, after fulfilling the requirements in accordance with applicable laws and regulations, among others based on the criteria as stated in Government Regulation No. 96/2021.

Previously, the 2009 Mining Law required IUP and/or IUPK for exploration holders to report any minerals and coal that were accidentally mined while such IUP and/or IUPK for exploration holders were engaging in any exploration and feasibility studies. Such reports were required to be submitted to the relevant licence issuers prior to the imposition of production royalties. Such provisions have no longer been incorporated under the 2020 Mining Law.

Further, holders of IUP and IUPK are required to utilise dedicated mining roads during their mining activities. These roads may either be constructed by themselves or in cooperation with other IUP or IUPK holders which have already constructed mining roads or other parties that are in possession of mining roads. This provision reflects current practice.

However, similar to the oil and gas sector, business licensing of the mining sector has also been changed into a risk-based business licensing regime due to the enactment of MEMR Regulation 5/2021. It should be noted that risk-based business licensing for any business activities that are categorised under the energy and mineral resources sector (including the mining sector) should be processed through the Online Single Submission system commencing 2 July 2021.

Amendment of Government Regulation No. 96/2021 on the Implementation of Business Licences in the Field of Mining and Coal Mining ("GR 25/2024"). Under GR 25/2024, the annual element

of Work Plans and Funding Budgets (Rencana Kerja dan Anggaran Biaya or "RKAB") as originally featured under the framework of Regulation 96/2021 has been removed. In line with this removal, the MEMR has also enacted MEMR Regulation No. 17 of 2025 on Procedures for the Drafting, Submission and Approval of Work Plans and Funding Budgets, and Procedures for the Reporting of the Implementation of Mineral and Coal-Mining Business Activities ("MEMR Regulation 17/2025") which mandates that the validity period for RKAB breaks down into one year for the exploration and the production-operation phase.

The Government Regulation stipulate that the term for Exploration activities is granted for: (i) 8 years for Metal Mineral Mining; (ii) 3 years for Non-Metal Mineral Mining; (iii) 7 years for specific types of Non-Metal Mineral Mining; (iv) 3 years for Rock Mining; or (v) 7 years for Coal Mining. Meanwhile, the second amendment of the Government Regulation No. 96/2021 on the Implementation of Business Licences in the Field of Mining and Coal Mining ("GR 39/2025") provides the production operation period for mining activities as follows:

- a. Metal mineral mining: Up to 20 years;
- b. Non-metal mineral ,mining: Up to 10 years;
- c. Specific non-metal mineral mining: up to 20 years;
- d. Rock mining: Up to 5 years;
- e. Coal mining: Up to 20 years;
- f. Metal mineral mining integrated with processing/refining: Up to 30 years;
- g. Coal mining integrated with development and utilisation: Up to 30 years; and

Specific non-metal mineral mining integrated with domestic processing: Up to 20 years.

### **Acquiring a mining company**

Mining business licences cannot be directly transferred to another party unless that party is an affiliated party (meaning at least 51% of its shares are owned by the transferor). In addition, subject to government approval, a state-owned enterprise may transfer a portion of a mining area for production to an affiliated party (again being where at least 51% of its shares are owned by the transferor). Nevertheless, indirect acquisitions of mining business licences through the acquisition of a licence holder have become the practice. Such indirect transfers may be permitted after completion of exploration, with notification to the appropriate regulators under the 2009 Mining Law.

Uncertainty regarding the process for completing such indirect acquisitions remains, although past cases indicate that the following will be required:

- a. Recommendation letter for approval of the investment from the governmental authority that issued the IUP held by the mining company in question; and
- b. Authorisation letter from the Minister of Energy and Mineral Resources (or a director general on the Minister's behalf) in respect of the investment.

Moreover, if the target company is a PMDN (local owned) company, and the acquirer is foreign, the parties must complete the requirements for conversion to a PMA (foreign capital investment) company.

The Mining Law allows the transfer of IUP/IUPK, subject to MEMR approval. The minimum requirements to obtain such approval include (i) IUP/IUPK holders must have completed their exploration activities, which can be evidenced by the availability of resources and reserves data; and (ii) IUP/IUPK holders must fulfil the administrative, technical, environmental and financial requirements.

Under the 2020 Mining Law, similar provisions apply to the transfer of IUP/IUPK. IUP/IUPK holders are prohibited from transferring share ownership without MEMR approval. The minimum requirements to obtain such approval include (i) IUP/IUPK holders must have completed their exploration activities, which can be evidenced by the availability of resources and reserves data; and (ii) IUP/IUPK holders must fulfil the administrative, technical, environmental, and financial requirements. Further detailed requirements related to IUP/IUPK transfers is currently regulated under Ministry of Energy and Mineral Resources Decree 221.K/HK.02/MEM.B/2021.

### Mining processing/refining business licences

The 2020 Mining Law has given clarity to the dualism of the licensing regime for stand-alone/non-integrated mining smelters/processing/refining companies by regulating that licences for this type of company will only be issued by the Ministry of Industry.

Having stand-alone/non-integrated smelters provides structuring flexibilities between the mining asset and the smelting asset given that those two assets can be held by different stakeholders/project sponsors and with a different set of capital and financing structures (including security package) and, indirectly, avoid “divesting” the smelting asset when a mining company requires to meet its mandatory divestment obligations.

### Divestment requirements

The 2020 Mining Law stipulates that a foreign-owned IUP(K) holder company is required to gradually divest 51% (fifty-one per cent) of its shares to the central government, regional government, state-owned enterprise, regional-owned enterprise, and national private entity. In the event that direct divestment cannot be implemented after the gradual divestment procedures, such divestment can be carried out through an initial public offering of the mining company on the Indonesian Stock Exchange.

2020 Mining Law does not specifically provide detailed timing requirements for such divestment, however, its latest implementing regulation under Government Regulation No. 96/2021 on the Implementation of Business Licences in the Field of Mining and Coal Mining regulates that the holders of IUP(K) is obliged to divest its shares under the following framework:

No.	Type	Shares divestment requirements (Since production activity started)
1	Holders who carry out mining activities by using open pit mining method and not integrated with processing and/or refining facilities or mining and/or utilisation activities	<ul style="list-style-type: none"> <li>• 10th year: 5% (five per cent)</li> <li>• 11th year: 10% (ten per cent)</li> <li>• 12th year: 15% (fifteen per cent)</li> <li>• 13th year: 20% (twenty per cent)</li> <li>• 14th year: 30% (thirty per cent)</li> <li>• 15th per cent: 51% (fifty one per cent)</li> </ul>
2	Holders who carry out mining activities by using open pit mining method and are integrated with processing and/or refining facilities or mining and/or utilisation activities	<ul style="list-style-type: none"> <li>• 15th year: 5% (five per cent)</li> <li>• 16th year: 10% (ten per cent)</li> <li>• 17th year: 15% (fifteen per cent)</li> <li>• 18th year: 20% (twenty per cent)</li> <li>• 19th year: 30% (thirty per cent)</li> <li>• 20th year: 51% (fifty one per cent)</li> </ul>
3	Holders who carry out mining activities by using underground mining method and not integrated with processing and/or refining facilities or mining and/or utilisation activities	<ul style="list-style-type: none"> <li>• 15th year: 5% (five per cent)</li> <li>• 16th year: 10% (ten per cent)</li> <li>• 17th year: 15% (fifteen per cent)</li> <li>• 18th year: 20% (twenty per cent)</li> <li>• 19th year: 30% (thirty per cent)</li> <li>• 20th year: 51% (fifty one per cent)</li> </ul>

No.	Type	Shares divestment requirements (Since production activity started)
4	Holders who carry out mining activities by using underground mining method and are integrated with processing and/or refining facilities or mining and/or utilisation activities	<ul style="list-style-type: none"> <li>• 20th year: 5% (five per cent)</li> <li>• 21st year: 10% (ten per cent)</li> <li>• 22nd year: 15% (fifteen per cent)</li> <li>• 23rd year: 20% (twenty per cent)</li> <li>• 24th year: 30% (thirty per cent)</li> <li>• 25th year: 51% (fifty one per cent)</li> </ul>

It is noteworthy as well that in the event of increase in the capital of holders of IUP(K) after the shares divestment is carried out, the divested shares cannot be diluted into less than the amount of shares with shares divestment obligation.

In line with the share divestment obligation for IUP(K) holders, the CoW and CCoW holders are obliged to implement share divestment based on Minister of Energy and Mineral Resources Regulation No. 9/2017 as lastly amended by Minister of Energy and Mineral Resources Regulation No. 43/2018 on Procedures for Divestment and Mechanism for the Determination of Divested Share Prices for Minerals and Coal Mining Business Activity.

## 9. Construction

### Construction business regime following the issuance of the Omnibus Law and its implementing regulations

To reduce longstanding impediments and improve the ease of doing business in Indonesia, on 2 February 2021 the Indonesian Government issued a series of implementing regulations following the enactment of the Omnibus Law. The Omnibus Law amends 76 laws across a wide range of business sectors, including construction business, and the implementing regulations thereof consist of 45 Government regulations and 4 Presidential regulations. The latest development in legislation related to the Omnibus Law occurred in 2025 with the issuance of Government Regulation No. 28 of 2025 on the Implementation of Risk-Based Licensing (“**GR 28/2025**”), along with its implementing regulations.

With respect to the construction sector, Government Regulation No. 14/2021 (“GR 14/2021”) regarding the amendment of Government regulation No. 22/2020 (“GR 22/2020”) on implementing regulations of Law Number 2/2017 on Construction Services (12 January 2017) (the “**Construction Services Law**”) shall be the implementing regulation that serves the objective of the Omnibus Law, which is intended to amend matters set forth under the Construction Services Law, namely amongst others, capital requirements, licensing and sustainable construction.

We also note that on 23 April 2020, six months prior to the enforcement of the Omnibus Law, the Indonesian Government passed a long-awaited implementing Construction Services regulation, which was GR 22/2020.

GR 22/2020 introduced significant changes to the implementation of the Construction Services Law. The following regulations have been revoked and are no longer applicable:

- Government Regulation No. 28/2000 on the Business and Role of the Construction Services Community (30 May 2000), as lastly amended by Government Regulation No. 92/2010 (29 December 2010);
- Government Regulation No. 29/2000 on the Implementation of Construction Services (30 May 2000), as lastly amended by Government Regulation No. 54/2016 (22 November 2016); and
- Government Regulation No. 30/2000 on the Implementation of Construction Services Supervision (30 May 2000).

### Construction services classification

Under the Construction Services Law, Construction Services are defined as construction consultation services and/or construction work services, which include the following activities:

- 01. Construction consultancy services**, which means the whole or part of activities that includes assessment, planning, design, supervision and construction management.

Construction consultancy services are divided into two classifications, namely:

- General construction consultancy services that cover architecture, engineering, integrated engineering, landscape architecture, and urban planning; and
- Special construction consultancy services that cover scientific and technical consultancy, and technical testing and analysis.

02. **Construction work services**, which means the whole or part of activities that includes construction, operation, maintenance, demolition and building re-construction.

Construction work services are divided into two classifications, namely:

- a. General construction work services that cover building construction and civil construction.
- b. Special construction work services that cover installation, special construction, prefabricated construction, construction finishing, equipment rental and preparation.

03. **Integrated construction work services** mean the combination of construction consultation and construction work. These cover building construction and civil construction.

It should be noted that a provider of construction consultancy services is not permitted to carry out another classification (i.e. construction work services or integrated construction work services). With this in mind, we were made to understand that a provider of construction services company shall engage in only one type of construction service business and cannot carry out other work outside of the type of construction service business in which it engages, except for a provider of integrated construction work services, which may also perform construction services.

In terms of business size, GR 22/2020 also defines the type of work to which a construction services company may provide clients with the services. A small-sized construction services company may only provide low-risk, simple technology, and low-cost construction services, while the mid-sized ones may only provide medium-risk, medium technology and/or medium-cost construction services. Similarly, the large construction services company may only provide high-risk, high technology and high-cost construction services. These sizes of construction services companies correspond to the capital requirements they are required to comply with.

### Capital requirements

Under Decree of the Director General of Construction Development No. 144/2022 on the Establishment of Standard Certification Schemes for Construction Services Business Entities ("**DDGCD 144/2022**"), the mandatorily required capital for construction services companies has been amended subject to the types of business activities. Under DDGCD 144/2022, minimum capital requirements comprise:

01. A small-sized construction services company carrying out general construction consultancy services shall be at least IDR100 million, and for companies carrying out general construction work shall be at least IDR300 million.
02. A medium-sized construction services company carrying

out general construction consultancy services shall be at least IDR250 million, and for companies carrying out general construction work shall be IDR2 billion.

03. A large construction services company carrying out general construction consultancy services shall be at least IDR500 million, and for the ones carrying out general construction work shall be at least IDR25 billion, while for companies carrying out integrated construction work shall be IDR25 billion.

Furthermore, DDGCD 144/2022 sets out capital requirements for foreign construction service representative offices ("Representative Office"), under which the minimum capital requirement for a Representative Office carrying out general construction consultancy services shall be IDR2 billion, and for Rep Offices carrying out general construction work shall be at least IDR35 billion.<sup>99</sup>

### Representative Office of Foreign Construction Services business entity (BUJKA RO)

A foreign construction services company (BUJKA) may establish a Representative Office ("BUJKA RO") in order to bid for potential projects and develop construction projects in Indonesia. Unlike a foreign company representative office (Kantor Perwakilan Perusahaan Asing or "KPPA") or a foreign trade company representative office (Kantor Perwakilan Perusahaan Perdagangan Asing – KP3A), a BUJKA RO may generate profit. Consequently, the regulatory requirements for establishing such BUJKA RO are comparable to the establishment of a licenced Indonesian construction services company (i.e., BUJK PMA), although there are some differences.

BUJKA RO may only perform Construction Services in the high-risk, high-tech, and/or high-cost market segments. In addition, BUJKA RO must also enter into a joint operation with a local construction company ("BUJKN") for carrying out any construction services in Indonesia.

Under the Construction Services Law, BUJKN that can be the local partner in a joint operation is required to fulfil the following criteria:

1. Having large-scale qualifications; and
2. Holds construction business licence (IUJK).

In essence, based on the relevant laws and regulations, BUJKA RO is required to fulfil the following:

- a. Be in the form of a business entity having a qualification equivalent to high qualification;
- b. Obtain a licence for foreign construction service business entity representative;
- c. Form joint operation with a national large qualification construction service business entity which has a business licence in every construction service business activities in indonesia;
- d. Employ more Indonesian employees than foreign employees;

<sup>99</sup> In order to carry out construction business activities in Indonesia, a foreign construction services company (Badan Usaha Jasa Konstruksi Asing – "BUJKA") is required to establish a local presence, either by means of setting up a foreign investment company (penanaman modal asing – "PMA") or a Representative Office ("RO").

- e. Occupy Indonesian citizen as the highest leader of the BUJKA RO;
- f. Prioritise the use of domestic material and construction technology;
- g. Have high, sophisticated, efficient, and environmentally sound technology, as well as taking local wisdom (*kearifan lokal*) into consideration;
- h. Perform the technology transfer process; and
- i. Perform other obligations in accordance with the prevailing laws and regulations.

### Work sharing requirements

GR 28/2025 provides the portion of construction works that must be performed by the BUJKN as a joint operation partner, namely as follows:

01. In terms of construction work services and integrated construction work services, a minimum of 30% of the work value must be carried out by the BUJKN, and 50% of the work must be performed in Indonesia; and
02. In terms of Construction Consultation, a minimum of 50% of the work value must be carried out by the BUJKN, and all works must be performed in Indonesia.

## 10. Intellectual Property Rights (IPR)

Indonesia has undertaken substantial legislative reforms in an effort to improve the legal framework protecting intellectual property rights since the late 1980's. This process of reform accelerated when Indonesia ratified the Trade Related Aspects of Intellectual Property Rights Agreement (TRIPs), as stipulated under Law No. 7/1994, which established Indonesia's membership in the World Trade Organisation.

Laws and regulations have been promulgated to implement the various conventions and treaties to which Indonesia is party and to establish international standards of intellectual property protection. However, despite such legislative developments, infringement of intellectual property rights is still common, particularly in the terms of piracy and trademark counterfeiting, and Indonesia remains on the US Trade Representative's "Watch List".

### International treaties

Since 1979, Indonesia has been a party to the Paris Convention for the Protection of Intellectual Property and the Convention establishing the World Intellectual Property Organisation (WIPO). In 1997, Indonesia became a party to the Patent Cooperation Treaty, the Berne Convention for the Protection of Literary and Artistic Works, the Trademark Law Treaty, and the WIPO Copyright Treaty, as well as to the WIPO Performances and Phonograms Treaty in 2005. The Indonesian government has also entered into various bilateral agreements with countries for the protection of copyright.

Characteristics of IPR:

#### • Exclusivity

The principle of exclusivity for the holder of intellectual property rights is to prevent unauthorised commercial duplication, imitation, or exploitation of their intellectual property asset during the

designated protection period. This principle, however, allows the rights holder to confer permission to third parties for the use of said intellectual property via a licensing agreement.

#### • Territoriality

Most intellectual property rights are protectable solely within the jurisdiction of formal registration, thereby lacking transnational applicability. For example, a trademark registered in Indonesia does not extend its protective scope to other jurisdictions unless it is similarly registered therein.

The principle of territoriality empowers each sovereign state to formulate intellectual property laws tailored to its own legal system. The Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement establishes a framework and sets minimum standards for the protection of intellectual property rights among member nations of the World Trade Organisation, underscoring the principles of territoriality and national treatment. Notably, this principle is not universally applicable; for instance, copyright in literary works is automatically conferred upon creation, thereby negating the necessity for registration for purposes of protection and enforcement.

#### • Transferability

Intellectual property rights are transferable and may be assigned to another individual or entity through mechanisms such as assignment, sales contracts, licensing agreements, or inheritance.

### Trademarks

Pursuant to Law No. 20/2016 regarding Trademark and Geographic Indication as amended by the Omnibus Law ("Trademark Law") a trademark is a distinguishable sign utilised in the commerce of goods and services. In Indonesia, trademark protection is granted on a first-to-file basis, whereby the applicant who first registers a trademark in Indonesia acquires priority and exclusive rights to utilise said trademark, irrespective of prior usage or ownership claims.

Indonesian trademark applications shall be submitted to the Minister of Law electronically or non-electronically in the Indonesian language for approval. Foreign applicants may also register trademarks by appointing a local Intellectual Property consultant as a proxy. The approved application shall be published in the Official Trademarks Report (or a proper substitute) which shall be valid for 10 (ten) years. Such registration may also be renewed for consecutive 10 (ten) year periods. It is noteworthy to add that renewal of the trademark must be filed within 6 (six) months before the expiry of the trademark. Failure to renew such trademark application within this stipulated period may result in the loss of rights to the trademark, thereby rendering it available for registration by third parties.

Moreover, a trademark application may be denied if it is submitted in bad faith, particularly if it is deemed substantially similar to an existing registered trademark. Furthermore, the application must not contravene the state ideology, applicable religious tenets, prevailing laws and regulations, or public order. The trademark must also not mislead regarding its quality, type, size, or intended use.

To eliminate the time constraints that are often problematic for businesses when registering their trademarks, the Omnibus Law now shortens the designated time for the Directorate General of Intellectual Property (DGIP) to perform substantive examination. Previously, the DGIP takes up to 150 (one hundred and fifty) days to perform substantive examination. This is now to be reduced to a maximum period of 30 (thirty) days — provided that there is no opposition by a third party. If a registration is opposed, the DGIP is required to complete the substantive examination within 90 days, which is almost twice as fast as the current regime.

Under the Omnibus Law, there is no deadline for collecting a trademark certificate that has been issued. Currently, the applicant must collect the issued trademark certificate no later than 18 (eighteen) months from its issuance, or otherwise the registered trademark will be withdrawn and annulled.

Additionally, the Omnibus Law sets new criteria for trademarks that cannot be registered. A trademark cannot be registered if it has a functional form. While the law does not clearly define "functional form," it is generally understood to refer to shapes or forms commonly used in design, such as a simple straight line.

### Copyright

Pursuant to Law No.28/2014 regarding Copyright ("**Copyright Law**"), an author's work must show originality in the field of science, arts or literature to obtain the protection of copyright. Once copyright has been obtained, the author, copyright holder, or other beneficiaries of copyright have the exclusive rights to publish or reproduce a work or allow a third party to do the same. The Copyright Law also recognises "moral rights" and "related rights". Moral rights consist of the exclusive right of the author to make changes or amendments to the work, and to alter the name associated with the work and the titles of the work. The rights associated with a third party to reproduce or broadcast the copyrighted material are known as related rights.

The MOL oversees the registration of copyright through the General Register of Works and provides for the official announcement of such registrations. Even though the registration is not required for the creation of copyright, the name that is registered in the General Register of Works and named officially by the MOL is deemed to be the author of the work.

The length of protection of copyright varies, for:

- a. Copyright on books and other written works: the copyright is valid for the lifetime of the author and a period of 70 (seventy) years after their death.
- b. Copyright on computer programmes, cinematographic works, photographic works, databases and the related rights of a licenced agent and a sound recording producer: the copyright is valid for 50 (fifty) years, the related rights of the broadcasting institution are valid for twenty-five years, and moral rights are protected indefinitely.

### Patents

Law No.13/ 2016 jo. Law Number 6 of 2023 jo. Law No. 65/2024 regarding Patents ("Patents Law") provides protection for regular patents and simple patents. A patent shall be granted for a novel invention, which has an inventive aspect and is capable of industrial application. Like a patent, a simple patent is given for a novel invention, which is a development of a product or a process that may already exist.

Patents can be obtained for equipment or products (including chemical compounds and micro-organisms) and processes (where a product is manufactured, including non-biological and microbiological processes), and a simple patent can be obtained for certain tangible inventions. Patents cannot be obtained for:

- a. Inventions that are deemed contrary to public order, morality and the existing laws and regulations;
- b. Surgical methods;
- c. Plants and animals (other than micro-organisms); or
- d. Essential biological processes for the production of plants and animals (other than non-biological and micro-biological processes).

Patent applications shall be submitted to the Patent Office. If the patent is granted by the Patent Office, it is recorded in the General Register of Patents and announced in the Official Patent Gazette. A patent is valid for 20 (twenty) years from the date of the filing of the application and a simple patent is valid for ten years. Neither of these terms can be extended.

Patent Holders are permitted to grant licences to other parties based on a licence agreement. The licence agreements must be registered and announced in the Official Gazette of Patents.

With regards to a simple patent, the Omnibus Law extends the criteria that must be fulfilled to grant a simple patent. A current simple patent must have 'practical use' to be registered with the DGIP and will only be granted for 1 (one) invention.

