

INVESTING IN INDONESIA

As the largest archipelagic country in the world (with over 17,000 islands) with a strategic location, abundant natural resources, large prospective market and growing infrastructure, Indonesia is a very attractive investment destination, which offers enormous economic growth potential.



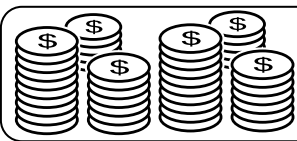
66.35%

Middle Class and
Aspiring Middle Class
(as per 2024)

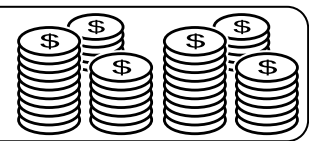
As per Q2 of 2024 - 281 mio population



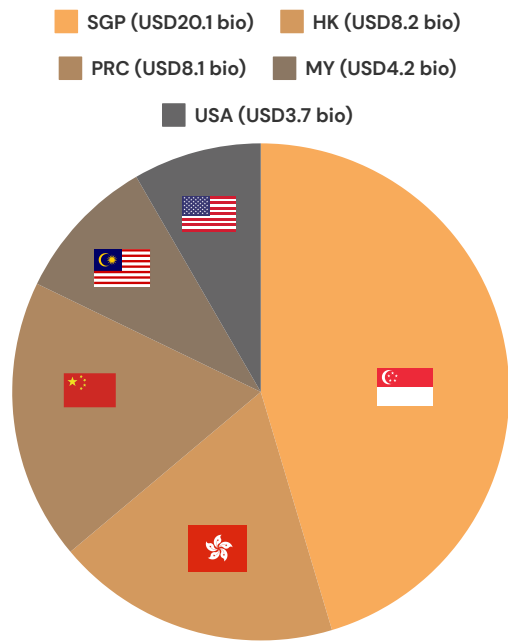
Indonesia's growing middle class can be a significant driver for investment in the country because this expanding demographic represents a large consumer base with increasing purchasing power, making it a key target market for businesses.



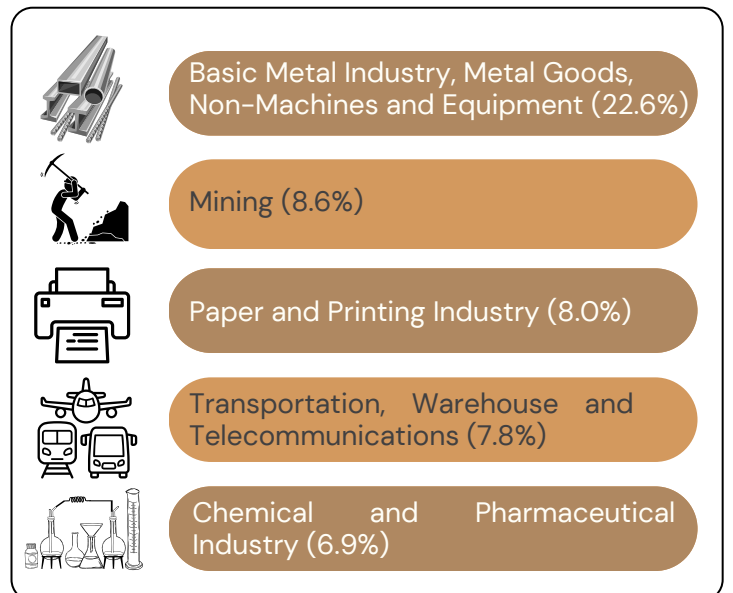
RECENT FOREIGN DIRECT INVESTMENT TRENDS



TOP 5 INDONESIA'S FOREIGN INVESTORS (AS PER 2024)



TOP 5 SUB-SECTORS IN TERMS OF FOREIGN INVESTMENT REALIZATION (AS PER JANUARY - SEPTEMBER OF 2024)



PRIORITIZED INDUSTRIES (2025 - 2029)

- Natural Resources-Based Industry**
 Agro, mining and marine resources
- Sustainable Labor-Intensive Industry**
 Foods and beverages, footwear and textile
- Basic Industry**
 Chemical and metal
- Technology-Intensive Industry**
 Pharmacy, electronics and transportation

INVESTMENT FACILITATION

Investment Facilities in the New Capital City, Nusantara

Extended Land Use
Longer validity periods for right to cultivate, right to build, and right to use of land in Nusantara.

Pioneer Investor Benefits
Those who are classified as Pioneer Investors may benefit from asset management contribution (ie contribution determined by the Head of the Nusantara Authority for the management of land in Nusantara allocated for investors) set as low as IDRO or payment in instalments.

