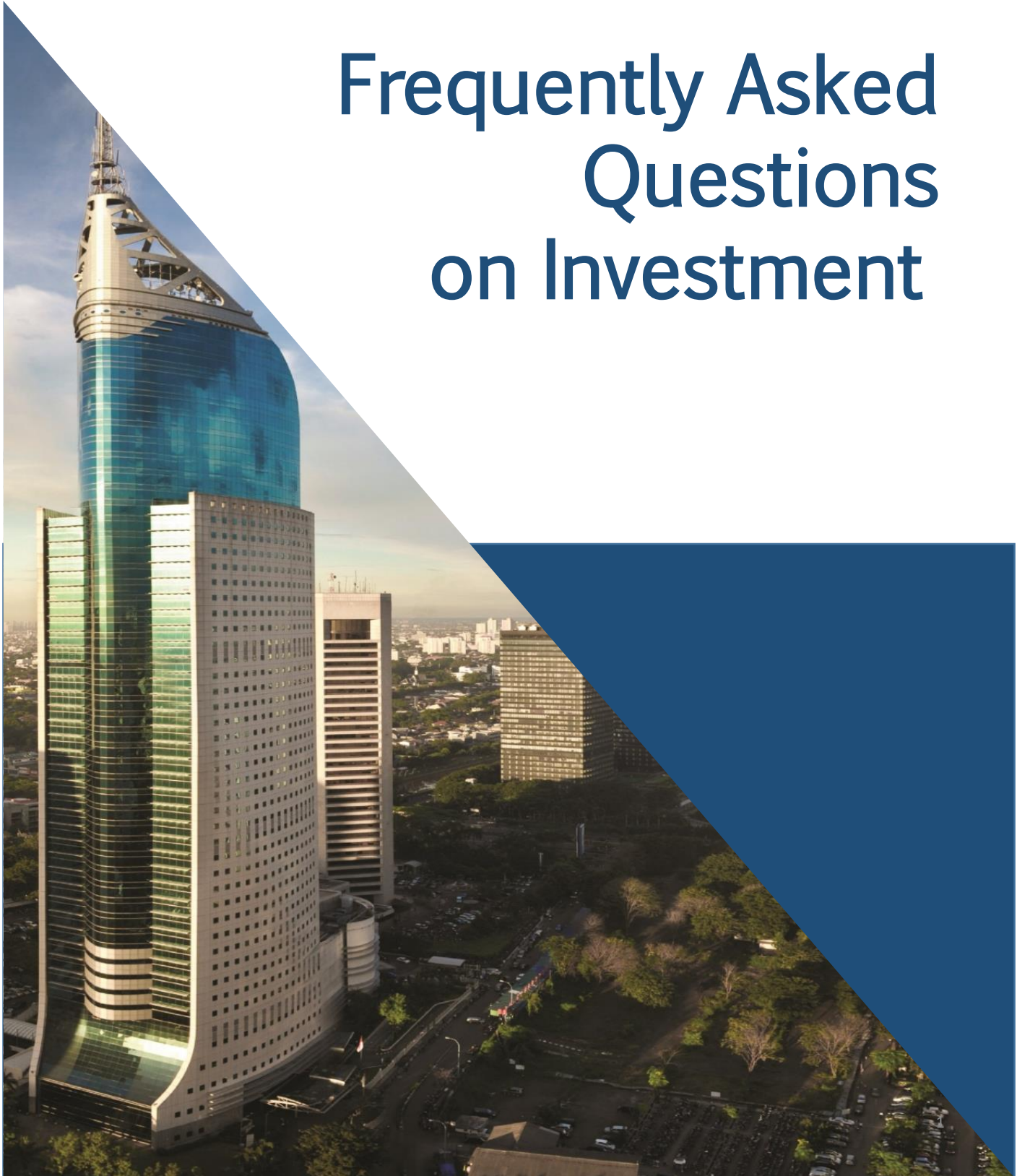


Frequently Asked Questions on Investment



General Investment Procedures and Licenses

1 Is Indonesia fully open to foreign investment?

Indonesia adheres to an investment policy which is open for foreign investment in some degrees for some sectors. Details on any sector of business that is closed to investment or has certain restrictions or foreign ownership limitations are found in the “**Negative Investment List**” (*Daftar Negatif Investasi - DNI*) – a guidance under **Presidential Decree No. 44 of 2016** that stipulates the classifications which are closed and open with conditions to investment. The list can be downloaded [here](#). If your business classification does not feature on this list, then the business will be considered fully open to investment in that area (allowed for up to 100% foreign ownership).