The Omnibus Law also streamlines the statutory period prior to evaluating and determining whether a simple patent registration application is accepted or not. Currently, it takes at least 157 (one-hundred and fifty-seven) days from application submission before the Patent Office may evaluate the application. But now it may only take as little as 28 (twenty-eight) days from application submission before the Patent Office may evaluate such application. Further, the Omnibus Law requires the Patent Office to decide whether a simple patent registration application is acceptable no later than 6 (six) months from the application date which is twice as faster as the 12 (twelve) months period in the current regime.

### Trade secrets

Pursuant to Law No. 30/2000 regarding Trade Secrets ("Trade Secrets Law"), trade secret means information that is not publicly known about technology and/or business that has an economic value that can be exploited in business activities, and that is kept secret by the owner. Trade secrets may include production methods, processing methods, sales methods, and other pieces of information that meet the statutory criteria. A trade secret is protected for an indefinite period so long as the information/trade secret has not become publicly known.

Holders of a trade secret have the sole rights to use their respective trade secrets and to prohibit or permit third parties from using their trade secrets. The trade secret and any transfer of the same shall be registered with the Directorate General of Intellectual Property Rights of the MOL; the registration is with respect to administrative data only and does not include the substance of the trade secret. As stipulated under the Trade Secrets Law, a change in ownership of a trade secret shall also be announced in the Gazette of Trade Secrets. Rights to a trade secret may be transferred by way of inheritance, grant, will or testament, written agreement or any other process acceptable by law.

### Industrial designs

Pursuant to Law No. 31/2000 regarding Industrial Design ("Industrial Design Law") an industrial design refers to the creation of forms concerning shape, configuration or composition of lines, colours or mixtures of both to create a two- or three-dimensional form used as a product, consumer good or industrial commodity.

Industrial design rights are to be registered and announced in the Official Gazette of Industrial Designs. Any third party wishing to use the industrial design must obtain approval from the industrial design rights holder. The term of protection is 10 (ten) years from the date of filing.

### Enforcement of Intellectual Property Rights

The owner of intellectual property rights can seek relief through civil and/or criminal proceedings in the case of counterfeiting or other infringements. Civil remedies include injunctive relief, damages, and possibly a court order to hand over goods to the legitimate intellectual property owner. Criminal sanctions of imprisonment and/or fines are also imposed for the infringement of intellectual property rights.

#### Intellectual Property (IP)-based Financing Scheme

The government has enacted Government Regulation No. 24 of 2022 on the Implementing Regulation of Law No. 24 of 2019 on Creative Economy ("GR 24/2022"). GR 24/2022 provides an IP-based financing scheme through bank financial institutions and non-bank financial institutions ("Lenders"), of which creative economy entrepreneurs shall propose the financing scheme by fulfilling the requirements for the submission of the IP-based financing scheme which consist of: (i) financing proposal; (ii) own a creative economy business; (iii) have a contract relating to the intellectual property of creative economy products that will be pledged as the security; and (iv) have an intellectual property certificate (recordation or registration letter).

Upon receiving the abovementioned requirements from the creative economy entrepreneurs, the Lenders will undertake several measures such as (i) verification of the creative economy business; (ii) verification of the relevant intellectual property certificate (or registration letter) that will be used as security; (iii) assessment of the intellectual property assets that will be used as collaterals; (iv) disbursement of the funds to the relevant creative economy entrepreneurs; and (v) receipt of financing refunds from creative economy entrepreneurs in accordance with the relevant agreements.

For the implementation of such IP-based financing, the relevant intellectual property assets shall be utilised as collaterals. On this, such object shall be implemented in the form of (i) fiduciary security over intellectual property; (ii) contracts/agreements in creative economy businesses; and/or (iii) collection rights in creative economy businesses. Intellectual property assets that can be used as collaterals are those that have been commercialised and registered with the Directorate General of Intellectual Property.

In taking security over intellectual property assets, the Lenders will have the right to conduct an assessment over the intellectual property assets through cost approach, market approach, revenue approach, and/or other assessment approaches in accordance with the applicable assessment standards. On this, such assessment shall be conducted by the intellectual property appraiser which is licenced and competent in the field of intellectual property valuation. GR 24/2022 also provides dispute resolution options. If a dispute of such IP-based financing arises, it may be resolved through the court or by way of an out-of-court settlement, which must be approved by OJK.

## 11. Personal Data Protection (PDP)

### Overview

The enactment of Law No. 27 of 2022 on Personal Data Protection on 17 October 2022 ("PDP Law") aims to guarantee the data protection rights of every individual. Briefly, the PDP Law applies to every person, public entity, organisation, or institution carrying out a defined set of actions both within and outside the jurisdiction of the Republic of Indonesia. Looking ahead, this legislation is expected to increase the competitiveness of Indonesia's information and communication technology (ICT) sector and encourage the overall growth of the digital economy.

The PDP Law defines personal data as any electronic and/ or non-electronic data that may directly or indirectly identify a person — whether in isolation or in combination with other information. Personal data is divided into the following categories:

- General data covers for a person's full name; gender; nationality; religion; marital status; and/or other personal data that may identify a person;
- Specific data consists of a person's health data and information; biometric data; genetics data; criminal record; children's data; personal financial data; and/or other data in accordance with the laws and regulations. A data subject is defined as any individual with associated personal data.

Under the PDP Law, data subject has been granted several rights among others (i) right to be informed; (ii) right to rectification; (iii) right to access; (iv) right to erasure; (v) right to withdraw; (vi) right to avoid automated decision-making; (vii) right to restrict processing; (viii) right to object; (ix) right to data portability. In this context, personal data processing covers the following actions relating to data: acquisition and collection; processing and analysis; storage; corrections and updates; appearance, announcement, transfer, dissemination, or disclosure; and removal or annihilation.

The enactment of this PDP Law, expected personal data controllers, personal data processors, and other parties related to the personal data processing, to have adjust to the provisions on Personal Data processing of October 2024. Currently, the government is presently engaged in the drafting of the implementing regulation for the PDP Law, a critical step toward ensuring more comprehensive measures for Personal Data Protection in Indonesia. This implementing regulation, which will take the form of a government regulation, the formulation is expected to be finalised and enacted this year, 2025. The move marks a significant milestone in Indonesia's ongoing efforts to strengthen legal frameworks around data protection, reflecting a commitment to align with global standards and address the evolving challenges of the digital age.

In addition, all provisions of prevailing laws and regulations prior to the enactment of PDP Law that regulates PDP shall remain valid as long that it does not conflict with the provisions of this Law, i.e., (i) Law No. 11 of 2008 on Electronic Information and Transaction as amended by Law No. 19 of 2016 ("Law 11/2008"); (ii) Government Regulation No. 71 of 2019 on Administration of Electronic Transaction and System ("GR 71/2019"); (iii) Minister of Communication and Informatics (MoCI) Regulation No. 5 of 2020 on Private Electronic System Providers as amended by MoCI Regulation No. 10 of 2021 ("MoCI Reg. 5/2020"); and (iv) Minister of Communication and Informatics Regulation No. 20 of 2016 on Personal Data Protection on Electronics System ("MoCI Reg. 20/2016"). This shall also refer to other sectoral laws and regulations that stipulate personal data protection, such as health, banking, real estate, and capital market sectors, among others:

- a. Law No. 36 of 1999 on Telecommunication as partially amended by Law No. 6 of 2023 on Enactment of Regulation of the Government Regulation in lieu of Law Number 2 of 2022 regarding Job Creation into Law;
- b. Law No. 7 of 1992 on Banking as amended by Law No. 10 of 1998, Law No. 4 of 2023 and Law No. 6 of 2023 on Enactment of Regulation of the Government Regulation in lieu of Law Number 2 of 2022 regarding Job Creation into Law;
- c. Law No. 8 of 1995 on Capital Market as amended by Law No. 6 of 2023 on Enactment of Regulation of the Government Regulation in lieu of Law Number 2 of 2022 regarding Job Creation into Law;
- d. Law No. 14 of 2008 on Disclosure of Public Information;
- e. Law No. 17 of 2023 on Health; and
- f. Law No. 23 of 2006 on Civil Administration as amended by Law No. 24 of 2013.

## Key principles on Personal Data Protection

The key principles of data protection and governance in the current Indonesian PDP laws and regulations are as follows:

### • Key roles in data processing

In PDP Law, there are 3 (three) key roles in data processing, as follows:

- i. Data subject: an individual to whom personal data is attached to;
- ii. Data controller: any person, public agency and international organisation that acts individually or jointly in determining objectives and exercising control over personal data processing; and
- iii. Data processor: any person, public agency, and international organisation acting individually or jointly in processing Personal Data on behalf of the Data Controller.

Person shall mean individual or corporation (an organised collection of people and/or wealth, both legal entities or non-legal entities). Public agency shall mean executive, legislative, judicial and other bodies whose main functions and duties are related to the administration of the state, whose funds are partly or wholly sourced from the State Revenue and Expenditure Budget and/or Regional Revenue and Expenditure Budget, or non-governmental organisations as long as part or all of the funds are sourced from the State Revenue and Expenditure Budget and/or Regional Revenue and Expenditure Budget, public donations, and/or overseas. International organisation shall mean organisations that are recognised as subjects of international law and have the capacity to conclude international treaties.

### • Principles of personal data processing

Firstly, the collection of personal data should be limited, specific, legally valid, appropriate, and transparent. Secondly, personal data processing should guarantee the rights of the data subject, and be accurate, complete, up-to-date, accountable, clearly proven, and fit for purpose. Thirdly, personal data processing shall be carried out by protecting the security of personal data from unauthorised access, disclosure and alteration, as well as misuse, destruction, and/or loss of personal data. Fourth, personal data processing shall be carried out by notifying the purpose and processing activities, as well as failure of personal data protection. Finally, personal data should be destroyed and/or deleted after the retention period ends, or at the request of the data subject.

### • Consent or transparency

Personal data controller shall obtain the basis for personal data processing activities, including but not limited to:

- i. Explicit approval from data subject (or their guardian if the data subject is a child or person with disability) for one or more specific purposes which conveyed by the personal data controller to the data subject;
- ii. Fulfilment of obligation which set under relevant agreement and/or regulations;
- iii. Fulfilment of legal obligation of the data controller in accordance with laws and regulations;
- iv. Fulfilment of vital interest's protection of data subject;

- v. In carrying out duties in the context of public interest, public services, or exercising the authority of the data controller based on laws and regulations; and/or
- vi. Fulfilment of other legitimate interests by taking into account purposes, needs, and balance of interests of the data controller and data subject.

Such explicit consent or approval clause from the data subject mentioned above must also be included in any agreement relating to the processing of personal data, or the agreement will be deemed null and void.

#### • Visual data processing

An installation for the purposes of visual data processing may be made in public places and/or facilities for the purposes of security, disaster prevention, and traffic management. However, the installation must inform users that the visual data processing or processing device has been installed in the area and cannot be used to identify any individuals.

#### • Response periods

The relevant response period that data controllers are to account for is 3 (three) days for rights to access; withdrawal of consent; processing restrictions; and data repair or correction.

#### • Data breach notification

In the event of personal data breach, the data controller must notify the data subject and the agency that will be responsible for PDP within 3 (three) days and issue a public notice if there is an impact on public interest. The PDP Law impose penalties on personal data breaches in a form of administrative sanctions. Further, data controllers will be held accountable for their personal data processing and must demonstrate their commitment to the implementation of the personal data protection principles. Further provisions relating to the procedures for the imposition of the administrative sanctions will be regulated in the upcoming government regulation.

#### • International data transfer

Pursuant to Article 56 of PDP Law, a data controller may transfer personal data to other personal data controllers and/or personal data processors outside the jurisdiction of the Republic of Indonesia in accordance with the provisions stipulated under PDP Law. Data controller must ensure that the country of domicile of the personal data controller and/or the personal data processor that receives the transfer of personal data has a personal data protection level that is equal to or higher than those that are regulated under PDP Law. If not, the data controller must ensure that there is adequate and binding personal data protection as well as obtain approval from the data subject. Further provisions on cross-border data transfer will be regulated in the upcoming government regulation as implementing regulation of PDP Law.

#### • Data Retention

Data processors may only hold onto personal data for a stipulated period. Following that, the data must be deleted unless otherwise required by law or requested by the respective data subject. The PDP Law does not specify a fixed retention period; however, Article 15 of the MoCI Reg. 20/2016 states the retention period of stored personal data as a minimum of five years unless stipulated otherwise.

#### • Data storage

Data, records, and/or statements received by a corporation in carrying out its activities (including contracts), whether in written or other forms of media that can be seen, read, or heard, are classified as corporate documents, and regulated under the Corporate Documents Law.

Certain types of corporate documents — for example, supporting documents (such as contracts) used for the bookkeeping process — must be stored for a period of 10 (ten) years from the end of a financial year. If these documents are destroyed before this period is over, all risks arising from the destruction of the relevant documents shall be borne by the company.

The data storage period of 10 (ten) years is also clearly stipulated in Taxation Law, which applies to all records and documents that form the basis for bookkeeping, including the results of any data processing that is conducted electronically or online.

#### • Transitional provisions

Upon enactment of the PDP Law, organisations have been given a two-year period to comply with all relevant personal data processing provisions. During the period, they are required to carry out the following set of key actions:

- i. Prepare a personal data processing framework to serve as a guideline for compliance with the provisions of the PDP Law;
- ii. Conduct a review of all activities carried out within the organisation in relation to personal data processing;
- iii. Conduct a review of existing personal data processing and protection policies to ensure compliance with the provisions of the PDP Law;
- iv. Conduct a review of all existing contracts and obtained consent in relation to personal data processing;
- v. Assess and review the gaps between existing personal data processing and protection policies, and the provisions of the PDP Law; and
- vi. Develop a data retention.

In addition, organisations should also consider appointing a data protection officer (“DPO”) — either on fixed short-term contracts, or in the form of DPO-as-a-Service (DPOaaS) — and implementing a privacy management technology platform.

- **Data protection officer**

On 30 July 2025, the Constitutional Court of Indonesia issued Verdict Number 151/PUU-XXII/2024. This verdict provides the long-awaited clarity on the obligation of data controller and data processor to appoint a DPO under Article 53 paragraph (1) of PDP Law, which previously was interpreted in a very strict manner. Previously, data controller and data processor obligation to appoint a DPO is triggered only when all three criteria are met cumulatively. This was due to the nature of Indonesian standard legislative drafting principles where the use of conjunction “and” indicates that all listed conditions must be satisfied collectively. The verdict has added clarity by revising the conjunction “and” into “and/or”.

This verdict resulted on Article 53 paragraph (1) of the PDP Law must now be read as an alternative instead of cumulative requirement. As a result, the correct reading of Article 53 paragraph (1) of the PDP law shall be as follows:

*“(1) A Personal Data Controller and a Personal Data Processor shall appoint an officer or personnel to carry out the function of Personal Data Protection [DPO] in the following circumstances:*

- a. the processing of Personal Data is for the purpose of public services;*
- b. the core activities of the Personal Data Controller have characteristics, scope, and/or purposes that require regular and systematic monitoring of Personal Data on a large scale; and/or*
- c. the core activities of the Personal Data Controller consist of large-scale processing of specific types of Personal Data and/or Personal Data related to criminal offenses.”*

It is now affirmed that the obligation to appoint a DPO under Article 53 paragraph (1) of the PDP Law arises when any (or more) of the listed criteria is met.

The upcoming government regulation as the implementing regulation of PDP Law is also expected to specify the role of the DPO in risk mitigation.

In addition, administrative sanctions may be imposed for the failure to appoint a DPO in the above-mentioned contexts. These may take the form of:

- i. Written warnings;
- ii. Temporary suspension of personal data processing activities;
- iii. Deletion or destruction of personal data;
- iv. Indemnification of losses; and/or
- v. Administrative fines.

Furthermore, the PDP Law mandates the following responsibilities for the DPO regarding data protection:

- i. Inform and advise the data controller or processor on specific provisions under previous PDP laws and regulations;
- ii. Supervise and ensure compliance with PDP laws and regulations, as well as the data controller or processor policies, including assignment, responsibility, awareness, and training activities for parties involved in personal data processing and the relevant audits;
- iii. Advise on PDP-related impacts, and supervise the performance of the data controller and processor; and
- iv. Coordinate issues relating to personal data processing, including consultations regarding risk mitigation and/or other matters.

- **Enforcement and sanction**

Prior to the enactment of PDP Law, administrative sanctions could potentially be imposed on Electronic Service Providers who fail to comply with PDP provisions relating to the processing of personal data. However, they do not include criminal sanctions for the violations of any provisions or prohibitions.

With the PDP Law, however, new provisions are included to allow criminal sanctions — either imprisonment or fines — to be imposed on any individual failing to comply with the relevant provisions. These include:

- i. Intentionally and unlawfully obtains or collects personal data that does not belong to him with the intention of benefiting himself or another person which may result in loss of the data subject;
- ii. Intentionally and unlawfully discloses personal data that does not belong to him;
- iii. Intentionally and unlawfully uses personal data that does not belong to him; and /or
- iv. Intentionally creates false personal data or falsifies personal data with the intention of benefiting himself or another person which may result in harm to others.

The criminal sanctions for individuals range from a fine of between IDR4 billion and IDR6 billion, and/or imprisonment for 4 (four) to 6 (six) years. For companies, the penalty is ten times the maximum fine imposed on individuals. Additional sanctions may also include the confiscation of profits and/or assets; freezing of all or a portion of the corporation’s business; permanent prohibition of certain actions; closure of all or part of a business place and/or activity; carrying out the neglected obligation; payment of compensation; revocation of licence; and/or corporate dissolution.

## 12. Dispute resolution

### Civil Court proceedings

#### • Indonesian Judiciary

The Indonesian judiciary system for civil court proceedings is primarily governed by the Civil Code and handled by district courts, which address disputes involving contracts, torts, property, and family law. The process begins with the plaintiff filing a complaint, followed by the defendant's response, evidence gathering, and potential mediation. The first hearing is typically procedural, where the judge confirms the identities of the parties and initiates mandatory mediation, as required by Supreme Court Regulation No. 1 of 2016 concerning Mediation Proceeding in Court ("Supreme Court Reg. 1/2016"). If mediation fails, the case proceeds to trial, leading to a judgment. Dissatisfied parties can appeal to higher courts, including the High Court and the Supreme Court. While parties typically have legal representation, the judiciary is independent, though it faces challenges like corruption and lengthy processes that can affect the efficiency of civil proceedings.

Notwithstanding the implementation of numerous legal reforms since the independence, the foundational elements of Indonesian judiciary system continue to derive from Dutch colonial laws and codes. Significant apprehensions persist regarding the reliability, efficiency, and transparency of the court system. In particular, foreign investors have encountered challenges in obtaining meaningful and satisfactory judgments, as well as effective enforcement from the judiciary. Consequently, due to these concerns, parties frequently opt to resolve disputes through international arbitration, whether seated in Indonesia or abroad or by utilising other forms of alternative dispute resolution.

#### General Court (Pengadilan Umum)

The General Court has authority over criminal and civil matters.

Under the General Court, specialised courts have been established as follows:

01. Juvenile Court;
02. Corruption Court;
03. Fisheries Court;
04. Human Rights Court;
05. Commercial Court, having authority over bankruptcy, suspension of debt payment obligations (Penundaan Kewajiban Pembayaran Utang or PKPU), objection to Commission for the Supervision of Business Competition (Komisi Pengawas Persaingan Usaha or KPPU) rulings, and Intellectual Property disputes; and
06. Industrial Relations Court.

#### Religious Court (Pengadilan Agama)

The Religious Court has authority in marriage, inheritance, wills, grants, *waqf*, *zakat*, *infaq*, *shadaqah*, and Sharia economics disputes between:

01. Financial institutions and Sharia financing institutions and their customers;
02. Financial institutions and Sharia financing institutions;
03. Muslim people in which it is stated explicitly that the actions/business activities carried out are based on Sharia principles

#### State Administrative Court (Pengadilan Tata Usaha Negara)

The State Administrative Court has authority over State Administrative Decisions (Keputusan Tata Usaha Negara) and has established the Tax Court.

#### Military Court (Pengadilan Militer)

The Military Court has authority over criminal cases committed by active Indonesian National Military (Tentara Nasional Indonesia or TNI) personnel.

To initiate civil court proceedings in Indonesia, a claimant shall file a claim with the relevant district court. Under Indonesian law, the disputing parties must attempt to settle the dispute via mediation first. Litigation can begin if mediation fails then the judge will set a date for the hearing. There is no discovery of documentation in Indonesia. For admission in an Indonesian court, any documents not drawn up in Bahasa Indonesia shall be accompanied by a translation into Bahasa Indonesia prepared by a sworn translator licenced in Indonesia. Additionally, representation of parties in court can only be undertaken by an Indonesian advocate holding a licence issued by the Indonesian Bar Association.

The Chief Justice of the Supreme Court of the Republic of Indonesia on 13 March 2014, issued Supreme Court Circular Letter Number 2/2014 on Case Settlement in the Court of First Instance and Appeals in 4 (Four) Judicial Spheres that refer to general, religious, state administration, and military judicatures ("**SEMA No. 2/2014**"). This circular established a new standard for resolving disputes in a time-efficient manner, mandating a resolution period of five months for first-instance cases and 3 (three) months for appeals. Consequently, SEMA No. 2/2014 supersedes the prior maximum court proceeding timeline outlined in the Head of the Supreme Court Decision No: 026/KMA/SK/II/2012 on Judicial Service Standards ("**KEPMA No. 26/2012**").

Notwithstanding the above matters, in principle, this SEMA No. 2/2014 is one of the Supreme Court's innovations to provide better service in the judicial sphere by way of urging the judges to settle the cases more quickly than was possible under KEPMA No. 26/2012. It is important to note, however, that SEMA No. 2/2014 does not apply to the following types of proceedings whose maximum court proceeding periods have been separately regulated:

- a. Industrial relations (manpower-related) dispute – 50 (fifty) days as of the first hearing, excluding the cassation stage, which require 30 (thirty) days from receipt of the petition.
- b. Bankruptcy proceedings - 60 (sixty) days from registration of the bankruptcy petition, excluding the cassation which requires 60 (sixty) days from receipt of the petition.
- c. Tax dispute proceedings – 6 (six) months from receipt of the lawsuit, excluding the appeal and case review stages which require 12 (twelve) months or a maximum of 6 (six) months from the receipt of the petition, respectively.
- d. Gross human rights violation proceedings - 180 (one hundred eighty) days from the handover of the case from the Attorney General's Office.
- e. Maritime crime proceedings - 30 (thirty) days from the handover of the case from the public prosecutor; and
- f. Criminal corruption proceedings – 120 (one hundred twenty) days from the handover of the case from the public prosecutor, excluding the appeal and cassation stage which require 60 (sixty) days and 120 (one hundred twenty) days from receipt of the case by the High Court and the Supreme Court, respectively.

Furthermore, it is noteworthy that foreign court judgments will not be enforced in Indonesia (this is one of the reasons why a party may choose to include an arbitration clause in their contracts relating to Indonesia). New court proceedings have to be commenced and the whole matter has to be re-litigated under Indonesian law. However, a foreign judgment may serve as supporting evidence when the matter is re-litigated in Indonesia.