Facilitated Licensing
The government offers facilitated business licensing process to expedite investment and development activities in Nusantara.

ONLINE SINGLE SUBMISSION (“OSS”) SYSTEM

The main and single platform in Indonesia for business licensing, that is electronically integrated, enhancing efficiency and transparency.

Aspects	Before OSS	After OSS
Submission Method	Manual submission (paper based)	Online submission
Regulatory Authorities Involved	Multiple institutions, with different forms and procedures	Centralized platform which integrates all services
Processing Time Required/Efficiency	Delays due to manual review (require more time and not efficient)	Automatic process in the platform, significant reduction of time
Transparency	Limited visibility of the status of the application	Real time tracking and clear status progress
Accessibility	Required physical visit or mail to the relevant institutions	Can be accessed and processed at all times via the online system

OMNIBUS LAW

Government Regulation in lieu of Law No. 2 of 2022 concerning Job Creation or known as the “Omnibus Law” which consolidates and streamlines over 70 existing laws into a single cohesive framework.

The Omnibus Law simplifies cumbersome licensing processes (the introduction of the OSS Risk-Based Approach, by requiring licensing based on the business activities’ risks) and introduces a more business-friendly labour law regime (eg lower severance package), to make Indonesia an attractive destination for investment.

REPATRIATION

Investors are entitled to transfer and repatriate in foreign exchange for, amongst others:



Capital



Profits, bank interests, dividends and other incomes



Proceeds from the sales of assets

ASEAN INVESTORS’ ADVANTAGES

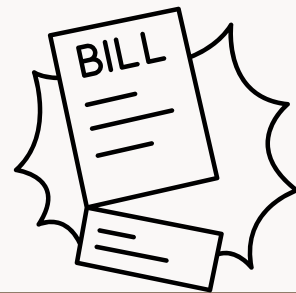
In certain construction business activities, ASEAN investors can have a higher capital ownership, ie up to 70%, compared to up to 67% for non-ASEAN investors.

In certain international sea freight for goods (*angkutan laut luar negeri untuk barang*) business, ASEAN investors can have a higher capital ownership, ie up to 60%, compared to up to 49% for non-ASEAN investors.

Stamped *batik* industry is restricted for foreign investment, except for up to 100% for ASEAN investors (with a requirement to partner with micro, small and medium enterprise(s)).

AMENDMENTS TO THE NEGATIVE INVESTMENT LIST

Previously, under Presidential Regulation No. 44 of 2016 on the List of Businesses Closed or Open with Conditions to Investment (“**2016 Negative List**”), 20 business sectors were closed for investment. To facilitate and further attract investment, the government revoked and replaced the 2016 Negative List with Presidential Regulation No. 10 of 2021 on Investment Business Sectors (as amended) (“**2021 Positive List**”).



To attract investors, the government also provides certain incentives for prioritized business sectors, such as tax allowance, tax holiday and net income reduction facility.

Under the 2021 Positive List, there are only 6 business sectors that are **closed for investment**, namely:

- cultivation and industry of class I narcotics;
- any form of gambling and/or casino activities;
- fishing of fish species listed in Appendix I to the Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- utilization or extraction of coral and reef from nature used for building materials/lime/calcium, aquariums and souvenirs/jewelry, as well as live or recently deceased coral;
- chemical weapons manufacturing industry; and
- industrial chemical industry and ozone-depleting substance industry.



INCENTIVES FOR INVESTORS



Tax Holiday

A corporate income tax (“CIT”) exemption offered to eligible pioneer sectors for 5-20 years (up to 25 years in Special Economic Zones) depending on the size of investment starting from IDR500 billion (USD36 million).



Tax Allowance

Examples: (i) CIT deduction of 30% from capital investment for 6 years (5% per year) and (ii) dividend tax rate deduction, for certain business activities.

Import Facilities

- Import Duty Exemption (eg (i) for imports of capital goods used by the relevant company in the construction and development of power plants for the public interest and (ii) for imports of capital goods used by mining contract-of-work companies).
- Import Incentives for Electronic Vehicles, ie (i) a 0% import duty and the Luxury Goods Sales Tax (*Pajak Penjualan atas Barang Mewah / “PPnBM”*) to be borne by the government or (ii) PPnBM to be borne by the government.

Super Tax Deduction

A tax incentive provided by the government for the industries of vocational education programs and research and development activities to generate innovation

- A deduction in gross income of up to 200% of the total cost (with certain conditions, eg not causing any fiscal loss) incurred for work practices, internship and/or learning activities.
- A reduction in gross income for up to 300% of the total cost (with certain conditions, eg not exceeding 40% of the taxable income) incurred for certain research and development activities.



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