Currently the Negative Investment List is under review and it is expected a new list will be announced soon.

2 What are the options in setting up a business in Indonesia?

Investors have two options when it comes to the legal entity of their operation in Indonesia:

- **A Limited Liability Company with foreign shareholders** (*Perseroan Terbatas dengan Penanaman Modal Asing – PT PMA*), or
- **A Representative Office**

According to Indonesian law, any company with any percentage of foreign shareholding is considered as a Foreign Owned Company or PT PMA. A PT PMA entity enables you to conduct business transactions and sales, while a Representative Office is not able to conduct direct sales or generate revenue.

However, if your initial priorities are to identify a variety of business opportunities (e.g. tenders etc.), conduct market research and build relations with stakeholders, then opening a Representative Office could be a suitable first step.

3 Is there a minimum investment required to establish a PT PMA?

Currently, the minimum investment required to establish a foreign-owned Limited Liability Company (PT. PMA) is **IDR 10 billion**. This covers the total intended spend during the development stage, can include loans, but not including the value of the land and buildings owned by the company.

Additionally, **the minimum paid-up capital** for a PT.PMA is **IDR 2.5 billion**. This covers funds that the individuals or partners collectively have at their disposal to finance the investment, excluding loans. For each shareholder, an investment of at least IDR 10,000,000 (ten million Rupiah) is needed.

General Investment Procedures and Licenses

4

Is there any difference in the licensing process between establishing a PMA (company with foreign ownership) as Joint Venture and through an Acquisition?

When forming a **joint venture (JV)**, the parties need to apply for a **new Business Identification Number (Nomor Induk Berusaha - NIB) via oss.go.id**.

In the case of an **acquisition**, first, you need to change the shareholders' composition in the Deed of Establishment. Afterward you need to adjust the company data in the oss.go.id . Depending on whether the company being acquired is also a PMA (foreign-owned company) or a PMDN (domestic company), If the acquired company is a **PMDN**, then you also need to **change the company's status to PT PMA**.

5

How do you set up a Foreign-Owned Company (PT PMA)?

By law a company consists of a **minimum 2 shareholders**, they can be a natural person or a legal entity. . The company will require at least 1 director and 1 commissioner, either foreigner or Indonesian and one of the Director have to reside in Indonesia.

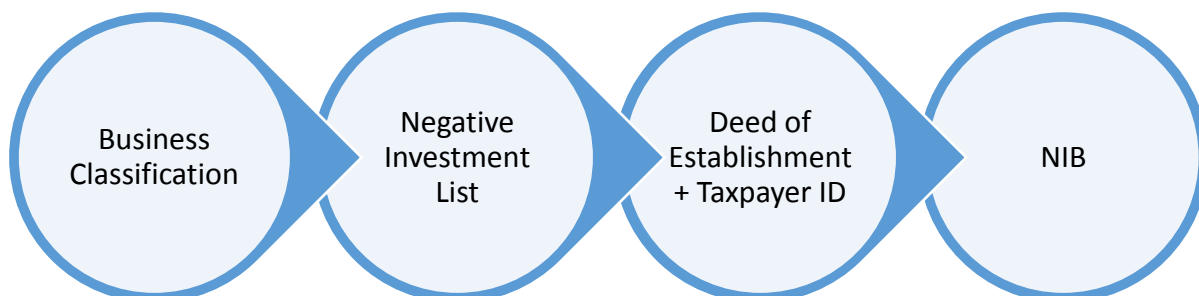
Since January 2018, BKPM has simplified the process of setting up business in Indonesia for PT. PMA. First, the investor must decide what business classification you are going to invest based on the Indonesian Business Classification (*Klasifikasi Baku Lapangan Usaha Indonesia -KBLI*).