### New dispute management system

Chief Justice of the Supreme Court also issued the Supreme Court Regulation No. 3 of 2022 regarding the Mediation in Court by Electronic Means ("PERMA No. 3/2022") on 17 May 2022 introducing the electronic mediation. Mediation by electronic means can be utilised in the event all the parties concur to proceed. The mediation could be implemented using any application that provides online meeting services to organise mediation electronically. The mediator could give suggestions to the parties to determine applications that can be used to do online meetings and send electronic documents. The applications determined by the parties will be stated in the written agreement.

Aside from that, Supreme Court Regulation No. 1 of 2019 regarding the Administration of Lawsuits and Court Proceedings by Electronic Means ("PERMA No. 1/2019") juncto Supreme Court Regulation No. 7 of 2022 regarding the Amendment to Regulation of the Supreme Court Number 1 of 2019 on the Administration of Lawsuits and

Court Proceedings by Electronic Means ("PERMA No. 7/2022") has been issued earlier on 11 October 2022 introducing the electronic court ("e-Court") and electronic litigation ("e-Litigation") to be implemented in every proceeding in Indonesia.

In principle, the e-Court system shall electronically administer the registration of lawsuit, court fee payment, summon letter to all disputing parties, and court schedule information. However, e-Court only covers civil, religious, military, and state administrative court matters in first level court and appeal level. In addition to that, the management and settlement of bankruptcy assets may also be conducted electronically.

Further, the e-Litigation system grows the electronic utilisation of court information to prosecutors and advocates, who can directly obtain such information. The e-Court framework can too be utilised for the submission of documents from lawsuits until the conclusion, evidence, and examination of witnesses and/or experts. Be that as it may, the e-Litigation system can be utilised in case all the parties concur to continue electronically unless in state administrative court where the defendant's approval is not required.

### Implementation of the restorative justice approach

In line with Indonesia's efforts to develop and implement a national criminal justice system through the application of a restorative justice approach that prioritises victim recovery over more punitive forms of justice, on 7 May 2024, the Supreme Court enacted Supreme Court Regulation No. 1 of 2024 concerning Guidelines for Adjudicating Criminal Cases Based on Restorative Justice ("PERMA No. 1/2024"). The guidelines for implementing restorative justice in the adjudication of criminal cases, as outlined in PERMA No. 1/2024, are applicable to all categories of criminal cases, including Jinayat cases, as well as military and juvenile matters. Additionally, PERMA No. 1/2024 specifies the goals of restorative justice within the criminal justice system, which include: (i) the recovery of victims; (ii) the restoration of relationships between the accused, the victim, and/or the community; (iii) providing guidance that fosters the accountability of the accused; and (iv) minimising restrictions on the freedom of certain parties.

Pursuant to PERMA No. 1/2024, the judge shall implement restorative justice approach in relation to criminal cases that involve at least one of the following classifications of criminal act as follows:

- a. minor crimes or the value of the victim's loss is not more than IDR 2,500,000 or not more than the local provincial minimum wage;
- b. criminal act which is a complaint offense;
- c. a criminal act with a maximum penalty of 5 (five) years imprisonment per charge or which is determined as a criminal act of jinayat according to qanun;
- d. criminal acts involving child perpetrators whose diversion was unsuccessful; and
- e. traffic violations that are considered crimes.

By using this approach, there is a more significant potential to achieve a peaceful settlement between the accused and the victim in a criminal case, which can provide more benefits for all parties involved. After various efforts were previously made to introduce a restorative justice approach in trying criminal cases in Indonesia, the Supreme Court has now introduced PERMA No. 1/2024 which requires judges to prioritise the application of restorative justice if a case falls into one of the types of crimes stipulated.

### Arbitration

As there are significant concerns regarding the reliability, efficiency, and transparency of the court system, foreign investors, in particular, have found it difficult to secure meaningful and satisfactory decisions, and effective enforcement from the court. As a result, parties often elect for disputes to be resolved through international arbitration (with a seat in Indonesia or overseas) or other types of alternative dispute resolution.

Foreign investors may choose to settle a commercial and trade dispute through the out-of-court settlement that can be in the form of arbitration proceedings or any form of alternative dispute resolution proceeding. Arbitration in Indonesia has undergone significant development since the 1999 Law on Arbitration ("Law No. 30/1999") was introduced. In 2000, there was a complete review of the rules of the Indonesian National Arbitration Body (Badan Arbitrase Nasional Indonesia or "BANI"). This revised system draws from many of the principles of the UNCITRAL Model. Under the new BANI rules, the District Courts have no jurisdiction over disputes where there is a valid arbitration clause in place.

Consequently, foreign companies will often contract that disputes are to be heard by an international arbitral tribunal as there is concern over corruption in Indonesia and relative inexperience of the Indonesian courts and domestic arbitration bodies. However, although this practice has largely been accepted by the Indonesian government, foreign companies may still find themselves involved in Indonesian litigation proceedings if, for example, they end up in a dispute with an employee or become subject to administrative penalties.

Indonesia is also a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards ("New York Convention") and the International Centre for Settlement of Investment Disputes ("ICSID") Convention.

However, there has in the past been some inconsistency in how Indonesian courts have in practice enforced foreign arbitration awards. In principle, the foreign arbitration awards should be able to be enforced against assets in Indonesia if the following conditions are complied with:

- a. The international arbitral award is issued by a country to which Indonesia is bound by a treaty concerning recognition and enforcement of international arbitration awards (such as the New York Convention);

- b. The award is not contrary to public order in Indonesia;
- c. The matter being arbitrated is within the scope of 'commercial law' or concerns 'rights' which according to the law are fully controlled by the parties to the dispute; and
- d. An enforcement order (exequatur) has been obtained from the District Court of Central Jakarta.

### Updates and implementation of the new Indonesian criminal code

The enactment of Law No. 1 of 2023 concerning the Criminal Code (KUHP) ("Law No.1/2023") constitutes a landmark development in the Indonesian legal system. This statute was enacted on January 2, 2023, and shall enter into force on 2 January 2026, thereby repealing the previous Criminal Code, which was a legacy of Dutch colonial rule. The promulgation of the Law No. 1/2023 is intended to decolonise criminal law, harmonise it with national values, and respond to the evolution of international legal norms. The drafting process spanned over five decades, involving multiple stakeholders and marked by significant political and social dynamics, including public opposition to several controversial provisions. Structurally, the Law No. 1/2023 comprises two principal books:

- a. book one, which governs general principles and doctrines of criminal law; and
- b. book two, which enumerates specific criminal offenses.

Among the notable innovations introduced are the recognition of customary law (living law) as a basis for criminal liability, the elimination of the distinction between crimes and misdemeanors, and the reaffirmation of the principle of legality and the principle of *lex favor reo* (whereby the more lenient law applies to the accused).

Under the Law No. 1/2023, the concept of corporate criminal liability is also formally recognised in Indonesia's codified criminal law. Before this codification, corporate criminal liability was regulated through sectoral laws and Supreme Court Regulation Number 13 of 2016 concerning Procedures to Settle Criminal Act Committed by Corporation ("Supreme Court Reg. 13/2016"). For the first time in Indonesia's codified criminal law, corporations are explicitly recognised as legal subjects capable of committing criminal offenses. The law outlines that corporate liability may arise when crimes are committed by individuals acting on behalf of or for the benefit of the corporation, such as:

- a. a member of the corporation's management with functional role;
- b. any person acting on behalf of or in the interest of the corporation;
- c. any individual who ordered or controlled the crime;
- d. the beneficial owner of the corporation.

A corporation may be held criminally liable if any of the following conditions are met:

- a. the crime falls within the scope of the corporation's business activities;
- b. the crime unlawfully benefits the corporation;

- c. the crime is accepted as corporate policy;
- d. the corporation fails to take preventive measure or ensure legal compliance; and/or
- e. the corporation allows the crime to occur.

These conditions are not cumulative, such liability may arise if even one condition is satisfied. Sanctions under the Law No. 1/2023 may include fines, restitution, and other penalties, and can be imposed not only on the corporation itself but also on responsible individuals within the organisation. This codification aligns Indonesia with international standards and strengthens its legal infrastructure for combating corporate misconduct.

### 13. Land environment and related matters

Indonesia's Basic Agrarian Law ("Law No.5/1960") or "BAL" establishes the framework of land law in the country. The BAL reflects the principle from Indonesia's 1945 Constitution that all land and resources are collectively owned by the Indonesian people, with elected officials responsible for managing these assets for public good. However, certain land titles can be privately owned, allowing title holders to utilise the land in various ways.

The BAL and related regulations govern registered land and stipulate that land and associated rights must be registered. This registration system is still being developed, and a significant amount of land in Indonesia remains unregistered. Unregistered land often falls under customary land rights and other unregistered rights claims and restrictions.

#### Type of land titles

Under Indonesian law, the state, as the sovereign of all land in the Republic of Indonesia territory, has the authority to grant as well as revoke land rights that have been given to the citizens. There are several recognised rights over land (land title) important to an investor:

- a. Right of Ownership (Hak Milik or HM): similar to freehold ownership; only available to Indonesian citizens; no time limitation.
- b. Right to Build (Hak Guna Bangunan or HGB): an interest allowing the holder to build and/or possess a building on the land; available only to Indonesian citizens and Indonesian companies (including PMA companies); 30 (thirty) years term, but can be extended for 20 (twenty) years, renewal for 30 (thirty) years term (for HGB on State Land and Right to Manage (Hak Pengelolaan – "HPL"); or 30 (thirty) years term and can be extended by deed on grant of HGB on HM (for HGB on HM).
- c. Right to Cultivate (Hak Guna Usaha or HGU): issued on land owned by the state; right allows plantation activities; available to Indonesian citizens and Indonesian companies (including PMA companies); 35 (thirty five) years term but can be extended for a further 25 (twenty five) years and renewal for 35 (thirty five) years.
- d. Right to Use (Hak Pakai or HP): right to use land owned by a third party; available to Indonesian citizens, Indonesian companies,

- and foreign entities; 30 (thirty) years term but can be extended for a further 20 (twenty) years and renewal for 30 years (for HP on State Land and HPL); 30 (thirty) years term and can be extended by deed on grant of HP on HM (for HP on HM).
- e. Right of Ownership over Condominium Units (Hak Milik Atas Satuan Rumah Susun or HMSRS)

HMSRS adheres to the horizontal separation principle which means that an HMSRS is ownership over the condominium unit of a personal nature that is separated from the common right over the common sections, common objects, and common land. The common right over the common sections, common objects, and common land will be calculated based on the proportional value (nilai perbandingan proporsional) and will be attached to the HMSRS Certificate. HMSRS can be obtained by Indonesian citizens, legal entities established under Indonesian Law, foreigners domiciled in Indonesia, foreign legal entities and/or representatives of a foreign country and/or international agencies that have representatives in Indonesia.

In addition to what was mentioned earlier, unregistered land in Indonesia is referred to as "*tanah adat*" or "customary land." To assess the title of such land, a physical inspection is necessary, along with consultations with local leaders such as the village head, district official, regent, and mayor. This process helps determine the applicable rights for the unregistered land. Typically, it involves examining documentation that proves land rights, like land tax payments (*girik*) and village records. Villages may hold collective rights to certain lands, known as *tanah bengkok* or *tanah wakaf*.

To address issues related to unused, unutilised, and uncultivated lands, the Omnibus Law states that any rights or concessions on land that remain unused for two years after issuance will be revoked by the government. Additionally, Government Regulation No. 20 of 2021 on the Control of Derelict Area and Land ("GR 20/2021") was established to implement the Omnibus Law, aiming to improve land use efficiency to boost Indonesia's national economy.<sup>100</sup>

#### Land acquisition

It is important to note that while the Indonesian Civil Code (ICC) recognises the vertical boundary principle (verticale accessie beginsel), stating that land and any objects attached to it are inseparable (meaning buildings are always considered part of the land), Law 5/1960 introduces the horizontal separation principle (horizontale scheiding beginsel). This principle allows for a distinction between the land and any buildings, structures, or plants on it. As a result, it is possible to have two different land titles, such as a Right to Build and a Right of Ownership, for the same parcel of land. Before acquiring a specific piece of land, a company must examine the land title, ensure the willingness of the relevant land rights holders to sell, and assess the feasibility of obtaining the necessary licences for the target land.

<sup>100</sup>For more information, see "Client Alert - Government Regulation No. 20 of 2021". Deloitte Indonesia. April 2022.

### • Approval of spatial utilisation conformity

In relation to business spatial utilisation, under the Omnibus Law jo. Government Regulation No. 21/2021 on Spatial Planning Implementation (“GR 21/2021”), a PMA Company must obtain approval for the alignment of its business location with the relevant Detailed Spatial Plan (Rencana Detail Tata Ruang or RDTR) through the OSS Institution. Additionally, it must meet the requirements for spatial utilisation activities (*kesesuaian kegiatan pemanfaatan ruang*) as outlined below:

- Location coordinates;
- The need for land area for space utilisation activities;
- Land tenure information;
- Business type information;
- Building floor plan; and
- Floor plan of the building.

### • Title evaluation for registered land

The National Land Agency (Badan Pertanahan Nasional or **BPN**) is the official body responsible for maintaining land registration records in Indonesia. It consists of a central agency and various regional offices. To verify a land title, applicants must visit the appropriate local BPN office and present the original title certificate. Each regional office keeps records of all registered land in its archives, which can be used to confirm the original title certificate. The BPN office can also provide additional details about the registered land, including its boundaries, any encumbrances or disputes, and area measurements.

The digital transformation in land administration has significantly improved transparency in the land ownership system. To address issues of overlapping land ownership and combat problems related to land mafias, the Minister of Agrarian Affairs and Spatial Planning/ National Land Office have issued technical guidelines for electronic certificate verification and issuance services in 2021. These guidelines specifically focus on certificate checking and the issuance of electronic certificates.

The guidelines outline technical standards for all land and spatial planning information services offered by the Ministry. This initiative has transformed the land management system in Indonesia, enhancing the quality of services available to the public through the digitalisation of land and spatial planning processes. Citizens can now access land and spatial planning information through an electronic service that includes certificate verification, issuance of land registration certificates (Surat Keterangan Pendaftaran Tanah or SKPT), information on land-value zones, coordinate points, Global Navigation Satellite Systems (GNSS)/Continuously Operating Reference Systems (CORS) data, and histories of land ownership and spatial planning.<sup>101</sup>

### • Relinquishment of title

If the proposed land is subject to a right that foreign companies cannot own, such as Hak Milik, the transfer occurs indirectly through the relinquishment of the title. In this situation, the current owner gives up their title in exchange for an agreed price. After that, the buyer must apply for a new, suitable title for the land.

### • Compulsory relinquishment of title for public infrastructure

Under Law No. 2/2012, as amended by the Omnibus Law, land rights holders may be required to relinquish their rights for public infrastructure development after receiving compensation or based on a court order. The law outlines a process for the government to acquire land for infrastructure projects, starting with the creation of a land acquisition planning document, which is then submitted to the relevant provincial governor for review and consideration of any objections from affected parties. Previously, the regulations allowed involuntary relinquishment only if the project could not be relocated, with the authority to revoke land titles resting solely with the president.

Meanwhile, Government Regulation No. 19/2021 on the Procurement of Land for Public Interest Developments, as amended by Government Regulation No. 39/2023, was enacted to enhance the investment environment and expedite National Strategic Projects. This regulation introduces several new provisions, including additional types of public interest developments, measures to accelerate land procurement—such as clarifying the status of forest areas and addressing village treasury land (*tanah kas desa*), waqf land, and asset land—and involves the land agency in preparing the land acquisition planning document. It also extends the Location Determination period and outlines processes for compensation deposits.<sup>102</sup>

### Environmental Law

Indonesia’s environmental law requires business activities with significant environmental impact to complete an environmental impact assessment, known as an AMDAL (Analisa Mengenai Dampak Lingkungan or AMDAL). AMDAL is composed of Term of References Forms (Formulir Kerangka Acuan, Environmental Impact Statement (Analisis Dampak Lingkungan or Andal), Environmental Management Plan, and Environmental Monitoring Plan (Rencana Pengelolaan Lingkungan Hidup dan Rencana Pemantauan Lingkungan Hidup or RKL-RPL). AMDAL may be in the following forms:

- Singular AMDAL (AMDAL tunggal): for a business activity under the jurisdiction of one regulator (e.g. a business activity that is in one sector).
- Integrated AMDAL (AMDAL terpadu): for a business activity that is under the jurisdiction of multiple regulators.
- Regional AMDAL (AMDAL kawasan): relates to a specific geographic area (such as an industrial estate).

In the AMDAL preparation, the following documents must be

<sup>101</sup> For more information, see “Client Alert - Electronic Regime for Indonesia Agrarian Affairs and Spatial Planning”. Deloitte Indonesia. June 2022.

<sup>102</sup> Village treasury land (*tanah kas desa*) is land occupied and/or owned by the village government as one of the village’s original sources of income and/or for social purposes. Asset land is land occupied and/or owned by the central government as an economic resource for the benefit of the central government.

secured by the person-in-charge of the respective business:

- a. Terms of Reference.
- b. Andal.
- c. RKL-RPL.

The submitted Andal and RKL-RPL shall be assessed by the Environmental Feasibility Test Team in relation to the administrative and substantive matters. If these documents pass the substantive assessment phase, then the Team will conduct a feasibility assessment based on certain established feasibility criteria. Based on the feasibility assessment, the Team will issue either a recommendation of environmental feasibility or infeasibility.

Specifically, AMDALs are only required for business and/or activity plans that have a significant environmental impact (business and/or activities that are considered as large-scale businesses/activities and/or located within and/or directly adjacent to the protected areas).

The criteria of significant environmental impact shall refer to:

- a. Land and landscape transformation;
- b. Natural resources exploitation, both renewable and non-renewable;
- c. Processes and activities that may potentially cause environmental pollution and/or damage as well as waste and degradation of natural resources in their utilisation;
- d. Processes and activities whose results may affect the natural environment, the artificial environment, as well as the social and cultural environment;
- e. Processes and activities whose results will affect the preservation of natural resource conservation areas and/or protection of cultural heritage;
- f. Introduction of types of plants, animals and microorganisms;
- g. Manufacture and use of biological and non-biological materials;
- h. Activities that have a high risk and/or affect national defence; and/or
- i. Application of technology that is estimated to have great potential to influence the Environment.

The Minister of Environment and Forestry has established categories of business activities that require an AMDAL. Business activities that do not require an AMDAL may require either documentation of Environmental Management Efforts and Environmental Monitoring Efforts, (Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup or UKL-UPL), known as UKL/UPL, or delivery of a Letter of Undertaking of Environmental Management and Monitoring (Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup or "SPPL")

Law No. 32/2009 on Environmental Protection and Management (as amended by the Omnibus Law) provides that as a prerequisite for the issuance of a business and/ or activity permit, an AMDAL or UKL/UPL shall be completed by the applicant. Furthermore, the applicant must obtain all related environmental licences required

and identified under the respective AMDAL or UKL/UPL. If necessary, separate permits for the handling, storage and/or transportation of hazardous waste may be included in the relevant environmental licences. These licences are collectively to be integrated into an environmental permit (Izin Lingkungan)

Under the Omnibus Law, however, businesses are no longer required to obtain an environmental permit as it has been replaced by Environmental Approval (Persetujuan Lingkungan). Depending on the types of business activities, the Environmental Approval serves as an environmental feasibility decision (if granted based on AMDAL) or a statement of environmental management capability (if granted based on UKL-UPL). Although the Omnibus Law still requires that pre-requisite assessment documents such as AMDAL or UKL-UPL are made available, it should be relatively easier for businesses that are only required to prepare UKL-UPL to obtain environmental approval as it functions as a 'statement' rather than a 'licence'.

The Omnibus Law also removes the requirement for businesses to obtain a "nuisance permit" (referred to as Hinder Ordonnantie or Izin Gangguan). As such, businesses are no longer required to obtain a nuisance permit, under which periodic charges must be paid to the local government.

In relation to risk-based business licensing, based on the recently established Government Regulation No. 28/2025, Environmental Approval is now a mandatory prerequisite to all lines of businesses to acquire Business Permit (Perizinan Berusaha). Environmental Approval shall be granted through the fulfilment of either AMDAL, UKL-UPL, or SPPL based on how much environmental impact a business activity may potentially cause. To provide more integrated and simplified process, the Government made it so the application and issuance of Environmental Approval to be streamlined to only be completed through Online Single Submission or OSS system.

Indonesian government remains to be committed in managing the climate change crisis as reflected in the newly enacted Presidential Regulation No. 110/2025 on the Implementation of Carbon Economic Value Instruments and National Greenhouse Gas Emission Control. Businesses who have implemented the previous regime of regulation pertaining carbon economy, namely Presidential Regulation No. 98/2021, shall have related implementations adjusted to the current regime regulation no later than 1 (one) year from October 10th of 2025. In certain regions, a permit to dump liquid waste into certain water resources is subject to a user fee collected by the local government. For instance, through DKI Jakarta Governor Regulation No. 93/2021 on Groundwater Exclusion Zone, DKI Jakarta prohibits the use of fresh groundwater in certain areas starting from 1 August 2023.

## 14. Other business-related laws

### Currency Law

The obligation to use Rupiah in almost every financial transaction conducted in Indonesia to increase confidence in the Rupiah and reduce the use of foreign currency in Indonesia has long been practiced since the enactment of Indonesia's Law No. 7/2011 on the Currency as amended by Law No. 4/2023 ("Currency Law"). The Currency Law provides that, subject to certain exceptions, Rupiah shall be used in payment transactions, settlement of other monetary obligations and any other financial transactions conducted within the territory of the Republic of Indonesia. The Currency Law also prohibits a party from refusing Rupiah in these cases unless there is doubt as to the authenticity of the Rupiah or the concerned parties have agreed in writing to make such payment or settle the liabilities using foreign currency.

The following types of transactions are exempt from the requirements:

- a. Certain transactions for the purpose of state budget implementation.
- b. Receiving or accepting grants from overseas or grants are given overseas.
- c. International trade transactions.
- d. Bank deposits denominated in foreign currencies; and
- e. International financing transactions.

Every person is prohibited to refuse in accepting Rupiah whose handover is intended as payment or to settle an obligation which must be settled with Rupiah and/or for the other financial transactions in the Territory of the Unitary State of the Republic of Indonesia. Such provision shall be excluded for the payment or the settlement of an obligation in a foreign currency which has been agreed in written.

Failure to comply with the Currency Law may result in monetary penalties (up to the amount of IDR200 million) and/or imprisonment of up to 1 (one) year.

### Anti-corruption laws

Entities and individuals doing business in Indonesia that are subject to anti-corruption legislation in other jurisdictions should ensure that their actions in Indonesia do not violate the laws of those other jurisdictions. The Foreign Corrupt Practices Act of 1997 (FCPA), the principal anti-corruption legislation in the United States (US), applies to US citizens, nationals and residents as well as corporations that are required to report to the US Securities Exchange Commission, have a class of securities registered under the Securities and Exchange Act, are incorporated under US laws, or have their principal place of business in the US.

The FCPA prohibits bribes to foreign government officials to obtain or retain business. Besides the FCPA, companies need to be mindful of the OECD Anti-Bribery Convention, the UK Anti-Bribery Act and similar national laws to the extent they may be subject to them.

To combat corruption, Indonesia has instituted numerous legal and institutional reforms. Government bodies that are involved in combating corruption include:

- Corruption Eradication Commission (Komisi Pemberantasan Korupsi or **KPK**): an anti-corruption supervisory institution that was established in 2002. KPK has the authority to initiate investigations but has limited capacity to act on the numerous reports that it receives. Among the tasks of the KPK is the annual collection of asset declarations from government officials.
- National Ombudsman Commission (Komisi Ombudsman Nasional): established in 2000, receives reports and has the authority to initiate investigations of irregularities in the public sector.
- State Audit Board (Badan Pemeriksa Keuangan or **BPK**): a high state institution in Indonesia with authority to examine the management and liabilities of various governmental institutions. Based on the 1945 Constitution, BPK is an independent body and its members are appointed by the House of Representatives with input from the Regional House of Representatives and legalised by the President. Findings from BPK investigations are reported to the legislature.
- Indonesian Financial Transaction Report and Analysis Centre (Pusat Pelaporan dan Analisis Transaksi Keuangan or **PPATK**): PPATK was established in 2003 to prevent money laundering in Indonesia. The PPATK receives and analyses suspicious transaction reports, cash transaction reports and other information as well as distributes its findings to law enforcement agencies.

### Repatriation of capital

Pursuant to Indonesia's Investment Law, an investor is permitted to transfer foreign currency from Indonesia, including for repatriation of the following:

- a. Capital;
- b. Profit, bank interest, dividends and any other revenue;
- c. Funds required for purchasing raw materials and support materials, intermediate products or final products and reimbursement of capital goods in order to secure the investment;
- d. Additional funds required for investment financing;
- e. Funds for loan repayment;
- f. Payments of royalties or interest;
- g. Income of any foreign individuals working in any investment companies;
- h. The proceeds of any sale or liquidation of an investment;
- i. Compensation for any loss;
- j. Compensation for any takeover;
- k. Payment made for technical assistance, payable costs for technical service and management, payment made under project contracts and payment for intellectual property rights; and
- l. Proceeds of an asset sale.

Governmental authorities, such as Bank Indonesia, may impose certain reporting obligations on the repatriation of capital.

### Contract formation under the Indonesian Civil Code

Under the Indonesian Civil Code, a valid contract requires consensus between the parties, legal capacity to enter into an agreement, a certain object and a lawful cause. The first two conditions are considered to be subjective conditions and the other two are to be objective conditions.

In the event the objective conditions (certain subject and lawful purpose) are not fulfilled by the parties, then the agreement is **null and void**. This means the contract was never formed. In the event that a subjective condition (consent and competence) is not fulfilled, the agreement is **voidable**. This means the affected party has the right to cancel the agreement.

### Notarial deeds

Indonesian law requires certain documents to be in the form of a notarial deed or a land deed to be effective. A notarial deed is a document prepared and executed by a licenced Indonesian notary based on the authorisation of the parties to the agreement. The notarial deed is distinct from other forms of document attestation that shall be provided by a notary, such as legalisation of signatures, documentation registrations or 'true-copy' certifications.

The parties (or their authorised representatives) must physically appear before the notary in Indonesia and the notary must be provided with documentation that the notary deems appropriate to verify authorisation to complete the transactions intended by the deed in order to complete a notarial deed.

Such documentation may include powers of attorney authorising the parties' representatives, identification documentation of the representatives (passport or national identification card), articles of association or constituent documentation of the parties (if they are companies or other entities) and any governmental approvals required for the transaction. There is a presumption in favour of the truth of the content of a notarial deed in Indonesian court proceedings.

A land deed is conceptually the same as a notarial deed, except that a land deed must be prepared and executed by a PPAT (Pejabat Pembuat Akta Tanah or Land Deed Official).

### Competition Law

Business competition in Indonesia (antitrust law) is primarily regulated by the Competition Law, as administered by the KPPU. The Competition Law prohibits certain types of agreements and activities (e.g., formation of a cartel, price-fixing etc.) and the abuse of a dominant position (e.g., monopoly power). The KPPU is vested with the authority to supervise and enforce the Competition Law, including through investigation of potential illegal activities, the commencement of administrative enforcement actions and administration of a reporting regime for mergers and acquisitions. Prior to the promulgation of the Omnibus Law, KPPU had the authority to impose monetary fines from IDR1 billion to IDR25 billion and/or administrative sanctions, such as business licence revocation.

However, the Omnibus Law reduces and eliminates certain criminal sanctions for unfair business practices. Under the Omnibus Law, criminal penalties in the form of fines and imprisonment can no longer be imposed on oligopoly, monopoly, unfair business competition, boycotts, cartels, trusts, vertical integration practices, use of dominant position irresponsibly, holding majority shares in several similar companies, price fixing agreements, zoning, conspiracy and concurrent positions. However, although the Omnibus Law does not impose any penalties for the actions mentioned above, the Omnibus Law still provides penalties for actions that obstruct the investigation process of violations against the Competition Law in the form of a maximum fine of IDR5 billion and a maximum term of imprisonment of 1 (one) year.

On another note, the Omnibus Law also shifts the authority to handle objections against decisions made by the KPPU from the District Court to Commercial Court. As such, when the Omnibus Law becomes effective, any objections against KPPU decisions shall be submitted to the Commercial Court.

### Language

Indonesian (Bahasa Indonesia) is the national language of the Republic of Indonesia, based on the 1945 Constitution. The use of Bahasa Indonesia is regulated in Law No. 24/2009 on National Flag, Language, State Symbols and the National Anthem ("**Law No. 24/2009**").

Under Law No. 24/2009, the use of Indonesian is required for, among other things, memoranda of understanding or contracts involving a state institution or government agencies of the Republic of Indonesia, Indonesia private entities or individual Indonesian citizens.

On 30 September 2019, the Indonesian government finally issued Presidential Regulation No. 63/2019 on the Use of Indonesian ("**PR 63/2019**"). PR 63/2019 serves as the implementing regulation of Law No. 24/2009 on the National Flag, Language, Emblem and Anthem. Article 26 of PR 63/2019 stipulates that Indonesian language (Bahasa Indonesia) is required in any Memorandum of Understanding and Agreement involving State Institutions, Indonesian Government, Indonesian private entities or Indonesian citizens ("**Agreements**"). Any Agreements involving foreign parties may be written in English or any other foreign language as the national language of such foreign party ("**Foreign Language**"). This foreign language shall be used as an equivalent or translation of the Indonesian version for ease of understanding of foreign parties.

The regulation, however, does not provide the explicit requirements for the parties to execute both Indonesian language and foreign language versions of the agreement simultaneously, and whether failure to do so would affect the legality of the agreement. If the parties have executed the foreign language version of the agreement first, they may agree to execute the Indonesian language version of the agreement later within an agreed certain period of time, to the extent that such agreement is expressly stated in the foreign language version of the agreement. This is of course unless specifically required otherwise by the relevant sectoral regulations.

Considering the above, if the parties choose not to execute the foreign and Indonesian language versions simultaneously, it is advisable for parties to include the following language clause in the agreement:

*“In compliance with the Law No. 24 of 2009 on National Flag, Language, Emblem, and Song and its implementing regulation (i.e. Presidential Regulation No. 63 of 2019 on Use of Indonesia language), the Parties agree to enter into this Agreement in [foreign language] version and subsequent to the execution of the [foreign language] version, the Parties will enter into the Indonesian language version of this Agreement within [thirty (30) calendar days] as of the date this Agreement. Such Indonesian language version shall form an integral and inseparable part of this English version. In the event of inconsistency or different interpretation between the English and Indonesian language texts, to the extent permitted by law, the [foreign language] version shall prevail and the relevant Indonesian language version shall be amended to conform with and to make the relevant Indonesian language text consistent with the relevant foreign language text.”*

Despite the mandatory requirement referred to in PR 63/2019, certain sectoral regulations may require otherwise. For example, in the construction sector, Article 50 of Law No. 2/2017 regarding Construction Services (as amended by Omnibus Law) requires construction contracts to be made in Indonesian and it may be written in bilingual format if it involves a foreign party. However, the Construction Law specifically requires Indonesian to become the prevailing language in the event of inconsistency.

Furthermore, Article 28 of PR 63/2019 provides that Indonesian shall be used as a communication language (both verbal and writing) within the Government and private working environment. This official communication includes among others, verifications, consultations, negotiations, correspondence, meetings, discussions, and/or other official communications.

Unless regulated otherwise in sectoral regulations, PR 63/2019 is silent on the applicable sanctions that might be imposed in case of failure to meet the requirement to use Indonesian. However, it should be noted that there was at least one case in the past where the Indonesian court considered an agreement null and void due to the absence of Indonesian in the said agreement.

### **Governing Law**

If the parties to a dispute have contracted under the law of a foreign jurisdiction an Indonesian court should adopt the laws of the country in question as the governing law, provided that there is a connection between the parties or the transaction and the chosen law, and so long as the choice of law is not contrary to public policy. However, in practice, courts have chosen not to apply foreign law, often without providing any justification for the refusal. The unfamiliarity of the Indonesian court system with adjudicating disputes governed by foreign law is a possible explanation for this refusal.



# C. Taxation in Indonesia

## 1. Tax administration

### Tax authorities

Most taxes are administered centrally by the Directorate General of Taxes (DGT), except regional taxes that are administered and collected by regional governments.

The DGT is a department under the Ministry of Finance (MoF) tasked to formulate and implement policies and technical standardisation in the field of taxation. In administering taxpayer's obligations (e.g., monitoring tax compliance, collecting tax, counseling, and conducting tax audits), the DGT establishes various units in the form of large, special, medium, and small tax offices. An account representative from the tax office is assigned to provide guidance, consultation, analysis, and supervision to each taxpayer.

### Fiscal year

Generally, a fiscal year constitutes a calendar year. An approval from the DGT must be obtained to change the fiscal year period.

### Administration, bookkeeping, and records

A taxpayer is required to maintain proper bookkeeping in Indonesia for at least 10 years, including all supporting documents that form the basis for accounting records. All books and records must be prepared in Indonesian language and denominated in Indonesian Rupiah (IDR) currency and must be conducted in accordance with the Indonesian Financial Accounting Standards (Standar Akuntansi Keuangan or SAK) unless otherwise specifically regulated in tax regulations. The DGT usually requires these documents to be provided during a tax audit process.

There is a statutory requirement for the taxpayer's accounting records to be audited by a public accountant under certain circumstances. If the books and records are audited, the DGT requires the audited financial statements to be attached along with the filing of the annual corporate income tax (CIT) return.

Foreign investment companies (Penanaman Modal Asing or PMA), permanent establishments (Bentuk Usaha Tetap or PE), taxpayers that are listed on offshore stock exchanges, subsidiaries of offshore companies, certain collective investment contracts (Kontrak Investasi Kolektif), or taxpayers that prepare their financial statements in US Dollar as their functional currency in accordance with the SAK may maintain their bookkeeping in English and use the US Dollar denomination (USD bookkeeping) by firstly obtaining the DGT's approval before commencing the USD bookkeeping preparation. Contractors of oil and gas production sharing contract (PSC) and companies operating under mining contract of work (CoW) may decide to maintain USD bookkeeping by notifying the DGT.

Taxpayers fulfil their tax obligations using the Core System of Tax Administration portal (Coretax), a technology-based tax administration system. This web-based portal integrates all core tax administration processes, from tax registration, tax return submissions, settlement of taxes due, to tax audits and tax collection by the tax authorities.

### Payment and filing

All taxpayers carrying out business or independent profession must maintain regular and proper accounting records, on which periodic tax payments and reporting are based. Tax returns need to be filled based on the type of taxpayer, business or transaction. In general, a corporate taxpayer has the obligation to submit its tax returns (monthly and annually) through Coretax.

### Consolidated returns

There is no provision for the filing of consolidated returns or group relief. Each company must file a separate tax return.

### Statute of limitations

The statute of limitation for the DGT to issue an underpaid tax assessment letter (Surat Ketetapan Pajak Kurang Bayar) and additional underpaid tax assessment letter (Surat Ketetapan Pajak Kurang Bayar Tambahan) is five years. Under tax criminal law, the statute of limitation can be extended up to 10 years.

### Rulings

A taxpayer may request a confirmation from the DGT if the application of taxation laws and procedures is unclear. There is no timeframe for the DGT to respond to such a request. A tax ruling applies only to the taxpayer that files the request and generally can be used only to support that taxpayer's position in the event of a tax audit or tax objection.

## 2. Business taxation

### Overview

The principal taxes applicable to companies doing business in Indonesia are CIT, branch profit tax (BPT), withholding tax (WHT), value-added tax (VAT), and luxury-goods sales tax (LST). Various other indirect levies may also apply, such as land and building tax, regional taxes and retributions, and stamp duty. There is no excess profit tax or alternative minimum tax.

Tax exemptions and various tax incentives are available for qualified entities. The main tax laws are the General Provisions and Procedures for Taxation Law, the Income Tax Law, the VAT and LST Law, the Land and Building Tax Law, and the Financial Relationship between the Central Government and the Regional Government Law.

Indonesia quick tax facts for companies	
CIT rate	22%
BPT rate	20%
Capital gains tax rates	0.1% - 22%
Basis	Worldwide, with certain exemptions for dividends and business profits
Participation exemption	Yes
<b>Loss relief</b>	
Carry forward	Five years
Carry back	No
Double taxation relief	Yes
Tax consolidation	No
Transfer pricing rules	Yes
Thin capitalisation rules	Yes
Controlled Foreign Companies rules	Yes
Fiscal year	Calendar year or accounting/financial year
Advance payment of tax	Yes
Income tax return due date	The end of the fourth month after the fiscal year ends; can be extended for a maximum two months from the original deadline by submitting a notification to the DGT
<b>Withholding tax rates</b>	
Dividends	20% (non-resident); exempt (resident)
Interest	10%/20% (non-resident); 10%/15%/20% (resident)
Royalties	20% (non-resident); 15% (resident)
Technical service fee	20% (non-resident); 2% (resident)
Branch profit tax	20%
Capital tax	No
Social security contributions (employer contribution)	0.24%-4%
Land and building tax	Maximum 0.5%
Land and building rights acquisition duty	5%
Transfer tax	<ul style="list-style-type: none"> <li>• 0.1% (transfer of shares listed on the Indonesia Stock Exchange)</li> <li>• 5% (transfer of shares in a non-listed resident company by a non-resident)</li> <li>• 0%/0.5%/1.0%/2.5% of gross proceeds (transfer of land and/or buildings)</li> </ul>
Tax rate on founder shares at initial public offering (IPO)	0.5%
Stamp duty	IDR10,000
VAT rate	12%

### Residency

A corporation shall be regarded as an Indonesian tax resident if it is established or domiciled, or has a place of management or control, in Indonesia.

### Taxable income and rates

Indonesian tax residents are taxed on their worldwide income, with certain exceptions for qualifying individual tax residents. Non-Indonesian tax residents are taxed only on incomes sourced from Indonesia, including income attributable to a PE in Indonesia.

The standard CIT rate is 22%. Certain corporate taxpayers that earn or receive a gross revenue not exceeding IDR 4.8 billion in a fiscal year (small and medium enterprises or SMEs) are subject to 0.5% final income tax rate on their gross revenue for a certain period of time. However, these taxpayers may opt to apply the standard CIT rate after notifying the DGT. Corporate taxpayers with a gross revenue of up to IDR50 billion in a fiscal year are eligible for a 50% reduction of the CIT rate for their initial gross revenue of IDR4.8 billion. For publicly listed corporate taxpayers with a minimum of 40% of the shares held by public investors that meet certain criteria, the applicable CIT rate is lower than the regular rate, i.e., 19%.

Certain types of income earned by resident taxpayers or PEs of foreign companies are subject to a final income tax. Such tax withheld by third parties is deemed to be the final settlement of the income tax for the particular type of income.

Dividend income earned or received from domestic listed and nonlisted companies may be exempt from tax if the recipient is a domestic corporation. Dividend from an offshore listed company and income from a foreign active business without a PE that are reinvested in Indonesia within a certain period of time may be tax exempt. The portion of dividend and income that is not reinvested in Indonesia within a certain period of time is subject to income tax. Dividend from an offshore nonlisted company and PE's income after tax may be tax exempt if the reinvested dividend or income after tax is at least 30% of profit after tax (PAT), proportionated in accordance with the shareholding percentage. The difference between the reinvested amount and the 30% threshold of the PAT is subject to income tax.

Taxpayers engaging in certain business sectors, such as foreign oil and gas drilling service operations, foreign shipping and airline operations, and trade representative offices, are subject to deemed profit margins. Tax provisions for mineral and coal mining, upstream oil and gas, geothermal, and sharia-based industries are regulated separately by government and MoF regulations. Taxation for mineral mining and coal mining under the CoW framework generally follows the tax provisions stated in the respective CoW. Other holders of mining business licences (Izin Usaha Pertambangan or IUP) are subject to a specific government regulation.

An upstream oil and gas company typically has to calculate its CIT in accordance with its PSC. Several regulations have been issued to provide guidance on cost recovery items, other incomes, and tax reporting procedures. A tax regulation concerning the gross-split arrangement has also been issued.

### Branch profit tax

In addition to CIT, a PE is subject to BPT at a rate of 20% on its taxable income after tax. This rate may be lowered subject to the accessibility of tax treaty benefits. For a PE that is subject to the final income tax regime, BPT is calculated from the accounting profits that have been adjusted for fiscal correction minus the final income tax paid.

An exemption from BPT applies if the PE's taxable income after tax is reinvested into Indonesia in the form of:

- Capital contribution in a newly established company domiciled in Indonesia as a founder or a member of the founders;
- Capital contribution in an existing company established and domiciled in Indonesia;
- Investment in fixed assets to be used by the PE to carry on its business or activities in Indonesia; or
- Investment in intangible goods by the PE to carry on its business or activities in Indonesia.

### Borrowing costs

The MoF is authorised to specify the limitation on deductible borrowing costs based on internationally accepted methods, such as debt-to-equity ratio (DER), borrowing costs compared to earnings before interest, taxes, depreciation, and amortisation, or other methods.

So far, the MoF has introduced a DER of 4:1. In the case the DER exceeds 4:1, the borrowing costs have to be proportionated and the borrowing costs exceeding the DER of 4:1 are not tax deductible. For a taxpayer with a zero or deficit value in its equity balance, the entire borrowing costs are not tax deductible. An exemption from the DER requirement may apply for certain taxpayers.

In the case the loan is procured from a related party, the taxpayer must ensure that the interest charged is on an arm's-length basis, otherwise, the interest can be deemed as dividend distribution. A taxpayer that obtains loan and would like to utilise the relevant interest as deduction is required to submit a DER calculation report. If the loan is from overseas, the taxpayer has to attach a report on foreign loan along with its CIT return submission.

### Capital gains taxation

Capital gains earned by a resident company generally are taxed as ordinary income and are treated as taxable income. Sale of shares listed on the Indonesian Stock Exchange is subject to a final tax of 0.1% of the gross transaction amount. An additional tax rate of 0.5% applies to founder shares from the share price at the IPO.

In general, transfer of land and/or building is subject to a final income tax at the rate of 2.5% of the transaction value.

Different rates apply to certain transactions (e.g., sale or transfer of low-cost houses/apartments (1%), and transfers of land and/or buildings to the government for public interest (0%). Capital gains derived from the sale of certain Indonesian assets held by non-residents are taxable at a rate of 5% of the gross proceeds, subject to relief under an applicable tax treaty.

### Controlled Foreign Companies rules

Under Controlled Foreign Company (CFC) rules, the MoF is authorised to determine when a dividend is deemed to be earned from a non-listed company established in another country, where an Indonesian resident taxpayer (either alone or collectively with other Indonesian resident taxpayers) holds, directly or indirectly, at least 50% of the total paid-in-capital or voting rights of a non-listed foreign company, with the 50% threshold criteria applied at each level.

If no dividends are declared or earned from the foreign company, the Indonesian resident taxpayer needs to calculate and report a deemed dividend in its annual CIT return. The dividend will be deemed to be received either:

- a. In the fourth month following the tax return filing deadline in the foreign country; or
- b. Seven months after the foreign company's fiscal year ends if the country does not have a specific tax return filing deadline.

The amount of the deemed dividend is the total dividends to which the Indonesian resident taxpayer is entitled. This has to be determined in proportion to the taxpayer's capital participation in the foreign company from the net passive income of the foreign company. The net passive incomes include:

- a. Dividend, with certain exceptions;
- b. Interest, with certain exceptions;
- c. Rent of land and/or buildings;
- d. Rent of other assets to related parties;
- e. Royalty; and
- f. Gain on sale or transfer of assets.

The deemed dividend can be offset against the actual dividend received from a direct CFC within the past five consecutive years. In the case that the actual dividend received is higher than the deemed dividend, the excess is subject to income tax. The income tax paid or withheld for dividends received from a direct CFC is creditable.

### Indirect purchase of Indonesian company's shares or assets involving a special-purpose company

An Indonesian taxpayer that purchases the shares or assets of an Indonesian company through a special-purpose company (SPC) may be deemed as the party doing the actual purchase, provided that the purchaser has a special relationship with the SPC and the purchase is not carried out on an arm's-length basis. The following are the criteria of a special relationship for fiscal purposes:

- a. Share ownership of the other party is 25% at minimum, either directly or indirectly;
- b. There is a relationship through direct or indirect management or technology control by the other party; or
- c. There is a family relationship either through blood or through marriage within one degree of direct or indirect lineage.

### Indirect sale or transfer of Indonesian company's shares involving a special-purpose company

Sale or transfer of shares in a conduit company or an SPC that is established or domiciled in a tax haven country and has a special relationship with an Indonesian taxpayer or a PE in Indonesia may be deemed as a sale or transfer of shares in the Indonesian company or the PE.

### Compliance

Indonesia applies a self-assessment system, under which all entities meeting certain criteria must register for a tax identification number (Nomor Pokok Wajib Pajak or NPWP) to carry out their taxation rights and obligations.

A foreign company carrying on business activities through a PE in Indonesia generally has the same tax compliance obligations as a resident taxpayer. A foreign company that does not have a PE in Indonesia settles its Indonesian tax obligations on Indonesian-sourced income when an Indonesian taxpayer withholds its income tax. Tax collection is carried out under a self-assessment system. For taxpayers that are subject to the ordinary tax regime, their monthly tax instalments are due on the 15th of the following month. The annual CIT return must be filed within four months following the end of the fiscal year and can be extended for two months by submitting a notification to the DGT. The annual CIT liability (income tax liability less monthly installments and/or other prepaid taxes) should be settled prior to the submission of the annual CIT return. Overpayments of tax may be recovered, but only after a tax audit has been conducted.