Next, based on the KBLI, check if the said business classification is open for foreign direct investment pursuant to the Presidential Regulation No. 44 of 2016 on Negative Investment List. If the business classification is not regulated and no other restriction from related technical ministries are mentioned, it means the business sector is open for investment with foreign ownership of 100%.

After establishing the **legal entity** through a public notary and acquiring taxpayer ID number (*Nomor Pokok Wajib Pajak – NPWP*), you can apply for your licenses **via Online Single Submission (OSS)** at <http://www.oss.go.id>.

Most business licenses can be applied through OSS except for financial, mining (oil and gas, mineral and coal, and geothermal) and property sectors. For these licenses, the application is submitted through One Stop Service Center (*Pelayanan Terpadu Satu Pintu – PTSP*) BKPM.

You can set up a company every where, however industrial activities shall be located in industrial estates. For further information on Indonesian Industrial Estates please consult <http://www.industrialestateindonesia.com>



General Investment Procedures and Licenses

6

Will my new PMA be able to use the business licenses and permits of the partner (in the case of a JV) or of the acquired company (in the case of an acquisition)?

In the case of a **JV** the answer is **no**, since a new entity is being created. In the case of an **acquisition**, if the other company is already a **PMA**, then **yes** you can use their licenses, provided there's no change in the business activity. If the company being acquired is a **PMDN** (domestic company) however, then you also need to **re-adjust** for your licenses under your new status.

7 Does BKPM have an in-house notary?

Yes. BKPM's in-house Notary is able to process the company's Deed of Establishment for its new Indonesian entity. The standard fee is IDR 15 million. Only where the company structure is complex is the fee slightly higher – this depends on individual cases.

8 How do you set up a Representative Office?

License applications to establish a Representative Offices are now processed online either through SPIISE or OSS. Depending on the type of the representative office.

There are four types of Representative Office:

1. Foreign Company Representative Office (or 'KPPA')
2. Trade Company Representative Office (or 'SIUP3A')
3. Foreign Construction Services Company (BUJKA)
4. Foreign Company Representative Office in Oil & Gas (KPPA Migas)

License processing for foreign company representative office in Indonesia takes 3 working days assuming the documentation is in order. Please see website [here](#) to have detailed information about representative office in Indonesia.

9 Can the EU Desk process license applications from European companies?

No. The EU Desk is located in BKPM and works closely with its officers, but only BKPM's Licensing Officials can process license applications. BKPM's staff will provide feedback directly to investors on their applications and request clarifications / additional information where necessary.

If needed, the EU Desk can help to communicate the issues with the company in order to reach an effective resolution. Nevertheless, the principle exchange of information and documentation will need to be directly between the applicant and BKPM.