Penalties are imposed for late payment of tax, late filing of returns, and underpayment of tax and voluntary amendment of tax returns. The penalty varies depending on the situation, and the penalty for underpaid tax is imposed monthly, based on the rates determined by the MoF.

### 3. Taxes on individuals

Indonesia quick tax facts for Individuals	
Income tax rates	5%-35%
Capital gain tax rates	0.1% - 35%
Basis	Worldwide income, with certain exceptions for dividends and business profits
Double taxation relief	Yes
Fiscal year	Calendar year
Return filing due date	31 March or three months after end of tax residency (whichever is earlier)
Withholding tax rates (applicable for Indonesian sourced income)	
Dividends	10% or exempted (for resident); 20% (for non-resident)
Interest	10%/15%/20% (for resident); 10%/20% (for non-resident)
Royalties	15% (for resident); 20% (for non-resident)
Net wealth tax	Generally, no
Social security	1%-4%
Inheritance tax	No
Land and building tax	Maximum 0.5%
Land and building right acquisition duty	5%
Transfer tax	<ul style="list-style-type: none"> <li>• 0.1% (transfer of shares listed on Indonesia Stock Exchange)</li> <li>• 5% (transfer of shares in non-listed resident company by a non-resident)</li> <li>• 0%/1%/2.5% of gross proceeds (transfer of land and/or buildings)</li> </ul>
Tax on founder shares at IPO	0.5%
VAT	12%

#### Residency

Resident taxpayers defined as individuals who reside in Indonesia, present in Indonesia for 183 days or more in any 12-month period, or present in Indonesia and intend to reside in Indonesia.

Non-resident taxpayers are individuals who are present in Indonesia for less than 183 days in any 12-month period, without intention to reside in Indonesia. They are not required to register for tax purposes.

#### Taxable income and rates

Resident individual taxpayers are taxed on their worldwide income, less allowable deductions, and non-taxable income. Tax exemption is available on certain income if the associated requirements are met. Non-resident individuals are taxed only on Indonesian-sourced income.

### Taxable income

Taxable income includes employment income, income from the exercise of a business or profession and other income, such as passive income (dividends, interest, and royalties) and capital gains.

Employment income includes salaries and wages, bonuses, commissions, overseas allowances, and benefits for education, housing, medical care, or any other type of benefits given in the form of cash or non-cash. Employment income in Indonesia is subject to tax, regardless of where the income is paid.

Dividend income earned/received by tax resident individuals from domestic companies, dividend income from offshore listed companies, and income from foreign active businesses without a PE that are reinvested in eligible instruments in Indonesia within a certain period of time are not subject to income tax. The portion of dividend or income that does not meet the reinvestment criteria is subject to income tax.

Dividend from offshore non-listed companies and PE's income after tax may be tax-exempt if the reinvested dividend or income after tax is at least 30% of PAT, proportionate in accordance with the shareholding percentage. The difference between the reinvested amount and the 30% threshold of the PAT is subject to income tax.

### Deductions and reliefs

Deductions are generally available for expenses incurred in generating income.

Basis of deduction	Deductible amount (per year)
Taxpayer	IDR54 million
Spouse	IDR4.5 million (additional IDR54 million for a wife whose income is combined with her husband's)
Dependents	IDR4.5 million for each dependent, maximum three dependents
Occupational expense ( <i>Biaya Jabatan</i> )	5% of gross income up to a maximum of IDR6 million
Pension cost	5% of gross income up to a maximum of IDR2.4 million
Employee contribution to an approved pension fund, e.g., manpower social security scheme ( <i>Badan Penyelenggara Jaminan Sosial (BPJS) Ketenagakerjaan</i> )	Actual amount
Compulsory tithe ( <i>zakat</i> ) or religious contributions	Actual amount, if valid supporting evidence is available and all requirements are met

The MoF is authorised to re-determine the amount of the personal deductions above.

All incomes earned or received by an individual carrying on business activities (except certain independent personal services) that do not exceed IDR4.8 billion in a fiscal year are subject to 0.5% final income tax, applicable for a maximum of seven years. This 0.5% final income tax rate will be imposed on the gross revenue exceeding IDR500 million. Individual tax residents may opt to be subject to the standard individual income tax rate by submitting a notification to the DGT.

The social security contributions borne by employees are 2% of monthly compensation to the old-age saving, 1% to the pension plan, and a 1% health care contribution (BPJS Kesehatan) (subject to a monthly compensation cap). An employee may add other family members under the health care scheme, but he/she will be liable to make an additional 1% contribution per family member per month. The contribution to the pension plan is not mandatory for expatriates.

## Rates

Taxable income	Rate
Up to IDR60 million	5%
More than IDR60 million but not exceeding IDR250 million	15%
More than IDR250 million but not exceeding IDR500 million	25%
More than IDR500 million but not exceeding IDR5 billion	30%
More than IDR5 billion	35%

## Inheritance and gift tax

Indonesia does not levy inheritance or gift tax.

## Net wealth tax

Indonesia does not generally levy a net wealth tax. However, Indonesia requires its tax residents to disclose their worldwide assets and liabilities in their individual tax return. If the tax authorities find any undisclosed assets, they may assess this as unreported income then impose income tax and penalty on the undisclosed assets.

To encourage taxpayers to disclose all of their assets properly in tax returns, the Indonesian government issued a Voluntary Asset Disclosure with a Final Tax Rate (Pengungkapan Aset Sukarela dengan Tarif Final or PAS Final) programme in 2017, which is still in effect up to now. The programme is intended for taxpayers who would like to self-voluntarily disclose their assets that have not been declared in their 2015 tax return and/or in the prior Tax Amnesty (TA) declaration. A rate of 12.5 % or 30% is payable on the undisclosed assets. However, the taxpayers are exempt from the penalties due on the undisclosed assets.

From 1 January to 30 June 2022, the government had implemented a Voluntary Disclosure Programme (Program Pengungkapan Sukarela Wajib Pajak or VDP) to provide an opportunity for taxpayers to voluntarily disclose assets that had not been reported previously.

In general, the programme covered two categories of assets:

- Assets acquired between 1 January 1985 and 31 December 2015 that had not been fully disclosed during the 2016–2017 TA. Participation in the VDP for these assets resulted in the waiver of taxes and sanctions under the TA Law, which would have been imposed if the DGT discovered the not-fully-disclosed assets beforehand.
- Assets acquired between 1 January 2016 and 31 December 2020 that were still owned as of 31 December 2020 but had not been reported in the 2020 annual income tax return. With regard to the participation in the VDP for these assets, the DGT would not issue tax assessment letters for FY2016 through FY2020 unless the DGT obtained information on the existence of additional assets that had not been fully disclosed by the participants via the programme.

Participants who declared assets under this programme and committed to repatriate and/or to reinvest, must complete the repatriation of the declared assets by 30 September 2022, while the reinvestment into eligible investments must be completed by 30 September 2023. In addition, participants are required to submit an annual repatriation and/or investment realisation report starting from the FY2022 and continues throughout the five-year holding period, through 31 December 2027, and must be submitted no later than 31 March of each following year.

## Compliance

Indonesia applies a self-assessment system, under which all individuals that have fulfilled certain criteria must register for an NPWP to carry out their taxation rights and obligations.

Starting from 1 July 2024, the national identification number (Nomor Induk Kependudukan or NIK) replaces NPWP for individual taxpayers (Indonesian nationals and foreigners who live in Indonesia. Practically, individuals who are non-Indonesian citizens can either put '0' at the beginning of their existing NPWP to create a 16-digit NPWP or use the NIK provided in their residency certificate (Surat Keterangan Tempat Tinggal).

An exemption from registration is available for individuals whose earnings are less than the non-taxable income (Penghasilan Tidak Kena Pajak) threshold, individuals who do not qualify as individual tax residents, and married women who will fulfil their individual tax obligations jointly with their husbands.

- Individual taxpayers are required to file annual individual income tax returns, declaring their worldwide income and assets and liabilities. However, some foreign nationals with certain expertise who are regarded as Indonesian tax residents, may apply to the DGT for territorial basis taxation in the first four years of them being Indonesian tax residents. If the conditions are met and the application is approved by the DGT, these foreign nationals will be taxed on Indonesian-sourced income only during the first four years.
- The annual tax return must be filed no later than 31 March of the year following the income year, or three months following the individual's end of tax residency status in Indonesia (whichever is earlier). Any annual tax due should be settled before submission. Individual taxpayers are encouraged to file their tax returns electronically through the e-Filing system. They need to separately obtain an e-Filing Number (e-FIN) from the tax office in order to access the system.

Penalties are imposed for late payment of tax and late filing of returns. The penalty varies depending on the situation and the penalty for underpaid tax is imposed monthly, based on the rates determined by the MoF.

#### 4. Withholding taxes

##### Dividends

Dividends paid to a non-resident are subject to a 20% WHT, unless the rate is reduced under a tax treaty. Dividends paid by a domestic corporate taxpayer to a resident company or cooperative are income tax exempt. Dividends paid by a domestic corporate taxpayer to resident individuals are income tax exempt if they fulfil certain criteria; otherwise, the resident individuals must self-assess the 10% final income tax on the dividend received.

##### Interest

Interest paid to a non-resident is subject to WHT at the rate of 20% (or 10% for interest income from bonds), unless the rate is reduced under a tax treaty.

Interest paid by a domestic taxpayer to a resident generally is subject to 15% WHT, which represents an advance payment of the tax liability. Interest paid to a resident bank or financial institution is exempt from WHT. Interest paid by Indonesian banks and Indonesian branches of foreign banks to a tax resident is subject to 20% final income tax for both corporations and individuals. Interest or discount on bonds is subject to 10% final income tax.

##### Royalties

A 20% WHT is imposed on royalties remitted abroad unless the rate is reduced under a tax treaty. For tax purposes, royalties include any charge for the use of property or know-how in Indonesia and the transfer of a right to use property or know-how in Indonesia.

Royalties paid by a domestic taxpayer to a resident are subject to a 15% WHT, which represents an advance payment of the tax liability.

##### Wage tax/social security contributions

An employer is responsible for calculating, deducting, and remitting tax payable on its employees' salaries and other remuneration. The employer must file an employment WHT return on a monthly basis. The WHT for January up to November is calculated using an effective tax rate (ETR). At the end of the fiscal year (or the end of the employee's employment, whichever is earlier), the employer should recalculate the annual taxable income with the standard progressive tax rates (with 35% maximum tax rate) and consider the taxes that have been withheld and remitted on a monthly basis. The balance will be settled on that month. Both employers and employees are required to contribute to the general social security schemes (please refer to the **"Workforce Environment"** section for more details).

##### Other transactions

Fees for technical services remitted abroad are subject to a 20% WHT, unless the rate is reduced under a tax treaty.

A 2% WHT applies to domestic payments made for technical, management, consulting, and certain services, as well as rental (except for land and building rental, which is subject to a 10% final income tax). The rates are doubled for taxpayers without an NPWP.

##### Compliance

To facilitate the DGT's effort to collect taxes, taxpayers are subject to several obligations to withhold/collect income tax on various payments made to residents and nonresidents. Tax withheld/collected may represent either a final income tax for the income recipients or an income tax prepayment for the resident taxpayers receiving income. The tax prepayment can be credited against the taxpayer's annual tax liability and/or refunded. If a payment is subject to a WHT, the responsibility to withhold/collect and settle the tax to the state treasury rests with the payer.

In general, tax withheld/collected from dividends, interest, royalties, and other payments must be paid on the 15th of the calendar month following the tax assessment month. Payment of income tax that has been deducted from employees' wages and vendors' income must be made by the 15th of the following calendar month. Reporting is due by the 20th of the following month.

## 5. Double taxation relief

### Unilateral relief

Resident companies deriving income from foreign sources are entitled to a unilateral tax credit for foreign tax paid on the income. The credit is limited to the amount of Indonesian tax otherwise payable on the relevant foreign income. A country-by-country limitation applies, i.e., the credit for foreign tax paid on income from one country is limited to the amount of Indonesian tax otherwise payable on the income from the same country. Indonesia does not grant credit for underlying tax.

### Tax treaties

Indonesia has a reasonably broad tax treaty network, with the treaties generally following the Organisation for Economic Co-operation and Development (OECD) model treaty and containing OECD-compliant exchange of information provisions. Treaties generally provide the relief from double taxation on all types of income, limit the taxation by one country on companies residing in the other, and protect companies residing in one country from discriminatory taxation in the other.

To apply for a lower WHT rate, the foreign income recipient has to meet the substance and administrative requirements. The substance requirements entail general conditions to be met, and if the foreign taxpayer receives income, for which the article in the relevant tax treaty stipulates a beneficial owner requirement (i.e., interest, dividend, royalty), additional conditions must also be satisfied (please refer to the “**Anti-avoidance rule**” section).

A non-Indonesian tax resident wishing to access tax treaty benefits must provide a certificate of domicile in a prescribed format, known as the DGT Form. The DGT Form must be endorsed by the competent/tax authorities of the foreign income recipient’s jurisdiction. In the case that the foreign income recipient is unable to obtain the endorsement, a certificate of residence commonly verified or issued by the competent/tax authorities of the recipient’s jurisdiction can be attached to the DGT Form to substitute for the endorsement.

### Indonesia’s tax treaty network

Algeria	Germany	New Zealand	Suriname
Armenia	Hong Kong	Norway	Sweden
Australia	Hungary	Pakistan	Switzerland
Austria	India	Papua New Guinea	Syria
Bangladesh	Iran	Philippines	Taiwan
Belarus	Italy	Poland	Tajikistan
Belgium	Japan	Portugal	Thailand
Brunei Darussalam	Jordan	Qatar	Tunisia
Bulgaria	Korea (North)	Romania	Turkey
Cambodia	Korea (South)	Russia	Ukraine
Canada	Kuwait	Serbia	United Arab Emirates
China	Laos	Seychelles	United Kingdom
Croatia	Luxembourg	Singapore	United States of America
Czech Republic	Malaysia	Slovakia	Uzbekistan
Denmark	Mexico	South Africa	Venezuela
Egypt	Mongolia	Spain	Vietnam
Finland	Morocco	Sri Lanka	Zimbabwe
France	Netherlands	Sudan	

### Anti-avoidance rule

To apply for a lower WHT rate, the foreign income recipient has to meet the substance and administrative requirements. The foreign income recipient is considered meeting the substance requirements if:

- a. The entity has relevant economic substance, either in the entity's establishment or the execution of its transaction;
- b. The legal form is not different from its economic substance, either in the entity's establishment or the execution of its transaction;
- c. The entity has its own management in carrying on business, and such management has an independent discretion;
- d. The entity has sufficient assets to carry on business other than the assets intended to generate income from Indonesia;
- e. The entity has sufficient employees with certain expertise and skill in accordance with the business it carries on; and
- f. The entity has business activities other than receiving dividend, interest, and royalty sourced from Indonesia, and such activities are in accordance with the actual conditions as shown by the existence of costs incurred, efforts undertaken, or sacrifices made, which are directly related to the business or activities for the purpose of earning, collecting, and maintaining income, including significant activities conducted to maintain the entity's survival.

In addition, the purpose/arrangement of the transaction is not to directly or indirectly obtain benefits under the tax treaty (among others, reduction of tax burden or double non-taxation) that are not in accordance or conflict with the objective and purpose of the tax treaty. This is similar to the principal purpose test adopted by Indonesia through multilateral instrument (MLI) on tax treaty.

To apply for a lower WHT rate on passive income, in addition to the substance requirements above, the foreign income recipient has to meet the following beneficial ownership requirements:

- a. The entity is not acting as an agent, nominee, or conduit;
- b. The entity has controlling rights or disposal rights on the income or the assets or rights to generate the income;
- c. No more than 50% of the entity's income is used to satisfy claims by other persons;
- d. The entity bears the risk on its own asset, capital, or liability; and
- e. The entity has no contract(s) that obligate the entity to transfer the income received to a resident of a third party.

If any of the conditions above are not satisfied, the foreign income recipient will not be considered as fulfilling the beneficial owner requirements and therefore will not be entitled to enjoy the tax treaty benefits on passive income.

## 6. Transfer pricing and international tax

### Transfer pricing

Since 2010, the DGT has issued guidelines and regulations to provide greater certainty to businesses on transfer pricing rules. The DGT is authorised to adjust taxpayers' incomes or expenses, where transactions with related parties (special relationship) are not in accordance with fair and common business practices (the arm's-length principle). The DGT is also authorised to treat the excess between the transaction value that is not arm's-length and the arm's-length price as a dividend, and subject the same to withholding tax (i.e., secondary adjustment).

Corporate taxpayers are required to disclose their related party transactions in a separate attachment to the CIT. The disclosure includes various information, such as the type of transactions, nature of relationship, a questionnaire on documentation prepared to support the implementation of the arm's-length principle, as well as transactions with parties from tax haven countries.

The DGT adopts a three-tiered approach to transfer pricing documentation, namely: (i) Local File; (ii) Master File; and (iii) Country-by-Country Report (CbCR). The Master File and the Local File must be available within four months after the end of a fiscal year and must be accompanied by a statement letter concerning the time of the availability of such documents.

Generally, the DGT provides seven to 14 days upon request for submission of the transfer pricing documentation in case of regular compliance checks, while the maximum allowable time is 30 days upon request. Failure to furnish the documentation within the stipulated time may prompt a detailed transfer pricing audit. It also allows the DGT to disregard any subsequent documentation and determine tax liability based on the data available to them.

Taxpayers having related party transactions and meeting any one of the following thresholds are required to prepare both a Master File and a Local File in Indonesian language:



Item	Threshold
Gross revenue in the preceding year	Exceeds IDR50 billion
<ul style="list-style-type: none"> <li>• Related party transactions of tangible goods in the preceding fiscal year; or</li> </ul>	Exceeds IDR20 billion
<ul style="list-style-type: none"> <li>• Related party transactions of services, royalties, interests, or other transactions in the preceding fiscal year</li> </ul>	Exceeds IDR5 billion
Related party transactions with an affiliated party located in a jurisdiction with a tax rate lower than Indonesia's (i.e., 22%).	No minimum threshold
A taxpayer that qualifies as a Parent Entity of a business group	Consolidated gross revenue of at least IDR11 trillion in the preceding year

Aside from the Master File and the Local File, a taxpayer qualifying as a parent entity of a business group having a consolidated gross revenue of at least IDR 11 trillion in the fiscal year preceding the reported fiscal year is required to prepare and submit a CbCR. In the event the parent entity (or a surrogate parent entity appointed by the parent entity) is located in a foreign jurisdiction, the resident taxpayer is required to submit the CbCR when the country of the parent entity (or the surrogate parent entity):

- Does not require the submission of CbCR;
- Does not have an agreement with the Indonesian government on information exchange; or
- Has an agreement but the CbCR cannot be obtained by the Indonesian government.

In other cases, the resident taxpayer is required to submit a notification to the DGT specifying the parent entity (or surrogate parent entity) and the country where the CbCR is filed.

The CbCR or the notification has to be submitted within 12 months after the end of the relevant fiscal year.

### Automatic exchange of information

The OECD has developed a global Common Reporting Standard (CRS) for automatic exchange of tax and financial information, aimed at minimising the possibility of tax evasion. This provides a facility for exchange of information on non-resident financial accounts with the tax authorities in the account holders' country of residence. Participating jurisdictions implementing the Automatic Exchange of Information (AEOI) send and receive pre-agreed information each year without having to make a specific request. Since September 2018, Indonesia has been implementing the AEOI and to date, 89 reporting destination countries have received information from Indonesia as part of the AEOI process.

To support the CRS implementation, the MoF, DGT, and OJK have issued several regulations requiring the reporting financial institutions (such as banks and insurance companies) to submit CRS reports to the OJK (which will be passed to the DGT to be exchanged with the tax authorities of the reporting destination countries). The DGT will use the CRS reports to monitor the tax compliance of Indonesian taxpayers. In addition, the DGT is authorised to audit the CRS reports and impose sanctions on the reporting financial institutions for noncompliance with the CRS.

### Assistance with global tax collection

The DGT and a partner jurisdiction may assist each other with regard to tax collection, provided that the collection authorities are specified in the relevant international agreements and the assistance is reciprocal.