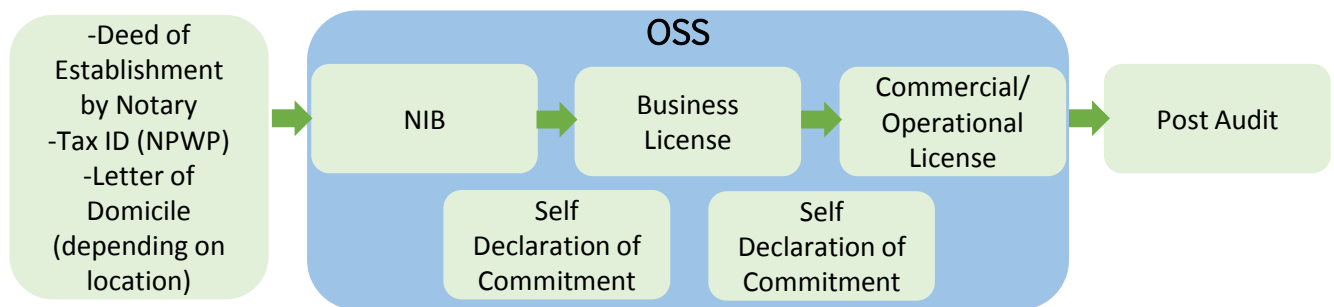
Online Single Submission

What is OSS

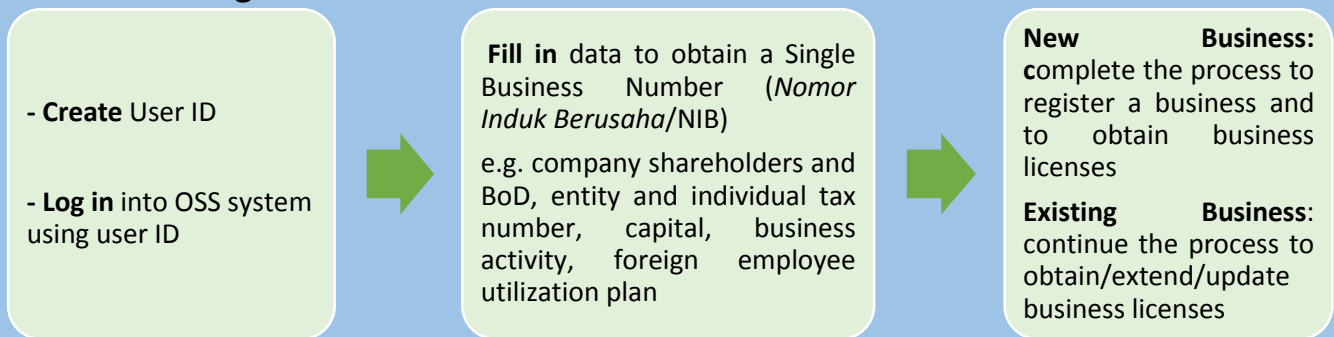
OSS stands for Online Single Submission which covers applications and issuance of business license through an integrated online system. OSS is based on the Regulation No. 24 of year 2018, and launched in July 9, 2018.

Businesses that are eligible for using OSS to obtain business license:

- An organization or an Individual;
- Micro, small, medium or large enterprise;
- A new business or one already in existence prior to the operation of OSS;
- A business with whole domestic capital or containing foreign capital.



Within www.oss.go.id



NIB is a unique obligatory identifier of company registration. NIB also serves as:

- Certificate of Company Registration (Tanda Daftar Perusahaan, TDP);
- Importer Identification Number (Angka Pengenal Impor, API);
- Customs Identification Number (Nomor Identitas Kepabeanan, NIK).

Requirements needed prior to accessing OSS:

Business entity:

- Single Identity Number (Nomor Induk Kependudukan, NIK) which will be required to create user ID.
- All for-profit businesses must complete the process of incorporation at the Ministry of Law and Human Rights through AHU Online.
- Businesses and other legal entity owned by the state, public service agency or broadcasting agency shall prepare a legal basis for the incorporation of business entity.

Individual:

- Individual businesses can access OSS by entering the Single Identity Number (NIK) and other information required in registration form
- OSS will send two emails containing OSS account's user ID and password to registration and verification of OSS account.

Getting Licenses

10 What licenses are required to start a business?

To start a business, a company should obtain the following licenses:

- Single Business Identification Number (NIB)
- Business License (*Izin Usaha*)
- Commercial/Operational License (*Izin Komersial/Operasional*) through online Single Submission (OSS) website

11 What is Business License?

Business License is a license to start business operations. Business License is automatically issued by OSS, but only become effective/activated after fulfilling the business license and commercial commitments subjected on the application such as but not limited to Location Permit (**Izin Lokasi**), Environmental Permit (**Izin Lingkungan** – AMDAL or UKL-UPL), and Building Permit (**Izin Mendirikan Bangunan** – IMB).

The company will receive a notification from OSS upon completion of its commitment, including payment of invoices if required, that their business license has been “**activated**”.