### Indonesia's participation in base erosion and profit shifting projects

Although Indonesia is not a member of the OECD, Indonesia is a member of the G20; therefore, Indonesia has fully participated in Base Erosion and Profit Shifting (BEPS) projects both as an observer and as a contributor. The following table summarises the steps Indonesia has taken to date to implement the BEPS recommendations:

Action	Implementation
Tax challenges arising from digitalisation (Action 1)	Tax treatment of transactions through electronic system ( <i>Perdagangan Melalui Sistem Elektronik</i> or PMSE) whereby VAT on PMSE is to be collected, paid, and reported by the foreign traders, foreign service providers, and foreign and/or domestic PMSE providers ( <i>Penyelenggara PMSE</i> or PPMSE).
Neutralising the effects of hybrid mismatch arrangements (Action 2)	Not yet known.
CFCs (Action 3)	Indonesia already has CFC rules, but these are limited only to passive income.
Limitation on interest deductions (Action 4)	The MoF is authorised to specify the limitation on deductible costs based on internationally accepted methods, such as DER, borrowing cost compared to EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortisation) or other methods.
Harmful tax practices (Action 5)	Not yet known.
Prevention of tax treaty abuse (Action 6)	Indonesia already has a rule to prevent treaty abuse.
Permanent Establishment (PE) status (Action 7)	In April 2019, the MoF issued a regulation to provide legal certainty for a Foreign Tax Subject carrying on business or activities through a PE in Indonesia. The regulation also provides explanation and interpretation of PE determination for Foreign Tax Subject as stipulated in the Income Tax Law. Whereas in the implementation of tax treaty, the PE determination still follows the criteria and treatment according to the applicable tax treaty.
Transfer pricing (Actions 8-10)	OECD Transfer Pricing Guidelines are generally relied upon in the absence of local guidance; hence, the principles laid down by the OECD in Actions 8-10 are relevant for Indonesian transfer pricing.
Mandatory disclosure rules (Action 12)	Not yet known.
Transfer pricing documentation and CbC reporting (Action 13)	<p>The MoF has introduced the three-tiered level of documentation requirement for fiscal years ending on or after 30 December 2016.</p> <p>The requirements are broadly in line with the action 13 recommendations, with additional information requirements for both Master File and Local File. The documents must be prepared in Indonesian language within four months from the end of the fiscal year. There are certain thresholds for determining the documentation requirements and the inclusion of domestic related parties within the scope of the transfer pricing rules.</p> <p>CbC reporting has been introduced in line with Action 13 requirements, with certain additional details and applies for fiscal years ending on or after 30 December 2016. The CbCR must be available within 12 months from the end of the fiscal year and the CbCR or a notification (as the case may be) must be filed with the annual corporate income tax return for the subsequent fiscal year.</p> <p>Indonesia is one of the countries that signed a multilateral competent authority agreement for the automatic exchange of CbCR.</p>

Action	Implementation
Mutual agreement procedure (Action 14)	<p>The MoF issued Regulation Number 172 of 2023 (PMK-172) covering, among others, Implementation Guidelines of Mutual Agreement Procedure (MAP), which is broadly aligned with recommendations under Action 14.</p> <p>PMK-172 also includes implementation Guidelines for the Advance Pricing Agreement (APA), aligned with broader objectives of Action 14 and ensuring greater legal certainty to taxpayers involved in the APA process, particularly regarding procedures and timeframe, and the follow-up actions.</p>
Multilateral instrument (Action 15)	<p>Indonesia ratified the Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent BEPS (MLI) in November 2019 and deposited its instrument of ratification for the MLI with the OECD on 28 April 2020. Indonesia identifies 60 tax treaties as covered tax agreements under the Convention.</p> <p>As of May 2025, the DGT has issued 36 circular letters providing synthesised texts of 36 of the Covered Tax Agreements. The synthesised texts are intended to assist the readers in understanding the impact of the implementation of MLI on the relevant tax treaties. The circular letters also confirm the date when the MLI becomes effective for Indonesia.</p>
Global Minimum Tax (GMT)	<p>The GMT or Pillar Two framework in Indonesia is aligned with the OECD's Pillar Two GMT, implementing a 15% GMT rate for MNEs based on the income inclusion rule (IIR), qualified domestic minimum top-up tax (QDMTT), and undertaxed payments rule (UTPR). The IIR and QDMTT are applicable in Indonesia starting 1 January 2025, with the UTPR coming into effect the following year, on 1 January 2026.</p> <p>The 15% effective tax rate (ETR) is calculated for all constituent entities in each jurisdiction where the MNEs operate. If the ETR falls below the 15% global minimum threshold, an additional tax liability so called as "top-up tax" will be payable. For GMT purposes, the ETR is calculated through a complex formula, dividing "covered taxes" by global anti-base erosion (GloBE) income, which requires various accounting and tax adjustments.</p> <p>Additionally, for the subject to tax rule implementation, Indonesia had signed the Multilateral Convention to facilitate the Implementation of the Pillar Two Subject to Tax Rule (STTR MLI) that will be integrated into relevant tax treaties without bilateral negotiations. The STTR MLI, which is expected to affect 36 of Indonesia's existing tax treaties, will come into effect once it is ratified under Indonesian laws and regulations.</p>

## 7. Indirect taxes

### Value Added Tax

VAT is levied on taxable events, i.e., on the “delivery” of taxable goods and/or taxable services. VAT applies to intangible goods (including royalties) and to virtually all services provided outside Indonesia to Indonesian businesses (i.e., import of services). VAT applies equally to all manufactured goods, whether produced locally or imported. Manufacturing is defined as any activity that changes the original form or nature of a good, creates a new good, or increases the productivity of goods. This includes fabricating, cooking, assembling, packing, and bottling.

All goods and services shall be subject to VAT, except:

- a. Items that are already subject to regional tax (i.e., food and beverages served at restaurants or hotels, or for catering, art and entertainment services, hotel services, and parking services);
- b. Money, gold bars (representing Indonesia’s state gold reserves), and securities;
- c. Religious services; and
- d. Government administrative services that cannot be provided by other parties.

The standard VAT rate is 12%. In addition, the government implements final VAT mechanism (*menggunakan besaran tertentu untuk memungut dan menyetorkan PPN*), applying certain amount of percentage to collect and deposit VAT depending on the goods/services.

VAT on export of taxable tangible goods, taxable intangible goods, and certain taxable services is reduced to 0%. VAT is imposed on export of taxable services that are furnished/rendered within the Indonesian customs territory for the benefit of recipients located outside the Indonesian customs territory. It should be noted that, to apply the 0% VAT on such export of services, several requirements must be satisfied. Certain types of export of taxable services that can enjoy the 0% VAT are as follows:

- a. Taxable services related to movable goods for utilisation outside the Indonesian customs territory, covering:
  - Toll manufacturing services (*jasa maklon*);
  - Repairs and maintenance services; and
  - Freight forwarding services related to goods for export purposes.
- b. Taxable services related to immovable goods located outside the Indonesian customs territory, such as construction consultation services, covering assessment, planning, and design of construction related to building or plan for building outside the Indonesian customs territory;
- c. Taxable services delivered for utilisation outside the Indonesian customs territory as requested by customers, such as:
  - Technology and information services;
  - Research and development services;
  - Rental of airplanes and/or sea vessels, for international flights or shipping activities;

- Business and management consultancy services, legal consultancy services, architectural and interior design consultancy services, human resource consultancy services, engineering consultancy services, marketing consultancy services, accounting or bookkeeping services, audit services for financial statements, and tax services;
- Trading services, i.e., services to seek sellers within the Indonesian customs territory for export purposes; and
- Interconnection, provision of satellite, and/or data communication/connectivity services.

Entrepreneurs delivering taxable goods and/or taxable services of which the value exceeds IDR4.8 billion in a fiscal year are required to register for VAT purposes, i.e., register as VAT-able entrepreneur (*Pengusaha Kena Pajak* or PKP) and issue VAT invoices for the delivery of taxable goods and/or taxable services.

A VAT invoice is an instrument to levy VAT (for the seller) and to claim VAT credit (for the buyer). The DGT has adopted an electronic VAT invoice mechanism (*e-Faktur*) to directly validate the issuance of VAT invoices. The format and content of a VAT invoice must meet the guidelines set by the DGT. Failure to meet these guidelines will cause the VAT invoice to be considered as an incomplete VAT Invoice. The issuance of an invalid VAT invoice is subject to a penalty of 1% of the VAT imposition base and the invalid VAT invoice is not creditable for the buyer.

From the supplier/seller’s perspective, the VAT levied is considered as an output VAT while from the buyer’s perspective, the VAT paid is an input VAT. The input VAT can be offset against the output VAT. If the amount of output VAT exceeds the amount of input VAT, the difference constitutes a VAT underpayment that has to be settled to the state treasury by the end of the following month prior to the submission of VAT return. On the other hand, if the amount of output VAT is less than the amount of input VAT, the PKP can either carry the excess amount to the following period or request a refund.

An input VAT invoice received by a PKP is creditable in its VAT return, at maximum, three months after the end of the month when the relevant VAT invoice is issued, and if the VAT invoice has not been expensed or capitalised to the acquisition cost of taxable goods and/or taxable services.

Monthly VAT return is due by the end of the following month and any VAT liability (output VAT less input VAT) should be settled before the submission of VAT return. Self-assessed VAT on utilisation of taxable intangible goods and/or taxable services subject to VAT from abroad within Indonesian customs territory is due by the 15th of the following month it becomes payable.

Indonesia does not have a VAT grouping concept. Starting from the fiscal period of January 2025, the VAT administration of a PKP carrying on business activities in Indonesia through business units located in multiple places under different tax offices is automatically centralised.

Certain imports or purchases of taxable goods and/or taxable services are eligible for VAT facilities, either in the form of VAT exemption facility (PPN *dibebaskan*) or VAT not-collected facility (PPN *tidak dipungut*). For deliveries of which the VAT is not collected, the related input VAT is creditable. Meanwhile, for deliveries of which the VAT is exempted, the related input VAT is not creditable.

### Luxury-goods sales tax

In addition to the general VAT rate, certain “luxury” goods are subject to LST with a rate ranging from 10% to 200%. Luxury-goods are goods that meet the following criteria:

- They do not constitute basic commodities;
- They are consumed by certain groups;
- They are generally consumed by an exclusive group of (upper income) consumers; and/or
- They are consumed to show status rather than for their utility.

Export of luxury-goods is subject to 0% LST.

## 8. Tax incentives

### Tax holiday facility

A tax holiday facility is available for a new investment or business expansion in certain pioneer industries and is granted based on a proposal submitted to the MoF by 31 December 2025. Pioneer industries are defined as industries possessing broad linkages, giving added value and high externality, introducing new technology, as well as possessing strategic value for the national economy. Below is the list of pioneer industries qualified for the tax holiday facility:

- Integrated upstream metals industry;
- Integrated crude oil and natural gas refinery industry;
- Integrated basic organic chemical industry sourced from crude oil, natural gas and/or coal;
- Integrated basic organic chemical industry sourced from agriculture, plantation, or forestry products;
- Integrated basic inorganic chemical industry;
- Integrated pharmaceutical main raw materials industry;
- Irradiation, electromedical or electrotherapy equipment manufacturing industry;
- Main components manufacturing industry for electronic or telematics equipment;
- Machine and machinery main components manufacturing industry;
- Robotic components manufacturing industry supporting the machinery production industry;
- Main components manufacturing industry for electricity generator machinery;
- Automotive and automotive main components manufacturing industry;
- Vessel main components manufacturing industry;
- Train main components manufacturing industry;
- Aircraft main components manufacturing industry and aerospace industry auxiliary activities;

- Agriculture, plantation, forestry product-based processing industry producing paper pulp;
- Economic infrastructure; and
- Digital economy covering data processing, hosting, and the related activities.

Types of production for each industry eligible for the tax holiday facility above are further regulated by BKPM regulation. Tax holiday facility provides:

- A CIT reduction of 100% for a minimum of five years up to a maximum of 20 years may be granted for projects with a minimum investment of IDR500 billion, followed by a 50% reduction in CIT for the subsequent two years, starting from the commencement of commercial operations. The length of the tax holiday depends on the value of the investment; or
- A CIT reduction of 50% for five years may be granted for projects with a minimum investment of IDR100 billion but less than IDR500 billion, with a 25% reduction in CIT for the subsequent two years.

The tax holiday period commences from the year of commercial production. The prerequisites to apply for the tax holiday facility are as follows:

- A taxpayer in pioneer industry;
- An Indonesian legal entity;
- A minimum new investment of IDR100 billion;
- Conducting new investment in which the decision on granting or rejecting tax holiday or tax allowance facility, or super tax deduction facility or labour-intensive project, or income tax facility for special economic zones (*Kawasan Ekonomi Khusus* or SEZ), or CIT rate reduction facility in IKN, the partner regions, and/or financial centres, has not been issued by the MoF;
- Fulfilling provisions regarding DER; and
- The taxpayer is committed to initiating the realisation of the investment plan, at the latest, one year after tax holiday facility is granted.

The tax holiday facility is only applicable to income generated from the business activity that has been granted with such facility. Income received/earned by the taxpayer from other than the main business activity that has been granted with tax holiday will be subject to normal income tax provisions.

A taxpayer that has obtained a tax holiday facility and qualifies as part of a multinational enterprise group subject to the GMT rules under Pillar Two may also be subject to a domestic minimum top-up tax (DMTT). The DMTT requires all constituent entities in Indonesia to pay a top-up tax if the country's effective tax rate is below the 15% minimum threshold.

### Tax allowance facility

A tax allowance facility is available to companies investing in certain industry sectors or operating in certain geographic locations where the necessary conditions are satisfied. This facility is applicable to a new investment or expansion of the corporate taxpayer's main business activities. The tax allowance facility includes:

- a. An investment allowance (a reduction in taxable income equivalent to 30% of the total investment amount of tangible fixed assets used for main business activities, including land, which is allocated equally over six years starting from the fiscal year when the commercial production commences, with the rate of 5% per year);
- b. Accelerated depreciation and/or amortisation of assets obtained for capital investment purposes;
- c. Tax loss carried forward, which may be extended for up to 10 years; and
- d. A reduced WHT rate of up to 10% on dividends paid to foreign taxpayers other than PE.

Certain detailed requirements must be met to apply for the tax allowance facility, including qualitative criteria, such as high investment value or export-oriented, high labour absorption, and high local content.

Currently, there are 166 business sectors and 17 business sectors operating in certain geographic locations that are eligible for the facility. Additionally, a taxpayer can only be granted one type of tax facility (either tax holiday facility or tax allowance facility).

### Super tax deduction facility

For a taxpayer that does not obtain the tax holiday or tax allowance facility, a "super tax deduction facility" is available for the following business activities or expenditures:

#### a. New capital investment or business expansion in labour-intensive industries

This facility is in the form of an investment allowance equivalent to 60% of the total investment amount of tangible fixed assets used for main business activities, including land. The investment allowance is allocated equally over six years, starting from the fiscal year when the commercial production commences.

#### b. Apprenticeship, internship, and/or learning programmes in human resources development

This facility is in the form of an additional deduction of up to 100% of the qualifying expenses. Therefore, the total maximum deduction is 200% of the total qualifying expenses.

#### c. Research and development related activities

This facility is in the form of an additional deduction of up to 200% of the qualifying expenses. Therefore, the total maximum deduction is 300% of the total qualifying expenses.

To be eligible for this super tax deduction facility in labour-intensive industries, the taxpayer must fulfil the following cumulative criteria:

- a. It constitutes a domestic corporate taxpayers;
- b. Its main business activity is among the eligible industrial sectors; and
- c. It employs a minimum average of 300 Indonesian employees.

Certain expenditure related to apprenticeship, internship, and/or learning programmes eligible for the facility includes:

- a. Provision of physical facilities in the form of training facilities and associated operational costs;
- b. Costs of the instructor or trainer;
- c. Costs of goods and/or materials;
- d. Compensations provided to the participants; and/or
- e. Cost of competency certification for the participants.

The super tax deduction facility, in relation to research and development, will be provided if the taxpayer meets certain prerequisites, such as registration of the research and development results in Indonesia and overseas, commercialisation, and/or cooperation with other parties. The research and development should have focus and theme that are in accordance with those listed in the implementing regulation.

### Corporate income tax facilities in special economic zone

An SEZ is an area within Indonesian customs territory with certain restrictions that has geo-economic and geo-strategic advantages. A taxpayer in an SEZ can be classified as either:

- a. A business entity (*badan usaha*), i.e., a legal entity that manages an SEZ; or
- b. A business player (*pelaku usaha*), i.e., an enterprise that carries on a business in an SEZ.

A business entity may apply for tax holiday, whereas a business player may apply for tax holiday or tax allowance.

The following land transactions carried out by a taxpayer that develops and manages an SEZ are not subject to income tax:

- a. Purchase of land for an SEZ;
- b. Sale of land and/or building in an SEZ; and/or
- c. Rental of land and/or building in an SEZ.

In addition to the CIT incentives above, there are other tax facilities available for taxpayers in an SEZ, such as:

- a. VAT not collected facility;
- b. VAT exemption facility;
- c. Import duty exemption facility;
- d. Import tax not-collected facility (VAT, LST, and Article 22 income tax);
- e. Certain tax and import facilities for tourism SEZ; and
- f. Reduction, relief, and exemption of regional tax.

### Tax facilities in Nusantara Capital City

As the government is planning to move Indonesia's capital from Jakarta to Nusantara Capital City (Ibu Kota Negara Nusantara or IKN), various tax incentives and facilities are provided for investments and business activities conducted in IKN and the partner regions (*daerah mitra* (i.e., certain areas in Kalimantan Island that will be developed as economic superhubs for IKN)). These incentives and facilities are provided to expedite the construction and development process in IKN.

The tax facilities provided are as follows:

- CIT rate reduction;
- Super tax deduction facility for certain activities or expenditures;
- Article 21 income tax borne by the government;
- Final income tax of 0% on certain gross income of small and medium enterprises (SMEs); and
- Income tax exemption on the transfer of rights over land and/or buildings; and
- VAT and LST facilities.

The CIT rate for eligible taxpayers investing a minimum of IDR10 billion in certain business sectors may be reduced by up to 100% for a specific period of time:

- In IKN and/or the partner regions – A CIT rate reduction of 100% (or 50% in certain circumstances) for the periods of 10 to 30 years depending on business sectors;
- In financial centres (areas designated as concentrations of financial services as well as centres of technology development and supporting services in the financial services sector): A CIT rate reduction of 85% or 100% (depending on the financial sectors) for the period of 20 or 25 years; and
- For the establishment and/or relocation of head and/or regional offices to IKN until 31 December 2045: A CIT rate reduction of 100% for the first 10 years, followed by a 50% reduction for the following 10 years.

For main business activities that have already benefited from the reduced CIT rate, a WHT exemption facility is available for the income sourced from main business activities or the purchase or import of goods or materials related to those activities. The exempted portion of the WHT is aligned with the reduced CIT rate.

To encourage foreign investments in the financial centre, a 10-year WHT exemption facility applies to income earned from such investments, provided that the foreign investor (either an entity or an individual, but not a PE) is the beneficial owner of the income.

A super tax deduction facility is available until 2035 for the following business activities or expenses:

- Apprenticeship, internship, and/or learning programmes in human resources development—Domestic taxpayers that carry out certain apprenticeship, internship, and/or learning programmes for human resources development in IKN are eligible for an income tax facility in the form of a maximum deduction of 250% of the total qualifying expenses.
- Activities related to research and development— Domestic taxpayers having a domicile and/or place of business in IKN while carrying out research and development activities in IKN are eligible for an income tax facility in the form of a maximum deduction of 350% of the total qualifying expenses.
- Donations and/or nonprofit construction of public and social facilities—Certain donations and/or nonprofit construction of public and social facilities are eligible for an income tax facility in the form of a maximum deduction of 200% of the total qualifying expenses. The donations and/or expenses can be in the form of money, goods, and/or construction expenses.

The government will bear the article 21 income tax for permanent and/or non-permanent employees earning income from certain qualifying employers in IKN until 2035.

Domestic taxpayers (excluding PEs) that qualify as SMEs and invest less than IDR10 billion in IKN are subject to a 0% final income tax on the first IDR50 billion of gross income per fiscal year. If the taxpayers have several places of business or branches in IKN, the investment amount must be aggregated for the purpose of checking the eligible limit. The same concept applies when calculating the gross revenue threshold.

Certain types of revenue are not eligible for this facility. Such revenues as well as gross income exceeding the IDR50 billion threshold will be subject to income tax in accordance with the prevailing tax regulations. The income tax facility can be utilised as from the date the approval is obtained from the DGT until 2035.

A transfer of rights over land and/or buildings, including transfer through a sale and purchase commitment agreement (*perjanjian pengikatan jual beli*), to a buyer that purchases land and/or buildings in IKN for the first time is exempt from income tax until 2035.

Business activities carried out in IKN and/or the partner regions may be eligible for the VAT not-collected facility until 2035. The VAT not-collected facility is available for:

- Delivery of certain strategic taxable goods and certain strategic taxable services; and
- Import of certain strategic taxable goods.

Sales of certain luxury residential housing located in IKN are exempt from LST.

### Bonded storage

Bonded storage is a building, a site, or a zone that meets certain requirements and is used to store goods for certain purposes and to obtain customs facilities. Bonded storage has several forms, among others:

- **Bonded warehouse**

Bonded warehouse is defined as a place of bonded storage to store imported goods, which may be accompanied with one or more activities, such as packaging/repackaging, sorting, kitting, packing, adjustment, or cutting of certain goods within a certain period for later removal.

The imported goods or materials that are introduced into a bonded warehouse by an entrepreneur in bonded warehouse may be granted with facilities in the form of postponement of import duty, exemption from excise, and/or import taxes (VAT, LST, and Article 22 WHT) not collected facilities. These facilities shall be provided to goods or materials introduced solely for the purpose of supporting industry (manufacturing) at other Indonesian customs territory or bonded zone, or for re-export. The supporting industries are as follows:

1. Manufacturing (covering processing of raw materials to become finished product);
2. Mining (covering the provision of imported goods to support mining exploration and exploitation activities);
3. Heavy equipment (covering the provision of imported goods to support heavy equipment industry); and
4. Oil service (covering the provision of imported goods to support oil and gas exploration and exploitation activities).

- **Bonded zone**

Bonded zone is defined as a place of bonded storage to store imported goods and/or local supplies for production purposes with its output primarily for export purposes. Import of goods, entry of taxable goods, delivery of products, release of goods, re-delivery of taxable goods, lease of machinery, and entry of excisable goods to and/or from a bonded zone shall be granted facilities in the form of postponement of import duty, exemption from excise, and/or import taxes (VAT, LST, and Article 22 WHT) not collected facilities.

These facilities shall be provided to goods or materials entered into a bonded zone to be processed or combined with the products produced in a bonded zone or capital goods, including office equipment, to be used by an entrepreneur in bonded zone (Pengusaha dalam Kawasan Berikat or PDKB). Raw materials, auxiliary materials, and/or packaging and packaging aids owned by a foreign tax subject may be granted such facilities. Consumables are not facilitated in a bonded zone. Application is required to obtain each licence and there are requirements that must be fulfilled in order to obtain the licence. PDKB with low-risk profile may use corporate guarantee in applying for bonded zone facilities. This provision remains subject to the submission of complete supporting documents and on-site verification.

- **Self-managed bonded zones**

Self-managed bonded zones (Kawasan Berikat Mandiri or KBM) builds on the concept of bonded zones, but enabling businesses, known as entrepreneurs in bonded zones (Pengusaha Kawasan Berikat or PKB) and entrepreneurs operating in bonded zones (Pengusaha di Kawasan Berikat or PDKB) to self-manage their customs activities. With self-management, PKB and PDKB can perform independent import and export processes without requiring direct supervisions or the physical presence of customs officers. The KBM status is granted to PKB and PDKB meeting certain requirement criteria.

- **Bonded logistics centre**

Bonded logistics centre (Pusat Logistik Berikat or PLB) is a place for bonded storage that may also conduct one or more simple activities, where such activities exclude processing activities to generate new products with different characteristics and/or function from the original goods. The activities should be conducted within a certain period of time for the purpose of eventual removal.

The purpose of the PLB is to provide flexibility for investors to take their supplies of raw and/or supporting materials. It is hoped that manufacturing companies can stockpile their commodities in Indonesia; thus, they can be accessed more easily and cost-effectively. The entry of goods from other places in the Indonesian customs territory into a PLB shall be granted with VAT and/or LST not-collected facility for goods that are intended for export. Goods from outside the Indonesian customs territory and brought into a PLB are also granted import duty postponement and import taxes (VAT, LST, and Article 22 WHT) not collected facilities.

### Masterlist facility

Import of machinery, goods, and materials made by a company engaged in the development or expansion industry, in the context of industry or certain service industry, can be granted with import duty exemption or relief facility. The import duty exemption or relief facility for the import of machinery, goods, and materials (Masterlist facility) shall be issued by BKPM. Application is required to obtain each licence and there are requirements that must be fulfilled to obtain the facility.

### 9. Taxation on transaction through electronic system

The DGT can appoint certain parties meeting certain thresholds of transaction value or user traffic arising from transactions conducted through an electronic system to be VAT collectors. In general, the thresholds are as follows:

- Value of transactions with customers in Indonesia exceeding IDR600 million in a 12-month period or IDR50 million in one month; and/or
- User traffic from Indonesia exceeding 12,000 visits in a 12-month period or 1,000 visits in one month.

### Value Added Tax on transaction through electronic system

Any transaction made through the electronic system is subject to VAT on PMSE. VAT on PMSE is collected, remitted, and reported by foreign traders, foreign service providers, foreign PPMSE, and/or domestic PPMSE that have been appointed as VAT collectors.

The rate of VAT on PMSE is 12%. The VAT imposition base is eleven-twelfths of the amount paid by the customers (excluding VAT).

### Income tax on transaction through electronic system

The DGT can appoint a domestic or foreign PPMSE to collect article 22 income tax on income arising from PMSE activities earned by domestic sellers. These domestic sellers include:

- Shipping/expedition service companies;
- Insurance companies; and
- Individual and entities conducting PMSE activities with customers.

The appointed tax collector must collect the article 22 income tax at the rate of 0.5% from the gross revenue stated in the invoice (excluding VAT and LST) when it receives payment from the customer. This tax collection overwrites the tax withholding and collection applicable to article 4(2) income tax and article 15 income tax, preventing double withholding/collection of income tax on the same transaction. Certain transactions are exempted from article 22 income tax collection even if they should have been considered as PMSE activities. For such transactions, they will remain subject to income tax withholding/collection in accordance with applicable tax regulations.

## 10. Other taxes on corporations and individuals Customs and excise duties

Any goods coming from overseas into the Indonesian customs territory are treated as "import" and generally are subject to import duty and import taxes. Import duty is based on the harmonisation system (HS) code classification listed in the 2022 Indonesian Customs Tariff Book.

Regarding import activities, currently Indonesia is utilising an integrated system, known as the Indonesia National Single Window (INSW) system. In terms of import requirements, an importer must obtain an import and customs registration number. The process is now much faster through an online system, namely OSS.

A newly established PMA company, after obtaining Articles of Incorporation (AOI) and being approved by the Ministry of Law and Human Rights, must submit its business identification number (NIB) application through the OSS system. The application submitted should mention that the company needs to obtain an import and customs registration number. The import and customs registration number will be issued together with the NIB.

Furthermore, licensing services can be offered via the OSS system, which include:

- a. Licence of bonded warehouse;
- b. Licence of Ease of Import for Export (Kemudahan Impor Tujuan Ekspor or KITE);
- c. Licence of Excisable Goods Entrepreneur Registration Number (Nomor Pokok Pengusaha Barang Kena Cukai or NPPBKC).
- d. Masterlist facility (BKPM).

Preferential tariffs are extended to countries that have signed free trade agreements (FTA) and economic partnership agreements (EPA). This means that customs duties for selected imported goods originating from the FTA/EPA partner countries/regions are lower or eliminated. Currently, Indonesia has preferential tariffs in the following schemes:

- **ASEAN Trade-in-Goods Agreement (ATIGA)**  
A preferential tariff based on an agreement between Indonesia and ASEAN countries. This tariff is applicable to the import of goods from ASEAN countries into Indonesia.
- **ASEAN-China FTA (ACFTA)**  
An agreement between the ASEAN countries and China to build a free trade area. China refers to the Chinese Mainland and excludes the Special Administrative Regions (Hong Kong and Macau) and Taiwan.
- **ASEAN-Korea FTA (AKFTA)**  
An agreement between the ASEAN countries and South Korea to build economic partnership between the countries.
- **Indonesia-Japan Economic Partnership Agreement (IJEPA)**  
An agreement between the governments of Indonesia and Japan to build economic partnership between the two countries and increase trade and investment in both countries.
- **ASEAN-Australia-New Zealand FTA (AANZFTA)**  
An agreement between ASEAN countries and Australia and New Zealand to build a free trade area.
- **ASEAN-India FTA (AIFTA)**  
An agreement between ASEAN countries and India to build a free trade area.
- **Indonesia-Pakistan Preferential Trade Agreement (IP-PTA)**  
An agreement to accommodate trade agreements between the governments of Indonesia and the Islamic Republic of Pakistan.
- **ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA)**  
An agreement between ASEAN countries and Hong Kong, Special Administrative Region of the People's Republic of China (HKSAR).
- **Indonesia-Australia Comprehensive Economic Partnership Agreement (IACEPA)**  
An agreement between the governments of Indonesia and Australia to build economic partnership to increase the flow of exported goods.

- **Indonesia-Chile Comprehensive Economic Partnership Agreement (IC-CEPA)**

An agreement between the governments of Indonesia and Chile to increase trade partnership between the countries.

- **ASEAN-Japan Comprehensive Economic Partnership (AJ-CEP)**

An agreement between ASEAN countries and Japan to establish a free trade area.

- **Indonesia-Palestine Memorandum of Understanding**

An agreement between Indonesia and Palestine on trade facilitation for certain products originating from Palestinian territories.

- **Indonesia-EFTA Comprehensive Economic Partnership Agreement (IE-CEPA)**

An agreement between Indonesia and European Free Trade Association (EFTA) countries to increase economic partnership between Indonesia and EFTA countries (Iceland, Liechtenstein, Norway, and Switzerland).

- **Indonesia-United Arab Emirates Comprehensive Economic Partnership Agreement (IUAE-CEPA)**

An agreement between Indonesia and United Arab Emirates (UAE). Similar to other FTAs or Comprehensive EPAs, there is a preferential tariff system in place for imports from the UAE. However, it is important to note that there are specific regulations regarding the determination of “tariff quotas” for certain imported goods.

- **Indonesia-Korea Comprehensive Economic Partnership Agreement (IK-CEPA)**

An agreement between Indonesia and Korea to increase trade partnership between two countries.

- **Indonesia-Mozambique Preferential Trade Agreement (IMPTA)**

A trade agreement that aims to strengthen economic trade relations between Indonesia and Mozambique.

- **Regional Comprehensive Economic Partnership (RCEP) Agreement**

The RCEP Agreement is an FTA among 15 member countries, namely Brunei Darussalam, Cambodia, Indonesia, Singapore, Myanmar, Vietnam, Thailand, the Philippines, Laos, Malaysia, China, Japan, South Korea, Australia, and New Zealand.

It is the world’s largest FTA, comprising about 30% of global GDP and about a third of the world’s population. Built upon the existing FTAs and economic linkages between member countries, RCEP agreement aims to combine them into a single, APAC regional and multilateral pact. This is also the first FTA to connect China, Japan, and South Korea (three of the largest Asian economies). Currently, Indonesia has six RCEP agreements in place:

1. RCEP – ASEAN
2. RCEP – Australia
3. RCEP – Korea
4. RCEP – China
5. RCEP – Japan
6. RCEP – New Zealand

To pursue Indonesian Origin Declaration on the scheme of Generalised System of Preferences (GSP), the Registered Exporter (REX) and Certified Exporter (CEX) systems have been established. REX and CEX are new self-certification systems for exporters that will gradually replace the current Issuing Agency for Certificate of Origin (Instansi Penerbit Surat Keterangan Asal or IPSKA) system to obtain certificate of origin by the Indonesia Ministry of Trade. Exporters with REX status can issue Certificates of Origin (COO) as substitute of Form A to be used for trading between Indonesia and Europe. As for CEX, exporters with this status can issue COO Form for their respective countries.

- **Preferential Trade Agreement among D-8 Member states**

This is an agreement between Indonesia and D-8 Organisation for Economic Cooperation. The member countries are Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey.

Excise duties are also imposed on certain goods as part of the government’s efforts to curb the distribution of such goods in Indonesia. Excise duties are levied, primarily on alcohol, tobacco, and other tobacco processing (Hasil Pengolahan Tembakau Lainnya or HPTL) products including cigarettes, cigars, leaf cigarettes, sliced tobaccos, electronic cigarettes, and other tobacco processing. Customs duty and import taxes payable should be settled before goods are released from the customs area (port). If the goods are excisable, duty payable should also be settled before the excisable goods are released from the port. After importation, the Indonesian Customs Authorities (ICA) may examine the goods to ensure compliance with customs and excise regulations. Failure to comply may give rise to an administrative penalty depending on the amount of underpayment. The import duty underpayment resulting from customs valuation is subject to an administrative penalty of between 100% and 1000%. If the customs duty tariff is 0% and the import duty underpayment is “nil”, the penalty is IDR5 million for each import declaration (Pemberitahuan Impor Barang or PIB) document. There is no penalty imposed for incorrect tariff classification. Meanwhile, non-compliance in the sector of excise is subject to penalty in the amount of between two to 10 times of excise duty and there will be criminal investigations if needed.

With regard to an excise facility, an importer can obtain an excise exemption and excise duty non-collected facilities from excisable goods imported with certain conditions.

### Real estate tax

Land and building tax are payable annually on land, buildings, and permanent structures. Under the Law on Financial Relations between the Central and Regional Government Law, the rate shall not exceed 0.5% of the estimated sales value of the property in rural and urban areas, which is determined by the relevant authorities. The land and building tax for certain businesses (i.e., upstream oil and gas, geothermal, mining, plantation, and forestry) is regulated under a specific regime.

In general, the transfer of land and/or building is subject to a final income tax of 2.5% of the gross proceeds (rates may differ depending on the transaction criteria). Exemptions are granted for the transfer of land and/or buildings as part of a grant or inheritance and the sale of land valued at less than IDR60 million by an individual taxpayer whose annual income does not exceed the non-taxable income threshold.

A land and building right acquisition duty of maximum 5% is payable when an individual obtains the rights to land or a building with a value greater than the non-taxable threshold. A taxpayer receiving such rights by way of inheritance is entitled to a non-taxable threshold of IDR350 million, at the minimum.

### Transfer tax

The sale of shares listed on the Indonesian Stock Exchange is subject to a tax of 0.1% of the transaction value. Founder's shares are also subject to a final tax of 0.5% of the share value at the time of the IPO.

The transfer of a resident non-listed company's shares by a non-resident is subject to a WHT of equivalent to 5% of the transfer value, unless otherwise provided under a tax treaty. Additionally, certain disposals of land and/or buildings are subject to a final tax of 2.5% of the transaction value.

A land and building right acquisition duty of maximum 5% of the acquisition value is payable when an individual obtains the rights to land or a building with a value greater than IDR60 million. Various exemptions may apply, including on transfers in connection with a merger and transfers to relatives.

### Stamp duty

A single stamp duty (*matera*) rate of IDR10,000 applies to financial transactions, deeds, and receipts.

### Environmental taxes

Law on Harmonisation of Tax Regulations (Undang-Undang Harmonisasi Peraturan Perpajakan) issued in 2021 introduces carbon tax, that will first apply to coal-fuelled power plants. However, the implementation of carbon tax has been postponed.

In certain regions, a permit to dump liquid waste into certain water resources is subject to a user fee collected by the local government.

# D. Audit and compliance

An entity that conducts business in Indonesia is required to maintain accounting records and to prepare annual financial statements in accordance with PSAK published by the Financial Accounting Standards Board of the Indonesian Institute of Accountants (Dewan Standar Akuntansi Keuangan-Ikatan Akuntan Indonesia or DSAK-IAI).

The entity must maintain a register of shareholders, as well as a special register for members of the BoD and BoC and their family members, detailing share ownership within Indonesia. Changes of share ownership must be recorded in the register of shareholders and the special register. The BoD must submit an annual report to a General Meeting of Shareholders within six months of the closing of the company's books. The report must contain at least the following: (1) financial statements; and (2) a report on the condition and performance of the company.

## 1. Accounting period

The accounting period for an entity is normally 12 months and it generally uses the 1 January to 31 December calendar year as the accounting year. However, an entity is allowed to choose an accounting year that does not start with 1 January. For tax purposes, the fiscal year in most cases is also the calendar year. Similar to the accounting year, an entity is also allowed to choose a fiscal year, which does not start with 1 January.

## 2. Currency

An entity prepares its accounting records and financial statements by using its functional currency. However, an entity may present its financial statements using a currency other than its functional currency (presentation currency). The functional currency is the currency of the primary economic environment in which the entity operates. This is often the currency in which sales prices for its goods and services are denominated and settled.

## 3. Language, accounting basis, and standards

An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. Under the accrual basis of accounting, the effects of transactions are recognised when they occur. In addition, an entity recognises items as assets, liabilities, equity, income, and expenses when their definitions and recognition criteria are satisfied.

An entity's accounting records, and annual financial statements shall comply with Financial Accounting Standards (Standar Akuntansi Keuangan or SAK) issued by DSAK-IAI. Currently, Indonesia's financial reporting framework consists of 4 pillars of SAK, as follows:

- a. Pillar 1: International SAK which is fully adopted from International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
- b. Pillar 2: Indonesian SAK which is convergency of IFRS as issued by IASB. The convergency is done by issuance of SAK Indonesia based on IFRS with some adjustments to accommodate certain specific condition in Indonesia.
- c. Pillar 3: Indonesian SAK for Private Entities (SAK EP – Entitas Privat)/ Indonesian SAK for Entities that have no public accountability (SAK ETAP – Entitas Tanpa Akuntabilitas Publik)

- d. Pillar 4: Indonesian SAK for Micro Small and Medium Entities (SAK EMKM – Entitas Mikro Kecil dan Menengah)

In addition, sharia accounting standards (PSAK Sharia and ISAK Sharia) should be applied by sharia entities and on transactions with sharia principles. PSAK Sharia and ISAK Sharia are applicable for Pillar 2, Pillar 3 and Pillar 4 as long as the application is in compliance with the principles in each Pillar. PSAK Sharia and ISAK Sharia are not applicable for Pillar 1.

## 4. Audit requirements

The following types of entities are required to submit annual financial statements that are audited by a qualified external auditor:

- a. Publicly listed companies.
- b. Banks, insurance, and other companies involved in accumulating funds from the public.
- c. Companies issuing debt instruments.
- d. Companies with assets of IDR50 billion or more.
- e. Bank debtors whose financial statements are required by the bank to be audited.
- f. Certain types of foreign entities engaged in business in Indonesia that are authorised to enter into agreements.
- g. Certain types of State-owned Enterprises.

Audits are conducted in accordance with the Indonesian Auditing Standards promulgated by the Indonesian Institute of Certified Public Accountants (Institut Akuntan Publik Indonesia or IICPA/IAPI).

Public companies are required to submit their audited financial statements within three months after the end of the annual financial statements period to OJK.

For interim financial statements, submission to OJK should be conducted within one month after the date of interim financial statements if not audited; within two months if the interim financial statements are reviewed; otherwise, within three months if the interim financial statements are audited.

## 5. Independence

Indonesian Auditing Standards require auditors to maintain their independence, to comply with the auditor's code of ethics, and to avoid potential conflicts of interests when conducting audits. Moreover, auditors should also observe and comply with the relevant independence rules issued by the regulator (i.e., Ministry of Finance) including independence regulations issued by OJK for auditors of entities under OJK regulations, such as listed companies, banks, insurance companies, finance companies, pension funds, and other financial service institutions.

In Indonesia, audit partner rotation (note that there is no requirement for public accounting firm rotation) is regulated by OJK regulation POJK 9/2023 dated 11 July 2023 ("POJK 9"), Government Regulation 20/2015 ("PP20") and Code of Ethics for Professional Accountants issued by Indonesian Institute of Certified Public Accountants ("Code of Ethics"). The requirements are as follows:

### • POJK 9:

- Commercial banks, issuers, and public companies are required to limit the engagement of the same Public Accountant for the audit of annual historical financial information to a cumulative period of 7 years.

The parties as mentioned above may only re-engage the same Public Accountant to provide audit services for annual historical financial information after a cooling-off period, in accordance with the role of the Public Accountant in the engagement:

- a. If the Public Accountant acted as the engagement partner, the cooling-off period is 5 consecutive reporting years;
  - b. If the Public Accountant acted as the engagement quality control reviewer, the cooling-off period is 3 consecutive reporting years; and
  - c. If the Public Accountant acted as another audit partner in the engagement, the cooling-off period is 2 consecutive reporting years.
- Entities other than commercial banks, issuers, and public companies are required to limit the use of audit services for annual historical financial information from the same Public Accountant to a maximum period of 5 consecutive reporting years. The limitation on the use of audit services as referred to above also applies to Public Accountants who are associated parties and to Public Accounting Firm personnel who hold a position one level below the Public Accountant involved in providing the audit services.

- The parties referred above may only re-engage the same Public Accountant to provide audit services for annual historical financial information after a cooling-off period of 2 consecutive reporting years.

### • PP20

The provision of audit services for historical financial information for an entity by a Public Accountant is limited to a maximum period of 5 consecutive reporting years.

The entities as referred to above consist of:

- a. Industries in the capital Mmarket sector;
- b. Commercial banks;
- c. Pension funds;
- d. nsurance/reinsurance companies; or
- e. State-owned enterprises.

The limitation on the provision of audit services for historical financial information as referred to above also applies to Public Accountants who are Associated Parties. A Public Accountant may resume providing audit services for historical financial information to the entities referred to above after not providing such services for two consecutive reporting years.

### • Code of Ethics

In relation to the audit of a public interest entity, an individual shall not serve in any of the following roles, or in any combination of these roles, for more than a cumulative period of seven years (the "Active" period):

- a. Engagement partner;
- b. Individual appointed as the engagement quality reviewer; or
- c. Other key audit partner roles.

After the Active period, the individual shall serve a cooling-off period as below:

- a. If an individual has served as the engagement partner for a cumulative period of 7 (seven) years, the required cooling-off period is 5 consecutive years.
- b. When an individual has been appointed as the engagement quality reviewer and has served in that capacity for a cumulative period of 7 years, the required cooling-off period is 3 (three) consecutive years.
- c. If an individual has served as a key audit partner other than in the capacities described above for a cumulative period of 7 years, the required cooling-off period is 2 (two) consecutive years.

# E. Workforce environment

## 1. Employee rights and remuneration

- a. Law No. 13/2003 on Employment as amended by Law No. 6 of 2023 on Enactment of Regulation of the Government in Lieu of Law Number 2 of 2022 on Job Creation into Law (the Omnibus Law or Indonesian Employment Law) governs the bargaining power of workers, specifies minimum standards for working conditions, and sets rules for severance and compensation payments. Although Indonesian law recognises workers' right to strike, it also restricts strike action, including a requirement that strikes be legal, orderly, and peaceful.
- b. Indonesia has ratified the main conventions of the International Labour Organisation (ILO), including conventions on the rights of: (i) assembly and collective negotiation; (ii) equal wages for men and women for the same work; and (iii) forced labour, as well as conventions on freedom of association and protection of the rights of association. ILO Convention 138 on the minimum age for employment is incorporated into Indonesian law, and ILO Convention 182 on the elimination of the worst forms of child labour was ratified and incorporated into law in 2000.
- c. Upon the enactment of the Omnibus Law, the Indonesian Employment Law provides compensation payment for an employee under a Specified Time Work Agreement (Perjanjian Kerja Waktu Tertentu or PKWT). This provision added a benefit that will be paid to the employee on a PKWT basis upon the completion of their working term or specific work(s) under the relevant PKWT by using the calculation in accordance with the prevailing laws and regulations.
- d. The government has issued several regulations that expand or modify labour laws, including decrees on the employment of foreigners, occupational health and safety, work competency standards, and overtime standards and pay.

## 2. Wages and benefits

### Wages components

Government Regulation No. 36/2021 as amended by Government Regulation No. 51/2023 regarding Wages (GR 36/2021) provides that wages consist of the following components:

- a. Wages without allowance.
- b. Basic wages and fixed allowance.
- c. Basic wages, fixed allowance, and non-fixed allowance; or
- d. Basic wages and non-fixed allowance.

Furthermore, according to GR 36/2021, if wages components consist of: (i) basic wages and fixed allowance; or (ii) basic wages, fixed allowance, and non-fixed allowance, the number of basic wages shall be at least 75% of the total amount of basic wages and fixed allowance.

The wage components as referred above shall be determined in the Employment Agreement, Company Regulation, or Collective Labour Agreement.

### Minimum wages

GR 36/2021 provides that minimum wages consist of: (i) provincial; and (ii) regency/regional-based minimum wages with certain provisions. The minimum wages are set based on economic and labour conditions. The governor shall determine the provincial minimum wages, whereas the governor may also determine a regency/regional-based minimum wages with certain provisions, which are:

- a. The average economic growth of the regency/region over the last 3 (three) years is higher than the provincial average economic growth; or
- b. The result of economic growth minus inflation of the regency/region over the last 3 (three) years is always positive, and higher than the provincial score.

Considering the above, it is noteworthy that each employer is prohibited from paying wages less than the minimum wage prescribed for each province or regency/region. However, the Omnibus Law exempts the minimum wage requirement for micro and small enterprises. Wages for micro and small enterprises are determined based on agreement between the employer and the employee.

### Pensions and social insurance

Law No. 24/2011 on Social Security Provider as amended by Law No. 6 of 2023 on Enactment of Regulation of the Government in Lieu of Law Number 2 of 2022 on Job Creation into Law (Badan Penyelenggara Jaminan Sosial or BPJS) regulates that employers must register themselves and their employees (including any foreigner who has worked in Indonesia for at least 6 (six) months) with BPJS as participants in the social security programmes, i.e., health care social security and employment social security. It is noteworthy that the health care social security benefits are administered by BPJS Health Care (BPJS Kesehatan) and employment social security benefits, which include old-age, pension, working accident, and death security benefits, are administered by BPJS Employment (BPJS Ketenagakerjaan).

Additionally, it is noteworthy that the Omnibus Law and Government Regulation No. 37/2021 as amended by Government Regulation No. 6/2025 on Job Loss Security Programme provides a new social security programme, namely job loss security (jaminan kehilangan pekerjaan) for employees that have been terminated. The job loss security programme will be administered by BPJS Ketenagakerjaan and the central government. The benefits of job loss security include cash, access to job market information, and job training. The maximum amount for the benefits of job loss security is six (6) months' salary.

The premium contributions for each social security programme are as follows:

Administrator contribution	Social Security Programme	As a percentage of regular wages	
		Employer contribution	Employee contribution
BPJS Employment (BPJS Ketenagakerjaan)	Working accident security	0.24-1.74% (depending on the work risk)	-
	Death security	0.30%	-
	Old-age security	3.70%	2%
	Pension security (only for Indonesian citizens)	2%	1%
	Job loss security	0.46%* (*0.22% shall be borne by the central government + re-composition of premium contributions from: (i) working accident security; and (ii) death security, amounting to 0.14% and 0.10% respectively)	
BPJS Health Care (BPJS Kesehatan)	Health care security	4%	1% 1% for additional family member

Pursuant to Article 32 of Perpres No. 64/2020 on the Second Amendment of Perpres No. 82/2018 on Health Care Social Security, the calculation of health care security contributions is subject to maximum wages of IDR12,000,000 (twelve million Indonesian Rupiah)/month. Please note that the cap may change in the future. The mandatory premium covers a husband, wife, and 3 (three) dependents. Additional family members can be covered with additional premiums.

In light of the previous discussion, it is noteworthy that the following are exempted from participating in the aforementioned social security programmes:

- Foreign employees who work less than 6 (six) months are not required to be registered in the BPJS programme; and
- Indonesian citizens who live in another country for at least 6 (six) months consecutively may temporarily cease their participation in BPJS Kesehatan programme.