12 What is Commercial/Operational License?

This License is required when the company is ready to start the commercial/operational stage. It is issued by Online Single Submission. The company should complete its required commercial/operational commitments related to their business such as but not limited to Good Manufacturing Practice – **GMP**, Circulation Permit (**Izin Edar**), Product Registration (**Pendaftaran Produk**), Indonesian National Standard (*Standar Nasional Indonesia* – **SNI**)

13 Beyond BKPM’s main licenses, what other licenses do I need to obtain and where can they be obtained?

The sector-specific licenses and permits you will need to obtain for your business in Indonesia will depend on the sector(s) and specific business activities in question. To streamline and simplify the licensing process, BKPM has been working closely with related ministries and authorities to significantly reduce the number of licenses required for investment, as well as the overall timeframe to obtain these licenses.

Most licenses are now processed through Online Single Submission – whether at the national, provincial or district level. For the rest business licenses can be applied through **One Stop Service Center** (*Pelayanan Terpadu Satu Pintu- PTSP Pusat*) BKPM in Jakarta. This means that investors are no longer required to submit documentation at various ministries, authorities and institutions.

The OSS Centre has Liaison Officers from each of 19 Ministry or Authority who will be happy to have a consultation with you or your representative to discuss specific licensing requirements. The OSS Centers offer a walk-in service at BKPM as well as the Provincial Investment Coordinating Boards (BPM-D). Consultation meetings with BKPM’s Officials can also be arranged in advance by contacting BKPM’s Investor Relations Unit: info@bkpm.go.id

Fiscal Incentives

1

Tax Holiday

Ministry of Finance Regulation No.180/PMK.010/2018

- **Income tax reduction** 100 % starting from 500 billion, and 50% between IDR 100 billion - < IDR 500 billion
- **Tax exemption:** 5 years (IDR 500 billion - < IDR 1 Trillion)
7 years (IDR 1 trillion - < IDR 5 Trillion)
10 years (IDR 5 trillion - < IDR 15 Trillion)
15 years (IDR 15 trillion - < IDR 30 Trillion)
20 years (Minimum IDR 30 trillion)
- **18 eligible pioneer industries:** upstream industry for basic metal, oil & gas oil refinery, petrochemical industry, basic inorganic and organic chemical industry, pharmaceutical raw materials, semi conductor industry and other main components of computer, communication equipment, healthcare equipment, machinery, machinery components, robotic main component industry, ship main component industry, aircraft main component industry, rail component industry, power generation machinery, economic infrastructure, digital economy.

2

Tax Allowance

Ministry of Finance Regulation No.18/2015 junto No.9/2016

- **30 % reduction** of the investment value, reduction of corporate net income tax for 6 years, 5% each year
- **145 business segments** eligible for tax allowance
- Others: accelerated depreciation/amortization; the impositions of income tax on paid dividends 10% or less; compensation for losses min. 5 years and max. 10 years.

3

Import Duty Facility

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

- **Easing entry** of machines, goods and materials required for production
- **Import duty exemption on** machines, goods, and material for production for 2 years, or 4 years for companies that use machines with local component (min. 30%)
- **Industries:** producing goods and/or services, including tourism and culture, public transport, public health, services, mining, construction, telecommunications, ports, motor vehicle assembly industry (including motor vehicle parts industry)

4

Regional Incentives

Government Regulation No.45/2008

Provided by local government based on authorities:

1. Reduction or local tax exemption
2. Reduction or exemption levies
3. Funding stimulant
4. Provision of capital

Incentives in the form of:

1. Provision of data and information on investment opportunities
2. Providing facilities and infrastructure
3. The provision of land or location
4. Providing technical assistance
5. Acceleration granting permissions

Non-Fiscal Incentives

1

Green Lane Acceleration Facility

- Fast-track custom clearance for capital goods from 3-5 days to 30 minutes.
- Submitting application to BKPM to be set by Director General of Customs
- **Attachments:** Company Data, Principle License, the Latest Investment Progress Reports, Construction Plan.
- **Statement letter:**
 1. Company is in the physical construction phase.
 2. Company will not misuse the imported goods (imported goods should conform to the import documents and be employed in accordance to the implementation of Principle License.

3-hour investment licensing service (I23J) and 3-hour investment licensing service for energy and Mineral Resources Sector (ESDM3J)

Arrive at OSS* at BKPM

Consult with Director of Investment Service

Submit the required documents & data



Wait at the lounge while documents are processed by BKPM, in-house notary, ministries & other government institutions



Obtain the requested licensing documents

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

3-hour investment licensing service (I23J)

Requirements for I23J:

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

Documents needed

Investor identity as the prospective shareholder

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



9 documents obtained

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

3-hour investment licensing service for energy and Mineral Resources Sector (ESDM3J)

Documents needed

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



8 types of license issued by ESDM3J service

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

Until December 2017, 441 projects have utilized the “3 hours services” and 48 projects have utilized the “3 hours services for EMR Sector”

Taxation

1 How is the tax structure for FDI?

The basic tax obligation is Income Tax (*Pajak Penghasilan* – PPH) which applies to both individual and enterprises progressively.

Foreign-owned companies that are located and conduct business activities in Indonesia, and foreign nationals who work and earn income in Indonesia generally have the same tax obligations as resident taxpayers. The Income Tax is calculated using a Self-Assessment method.

Income tax rates are described as follow:

Tax rates for Individual		Tax rates for Corporate	
Taxable annual income	Income tax rate	Year	Income tax rate
Up to IDR 50 Million	5%	2009	28%
Over IDR 50 Million to IDR 250 Million	15%	2010 onwards	25%
Over IDR 250 Million to IDR 500 Million	25%	Limited Liability company which 40% of their shares trade in stock exchange market	5% lower than normal rate
Over IDR 500 Million	30%	Gross turnover up to IDR 50 Billion	50% tariff deduction on taxable income

The Tax Withholding system is used in Indonesia to collect the income tax, which means the payer is responsible for holding or collecting taxes. For further details on Income Tax please consult Law No 36 of 2008 on Income Tax.

2 What is the Land and Building Tax (*Pajak Bumi dan Bangunan-PBB*) rate?

Owners of land and buildings are obliged to pay tax on land, buildings, and permanent structures annually. The effective rates are nominal, not more than 0.5% of the asset value which is regulated by regional governments.

3 What is the Sales Tax on Luxury Goods (PPnBM) rate?

A number of products are subject to a PPnBM (*Pajak Penambahan Nilai Barang Mewah*). These taxes range from 20% to 75% for non-motorized vehicles, and 10-125% for motorized vehicles - depending on its type and value. This tax is applied once in accordance with the Law No. 42 of 2009 and Ministry of Finance Regulation No. 35 of 2017 and other related tax implementation regulations. Government Regulation No. 12 of 2001 jo. No. 43 of 2002 jo. No. 46 of 2003 and other related tax implementation regulations.

Taxation

4

What is the Value Added Tax (VAT) rate?

In general, 10% VAT is applied to imports, manufacturing goods, and most services. For some specifically regulated transactions, it may be 5% or 15%. VAT on the export of goods and a particular service is 0% pursuant to Ministry of Finance Regulation No 42 of 2009. The basis of the VAT calculation is the transaction value, although in some specific cases such as delivery of goods or asset transfers between related parties, another value is calculated.

Companies have to report and settle their VAT liabilities monthly.

Pursuant to the Government Regulation No. 81 of 2015, Free Charge of VAT to the importation of certain VAT charged goods having the strategic term which consist of:

- Capital Goods in the form of machineries and factory equipment, either in installed or separated, including spare parts.
- Feed of poultry and fish and raw materials to make feed
- Seed and/or seeding of agricultural material, plantation, forestry, livestock, aquaculture, or fishery
- Agricultural products

E-Faktur

- From 1st July 2015, the Directorate General of Tax (DGT) stipulated in its regulation No PER 17/PJ/2014 that a Taxable Entrepreneur (*Pengusaha Kena Pajak –PKP*) is obliged to create e-Faktur or e-Invoice.
- E-Faktur is a tax invoice made using an application which is provided by DGT. The e-Faktur application has to be installed on a computer and will automatically connect with the e-SPT program. The VAT report is easier to create as well as report.