#### Other benefits

Other than social security benefits, there are other statutory benefits that employees are entitled to, i.e., paid leave, overtime pay, and religious festivity allowance (Tunjangan Hari Raya or THR). Furthermore, the employer may provide additional benefits to employees as stipulated under employment agreements, company regulations, or collective labour agreements. These usually include family and cost-of-living allowances, free medical care (including dental care) for the employee and his/her family, housing,

transport, and work clothing. Many companies offer additional pension schemes (outside of the pension security benefit that is administered by BPJS Ketenagakerjaan). Senior executives often receive additional benefits such as a company car and annual home leave.

#### 3. Termination of employment

In principle, the employer, the employee, and/or the labour union, and the government must make all efforts to prevent termination of employment, and that termination may only occur after all efforts to prevent it have failed.

If all efforts to prevent termination fails, the termination of employment must be negotiated between the employer and the labour union (where the affected employee is a member), or between the employer and the affected employee (if the employee is not a labour union member). Should the negotiation fail, the employer may only terminate the employment after receiving a decision from the Industrial Relations Dispute Settlement Court.

The basis of employment termination under the Omnibus Law and its implementing regulation that came into effect on 2 February 2021, namely Government Regulation No. 35/2021 on Fixed Term Employment Agreement, Outsourcing, Working Hours and Rest Hours, and Employment Relationship Termination (GR 35/2021), is as follows:

- a. Employee's death.
- b. Expiration of employment contract for a specified period of time (Perjanjian Kerja Waktu Tertentu or PKWT).
- c. Employee is detained for committing a crime.
- d. Employee violation of the employment agreement, collective labour agreement (Perjanjian Kerja Bersama or PKB), and company regulation (Peraturan Perusahaan or PP).
- e. Employee absence for 5 (five) days with 2 (two) summonses
- f. Continual losses for 2 (two) consecutive years.
- g. Force majeure.
- h. Efficiency.
- i. Bankruptcy.
- j. Suspensions of debt payment obligations.
- k. Retirement.
- l. Corporate action (i.e., merger, acquisition, consolidation, or spin-off).
- m. Employee's resignation.
- n. Employee's request for termination due to employer action
- o. Employee's lengthy illness; and

Other causes as determined under an employment agreement, PKB or PP. Furthermore, in relation to the termination of the employee, it is noteworthy that the employer shall notify the employee in writing at least 14 (fourteen) days before the termination date of the objectives and reasons for termination. If the employee refuses the termination, both the employer and the employee may carry out amicable negotiation.

In addition, only companies which carry out mergers, consolidations, acquisitions, or spin-offs may carry out termination of employment.

#### Severance package

The employer is obliged to pay severance pay, service pay, and compensation (as applicable) upon employment termination. According to GR 35/2021, severance pay and/or long service pay, and compensation payment with a new calculation formula (e.g., excluding health and housing allowance components which accounted for 15% of the total severance payment and service payment).

The following table will be used for the purposes of calculation of the aforementioned severance payment, service payment, and compensation payment:

Severance payment Article 40 Paragraph (2) of GR 35/2021		Service payment Article 40 Paragraph (3) of GR 35/2021	
Service period	Payment/ Monthly salary	Service period	Payment/ Monthly salary
< 1 year	1x	3 – 6 years	2x
1 – 2 years	2x	6 – 9 years	3x
2 – 3 years	3x	9 – 12 years	4x
3 – 4 years	4x	12 – 15 years	5x
4 – 5 years	5x	15 – 18 years	6x
5 – 6 years	6x	18 – 21 years	7x
6 – 7 years	7x	21 – 24 years	8x
7 – 8 years	8x	> 24 years	10x
> 8 years	9x		

#### Compensation payment Article 40 Paragraph (4) of GR 35/2021

The entitlement to compensation payment includes the following:

- a. Annual leave that has not been taken.
- b. Travel expenses for employees and their families to their hometown; and
- c. Other compensation as determined in the employment agreement, company regulations, or collective labour agreement.

### New severance package formula

These need to be highlighted under GR 35/2021, which are as follows:

- If the company is not willing to continue the employment relationship in the event that the company has been acquired, then the minimum statutory severance pay will be **0.5 times the severance amount provision**.
- If the company is trying to increase efficiencies due to losses, the minimum statutory severance pay will be **0.5 times the severance amount provision**; and
- If the company is implementing efficiencies to prevent losses, the minimum statutory severance pay will be **1 time the severance provisions**. Previously, for efficiency to prevent losses, severance pay was given to workers at the rate of **2 times the severance provisions**.

### Reason for termination

The following table will be used for explaining the reasons for termination, as well as the calculation formula:

Abbreviation notes:

- *Uang Pesangon* (Severance Payment – SP).
- *Uang Penghargaan Masa Kerja* (Service Payment – SVP).
- *Uang Penggantian Hak* (Recompense Payment – RP); and
- *Uang Pisah* (Separation Payment as regulated under the Employment Agreement, Company Regulation or Collective Labour Agreement).

No	Reason for termination	Previous formula	New formula
1.	Mergers, consolidations, acquisitions or spin-offs and the employees are not willing to continue the relationship, or the company are not willing to accept the employees	1 X SP + 1 X SVP + RP If the Company does not want to accept the impacted employee: 2 X SP + 1 X SVP + RP	1 X SP + 1 X SVP + RP
2.	Acquisition	1 X SP + 1 X SVP + RP	In the event of Acquisition 1 X SP + 1 X SVP + RP
			In the event changes of working provisions occur and the employee does not want to continue working relationship 0.5 X SP + 1 X SVP + RP
3.	Efficiency due to loss	2 X SP + 1 X SVP	Efficiency <b>due to loss</b> 0.5 X SP + 1 X SVP + RP Efficiency <b>to prevent loss</b> 1 X SP + 1 X SVP + RP
4.	Company's closure (2 (two) years continual losses)	Closure <b>due to loss</b> 1 X SP + 1 X SVP + RP	0.5 X SP + 1 X SVP + RP
		Closure <b>not due to loss</b> 2 X SP + 1 X SVP + RP	1 X SP + 1 X SVP + RP
5.	The company closed due to force majeure	1 X SP + 1 X SVP + RP	Closure due to Force Majeure 0.5 X SP + 1 X SVP + RP Termination due to Force Majeure which does not result in Company's closure 0.75 X SP + 1 X SVP + RP

6.	Suspension of Debt Payment Obligations (Penundaan Kewajiban Pembayaran Utang – PKPU)	PKPU <b>due to loss</b>	N/A	0.5 X SP + 1 X SVP + RP
		PKPU <b>not due to loss</b>		1 X SP + 1 X SVP + RP
7.	Resignation by the Employee		RP + Separation Payment	RP + Separation Payment
8.	Employee absent for 5 (five) consecutive working days		RP + Separation Payment	RP + Separation Payment
9.	Violation of Company Regulation, Collective Labour Agreement, or Employment Agreement	Violation	RP	0.5 X SP + 1 X SVP + RP
		Gross Violation		RP + Separation Payment
10.	Detainment for 6 (six) months by authority	<ul style="list-style-type: none"> <li>The employer shall provide for the employee's family relative and shall be entitled to RP and Separation Payment (as regulated under the Employment Agreement, Company Regulation, or Collective Labour Agreement.</li> <li>The employee shall be entitled to: 2 X SP + RP</li> </ul>	If the employee does not cause any losses to the employer	1 X SVP + RP
11.	Lengthy illness for more than 12 (twelve) months		2 X SP + 1 X SVP + RP	2 X SP + 1 X SVP + RP
12.	Retirement	If the employee is not participating in the pension programme, then the employee shall be entitled to receive	2 X SP + 1 X SVP + RP	1.75 X SP + 1 X SVP + RP
13.	Employee passed away		2 X SP + 1 X SVP + RP	2 X SP + 1 X SVP + RP

### Compensation payment

Upon the enactment of the Job Creation Law, the IEL provides that the employer is required to provide the employees under PKWT with a compensation payment in the following event:

- a. Completion of working term as stipulated under the PKWT; and
- b. Completion of the specific work as described under the PKWT.

The IEL further states that the compensation payment that must be made to the relevant employee shall be in accordance with the working period at the company, under which can only be provided to the employees that have been working at the company for at least 1 (one) month continuously.

If the PKWT is extended beyond the previously agreed term, the compensation payment shall be provided to the employee upon the completion of the period of PKWT before any extension, and the after the extension period has been completed, the employer shall provide another compensation payment for the extension period.

The amount of compensation payment must be provided to the employees under PKWT with the following provisions:

- a. PKWT for 12 (twelve) months continuously must be provided in the amount of 1 (one) month wage;
- b. PKWT for 1 (one) month or more, but less than 12 (twelve) months, must be calculated proportionally with the following calculation:  
$$\frac{(\text{Term of Office})}{12} \times 1 \text{ (one) monthly wage}$$
- c. PKWT for more than 12 (twelve) months must be calculated proportionally with the following calculation:  
$$\frac{(\text{Term of Office})}{12} \times 1 \text{ (one) monthly wage}$$

The granting of compensation payment does not apply to foreign workers that is employed based on a PKWT as the compensation payment only applies to local employees under PKWT.

#### 4. Employment relationship

In Indonesia, the implementation of the employment relationship, as set forth in the employment agreement, reflects the employee's status in the company. There are 2 (two) types of employee status: (i) contract employee or the employee who is employed based on a Specified Time Work Agreement (Perjanjian Kerja Waktu Tertentu or PKWT); and (ii) permanent employee or employee who is employed based on an employment contract for an Unspecified Period of Time (Perjanjian Kerja Waktu Tidak Tertentu – PKWTT).

PKWT can only be applied to certain jobs that, by type, nature, or activity, will be completed within specific time. A PKWT cannot be established for permanent work. If a PKWT is executed without fulfilling the requirements it will automatically become an indefinite-term employment agreement (PKWTT) by law. Furthermore, PKWT is divided into two categories: (a) PKWT based on a time frame is created for work expected to be completed in a relatively short-period, seasonal work, or work related to new products, new activities, or additional products still in the trial or exploration phase; or (b) PKWT based on the completion of a specific job is create for work completed once or temporary in nature.

In terms of the employment agreement, it is noteworthy that the Indonesian Employment Law previously provided that PKWT period must not exceed two (2) years and can be extended once for a maximum period of one (1) year or may be renewed once for a maximum period of two (2) years. However, these restrictions have been amended under the Omnibus Law and its implementing regulation, i.e., GR No. 35/2021.

Under the current regime, PKWT can be made for a maximum period of five (5) years. PKWT can be extended based on the agreement with the employee provided that the total initial period and any extension thereof are no longer than five (5) years. While for PKWTT, there is no expiration date.

In principle, employment agreements may be made verbally or in writing. Any verbal employment agreement must be supported by an appointment letter to the employee, which includes at least the name and address of the employee, date of employment, type of employment and salary.

Furthermore, Article 54 of the Indonesian Employment Law provides that every written employment agreement must stipulate at least the following information:

- a. Name, address, and business type of the employer.
- b. Name, gender, age, and address of the employee.
- c. Job position or type of work.
- d. Work location.
- e. Salary amount and term of payment.
- f. Job requirements, including rights and obligations of the employer and employee.
- g. Effective date and period of employment agreement.

- h. Date and place where the employment agreement is made; and
- i. Signatures of the employer and employee.

Moreover, the Law provides that employer with at least ten (10) employees must establish a Company Regulation (*Peraturan Perusahaan* or CR). The CR shall be established by taking into account consideration and recommendations from the management of the labour union. If there is no existing labour union, the CR shall be made with prior consideration and recommendation of an employee democratically selected by his or her peers, who shall act as the workers'/employees' representative. Furthermore, the Indonesian Employment Law provides that every company is required to register its CR to and obtain a ratification from the Minister of Manpower or other designated authority. The CR shall be valid upon the ratification from the relevant authority. It is noteworthy, however, that an employer is not required to establish a CR if the employer already has a Collective Labour Agreement (Perjanjian Kerja Bersama or PKB). In this regard, the PKB must be established based on negotiation and the consent from the labour union.

#### 5. Employment of foreigners

Under the Indonesian Employment Law, an employer may hire a foreign employee, provided that the foreign employee may only be hired under a PKWT. Furthermore, an employer wishing to hire a foreign employee must also hire an Indonesian employee as an "associate" for the foreign employee. The purpose of the associate requirement is to oblige the hired foreign employee to transfer his or her skills to the local associate. The ratio of foreign and Indonesian employees is not clearly regulated. In practice, it has been the general rule that a ratio of 1:1 or 1:3 is acceptable. An exception applies for expatriates who are appointed as directors or commissioners of a company; there is no associate requirement for these expatriates.

In addition to the above, the Omnibus Law provides that to utilise a foreign worker, the employer is required to obtain a Foreign Labour Utilisation Plan or Rencana Penggunaan Tenaga Kerja Asing (RPTKA). Such RPTKA must be ratified by the central government. This RPTKA shall serve as a work permit for the foreign employee. Moreover, the employer is required to give notification of the hiring of the foreign employee to the Ministry of Manpower after the RPTKA is granted and the employer shall also notify the Ministry of Manpower on the transfer of skill and technology from the foreign worker to the local associate.

A foreign employee who intends to work in Indonesia must have an education background that is in line with the qualification for the position that will be held by such foreign employee, as well as a certificate of competency, or have at least five (5) years of work experience that is related to the position that will be held by such foreign employee.

Additionally, there are certain jobs/positions in Indonesia that may not be held by foreign employees, especially positions that deal with personnel, as follows:

- a. Personnel Director.
- b. Industrial Relations Manager.
- c. Human Resources Manager.
- d. Personnel Development Supervisor.
- e. Personnel Recruitment Supervisor.
- f. Personnel Placement Supervisor.
- g. Employee Career Development Supervisor.
- h. Personnel Declare Administrator.
- i. Personnel and Career Specialist.
- j. Personnel Specialist.
- k. Career Advisor.
- l. Job Advisor.
- m. Job Advisor and Counsellor.
- n. Employee Mediator.
- o. Job Training Administrator.
- p. Job Interviewer.
- q. Job Analyst; and
- r. Occupational Safety Specialist.

### 6. Golden visa for foreign investors in Indonesia

On 24 August 2023, the Minister of Law and Human Rights of the Republic of Indonesia enacted Regulation of Minister of Law and Human

Rights of the Republic of Indonesia No. 22/2023 as amended by Minister of Law and Human Rights of the Republic of Indonesia No. 11/2024 on Visas and Stay Permits (**MOLHR Reg. 22/2023**), which introduces a new visa scheme called “**Golden Visa**” for foreign investors.

#### Overview of Golden Visa

In recent years, the Indonesian government has taken significant efforts to establish a more welcoming environment for foreign investors by offering a range of incentives and opportunities as well as policy reforms and initiatives aimed at accelerating foreign capital inflow.

This commitment to attracting and facilitating foreign investment plays a pivotal role in Indonesia’s quest for sustainable economy and global competitiveness.

The Golden Visa programme has been acknowledged by other countries, among others Portugal, Greece, and Spain, where this type of visa allows foreign investors to obtain residency or citizenship by contributing significant financial investments or contributions to the relevant country.

Under MOLHR Reg. 22/2023, foreign investors can obtain either 5-year or 10-year resident permit (“**Limited-Stay Visa**”), depending on the value of their investments, as follows:

Subject	5-year visa	10-year visa
Foreign individual investor intending to establish a company in Indonesia.	The company must be established with issued capital or investment value of at least US\$2,500,000 (two million five hundred thousand United States Dollars) or equivalent to IDR38,000,000,000 (thirty-eight billion Indonesian Rupiahs).	The company must be established with issued capital or investment value of at least US\$5,000,000 (five million United States Dollars) or equivalent to IDR76,000,000,000 (seventy-six billion Indonesian Rupiahs).
Foreign individual investor who does not intend to establish a company in Indonesia must invest through Indonesian government bonds, shares of a publicly listed company in Indonesia, or mutual funds from a publicly listed company in Indonesia.	The investment shall be at least US\$350,000 (three hundred fifty thousand United States Dollars) or equivalent to IDR5,300,000,000 (five billion three hundred million Indonesian Rupiahs).	The investment shall be at least US\$700,000 (seven hundred thousand United States Dollars) or equivalent to IDR10,600,000,000 (ten billion six hundred million Indonesian Rupiahs).
Foreigner who will serve as a member of board of directors or board of commissioners of a company to be established in Indonesia, which is a branch or subsidiary of a company domiciled outside the Indonesian territory.	A statement of commitment must be provided by the company to be established, with an investment value of at least US\$25,000,000 (twenty-five million United States Dollars) or equivalent to IDR380,000,000,000 (three hundred eighty billion Indonesian Rupiahs).	A statement of commitment must be provided by the company to be established, with an investment value of at least US\$50,000,000 (fifty million United States Dollars) or equivalent to IDR760,000,000,000 (seven hundred sixty billion Indonesian Rupiahs).

**Benefit and eligibility**

Article 33 of MOLHR Reg. 22/2023 stipulates that the Limited-Stay Visa shall be granted to foreigners in relation to foreign direct investment activities, whereby:

- a. The foreigner is an individual investor who intends to establish a company in Indonesia;
- b. The foreigner as an individual investor who does not intend to establish a company in Indonesia; and
- c. The foreigner will serve as a member of board of directors or board of commissioners of a company to be established in Indonesia, which is a branch or subsidiary of a company domiciled outside the Indonesian territory. It is noteworthy that visas in this category can only be granted for a maximum of 10 persons (including the board of directors and/or board of commissioners, cumulatively) per company.

An application for the 5-year or 10-year Limited-Stay Visa shall be submitted by the foreigners through an application to the immigration official appointed at the Directorate General of Immigration by enclosing the following:

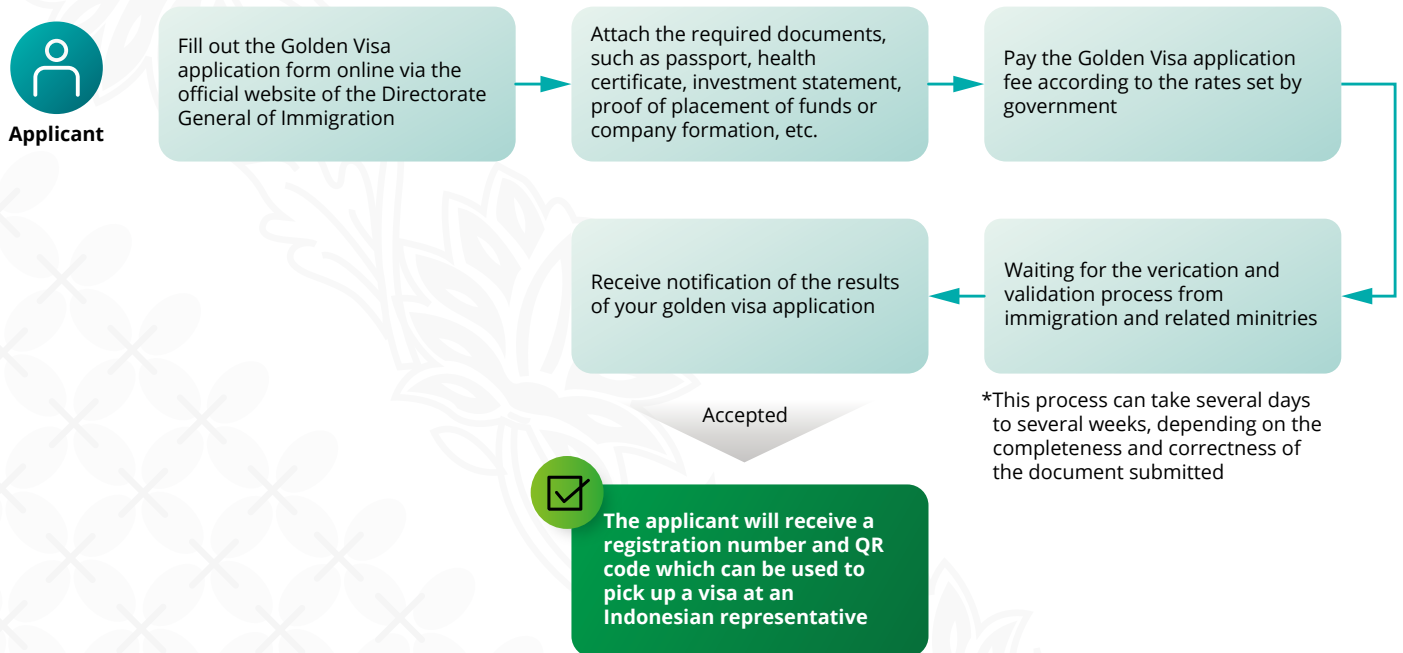
- a. Current national passports that are legal and still valid for at least six months;
- b. Proof of immigration guarantee;
- c. Proof of having living expenses for themselves and/or their family while in the Indonesian territory;
- d. Recent colour passport photo; and
- e. Other documents explaining the intention/purpose of the arrival of the foreigner.

By obtaining the Golden Visa, foreigners will be able to experience several benefits as stated under Article 190 of MOLHR Reg. 22/2023, as follows:

- a. Priority examination lane at the immigration checkpoints stipulated by the MOLHR;
- b. Priority services at the immigration office; or
- c. Priority services from related agencies or government institutions, based on a cooperation agreement.

**Procedures**

**Figure 25: The procedure for applying a Golden Visa**





### Indonesia workforce moving forward

With its young demographic population with median age of 30 years old, it poses an attractive talent market to tap on. With an ambitious growth for Golden Indonesia by 2045, Indonesia must uplift its capability and talent both in terms of quantity and quality.

We will be expecting growth of average 3% year on year to meet the demand from our economic growth. We will be expecting to grow our type of capability to fill in gaps in where we do not have enough capability yet. These include capabilities in technology, digital, and AI related areas across all types of skill sets and industries. To be future-proof, our workforce needs to be equipped with the future-in-demand skills. These are some of the ingredients for Indonesia human capital to support our 2045 destination, as also outlined in the Ministry of National Development Planning National Productivity Masterplan published last October 2025.

Whenever possible, we need to redeploy around 7 million of workforce who are not in employment, education & training (NEET) to support our growth. All these above pose exciting opportunities

for investors to build the capabilities of their workforce in order to optimise return on their investment.

We recommend organisations to invest early in their talent to be ahead of the game. This include providing internships especially for students in the outer islands. This will allow equalisation of employment and career opportunities across Indonesia, especially since we have observed pockets of talents in the outer islands (not only focusing on talents in Jakarta and Java).

Lastly, human sustainability is another aspect that Indonesia will be focusing on to create future or next generation of leaders. With almost two-thirds of population at Millennial and Gen Z, Indonesia needs to accelerate the development of their future leaders in combination of exposure to real business challenges, partnership with foreign talents, learning from best in class where foreign investors can provide, and fostering inclusivity in the workforce (especially working partnership across different generation in the same workplace).

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