Large and medium-sized taxpayers, foreign-owned companies and individuals and listed companies have to centralize their VAT reporting at particular tax offices.

5

Other information

Corporate Taxation	
Capital gains tax rate	5-25%
Basis	Worldwide
Double taxation relief	Yes (for some countries)
Transfer pricing rules	Yes
Controlled foreign company rules	Yes
Withholding tax	
Dividends	20%
Interest	20%
Royalties	20%
Branch remittance tax	20%
Transfer tax	0.1% for transfer of shares listed in stock exchange 5% for the transfer of non-listed resident company's shares by a non resident 5% for the sale of land and/or buildings

Labour

1

Can I employ foreigners in my company and how many foreigners are allowed?

Once the PT PMA has its Business License, they can hire foreign experts working in the company. Foreigners are allowed to hold positions where Indonesian nationals are not available or do not meet the requirements to do the job, however foreigners can only work for certain positions and period.

Currently there is no written rule on limitation on the number of foreigners a company can employ. However, there is an unwritten rule that a ratio of at least 1:3 for hiring foreigners and local staff is necessary in any given company in Indonesia. Office support roles such as driver, office boy and security cannot be used as foreigner counterpart/companion on the ratio.

2

Is it possible for foreign worker to hold double positions?

Pursuant to Art. 6 Presidential Regulation No 20 of 2018 companies in specific sectors, such as education, are allowed to employ foreign workers who are already employed by another company in the same position. In general definition, only foreigner with director position can be employed in other company also as director.

3

Do shareholders need Expatriate Utilization Plan (RPTKA)?

Pursuant to Art. 10 Presidential Regulation No 20 of 2018 RPTKA (*Rencana Penggunaan Tenaga Kerja Asing/ Expatriate Worker Utilization Plan*) is no longer needed for employing foreign shareholders as director or commissioner of the company with minimum share ownership in amount of IDR 1 Billion. The same ruling applies to foreign workers in certain type of jobs that are required by the government. However, non-shareholder commissioners and directors still need a RPTKA.

4

Do foreign workers need Expatriate Working Permit Letter (IMTA)?

The Presidential Regulation No 20 of 2018 do not explicitly stipulate the need of Expatriate Working Permit Letter (*Izin Mempekerjakan Tenaga Kerja Asing – IMTA*). Therefore, in order to employ foreign workers company only needs to have an Expatriate Utilization Plan (**RPTKA**) and a **notification IMTA** from the Ministry of Manpower

5

Are there positions that foreigners cannot hold?

In accordance with Law No. 13 of 2003 on Manpower, foreigner is not allowed to do Human Resources task. The specific positions are also prohibited as stipulated on Ministerial Decree of Manpower No 10 of 2018, such as such as positions in the Human Resources fields, Industrial Relation Manager, Occupational Safety Specialist, etc.

Labour

6 How much is the working permit charge for foreign worker?

In accordance with Art 40 Manpower Act No 35 of 2015 companies employing foreigners are charged USD 100/month per foreign employee as a compensation fund for foreign workers. These has to be paid in advance for a full year (USD 1200) at the appointed state-owned banks.

7 What is and why do we need an Indonesian companion worker

An Indonesian companion is an Indonesian worker who is appointed and prepared as assistant/companion in the context of technology transfer and transfer of expertise.

As part of transfer of knowledge, Presidential Regulation No. 20 of 2018 stipulated that an Indonesian companion (*Tenaga Kerja Pendamping*) is required for foreign workers except for the position of Director and/or Commissioner whose names mentioned in the Deed of Establishment. For Indonesian employees assigned as the local companion of the foreign employees, the company must provide training to ensure the local employee obtain similar qualifications.

8 What are the procedures to recruit foreign workers?

First, company should submit RPTKA online application to the Manpower of the Republic of Indonesia to get approval via [Http://tka-online.naker.go.id](http://tka-online.naker.go.id). Upon approval, Ministry of Manpower will issue RPTKA Endorsement to the employer.

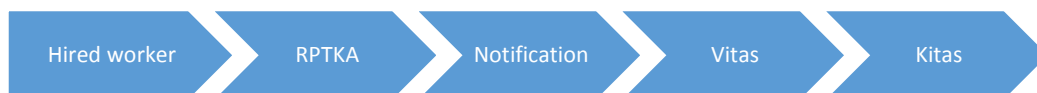
Using the same website, the company then applies for a work permit notification. After verification of documents and assessing the foreign worker qualification, the company pays *Dana Kompensasi Penggunaan Tenaga Kerja Asing-DKPTKA* within 24 hours of the issuance of the billing code.

Upon receiving the work permit notification, the Limited Stay Visa (Visa Tinggal Terbatas-VITAS) can be applied so that the employee can enter Indonesia. The procedure for obtaining VITAS, as follows:

- The employer submits the Telex Visa (*Surat Pemberitahuan*) application to the Directorate General of Immigration;
- After telex visa issued, the employee submits the Visa Application to the Indonesian Embassy or Indonesian Consulate General.

Within 7 days of arriving in Indonesia, foreign worker should apply for Limited Stay Visa (*Kartu Izin Tinggal Terbatas –KITAS*) from the immigration office closest to their area.

This procedure also applies for temporary foreign workers, as well as family of the workers.



What is the minimum wage in Indonesia ?

Every worker is entitled to obtain an income which enables them to sustain an adequate level of livelihood. The minimum wage (*Upah Minimum Regional* –UMR) depends on the region where the business or work is conducted, not where the company is based. Each province and regency of Indonesia has the power to frame their own provincial minimum wage (*Upah Minimum Provinsi*- UMP) which is reviewed and set periodically.

The formula for calculating the minimum wage (UMR) in year XX is as follows:

New UMR= current UMR+(Current UMR*(inflation+%GDP annual increase during the year))

In 2019 the minimum wage in Jakarta is IDR 3.940.972, while in Yogyakarta, it is IDR 1.570.922.

Pursuant to Government Regulation No 78 of 2015, all wages are payable in Rupiah and does not differentiate between foreign and local employees. Company also has to prepare a wage scale and structure taking into account the group, position, years of service, education and competence of employees.

Social Security

1 Badan Penyelenggara Jaminan Sosial (Social Security)

Pursuant to Law no. 24/2011 on Social Security Organizing Agency Law, the government created two social security implementing agencies: BPJS Healthcare (BPJS Kesehatan) in 2014 and BPJS Employment (BPJS Ketenagakerjaan) in 2015.

Both Citizen and non-citizen who are working and living for at least 6 months in Indonesia are obligated to participate in BPJS Health and BPJS Employment in accordance to article 14 Law no 24/2011. Non-complying to the provisions of the law shall be subjected to administrative sanctions, such as and not limited to written warning, fines, and/or will not receive certain public services at the request of BPJS.

Participation in both BPJS programmes are part of a company's commitment when they are setting up its business in Indonesia.

2 BPJS Kesehatan (BPJS Healthcare)

Everyone residing in Indonesia for more than 6 months are obligated to join BPJS Health. For workers, the employee pays 1% of the monthly salary and the employer pays 4% of the monthly salary of each participants. At present, for those with salary of more than IDR 8 million, the total monthly payment is capped at IDR 5% * 8 million per worker. This monthly contribution covers a family with three children.

For individual non-worker/ self-employed there are three classes to be chosen with its monthly contribution:

Class III: IDR 25.500

Class II: IDR 51.000

Class I: IDR 80.000

3 BPJS Kesehatan (BPJS Healthcare)

Every worker in Indonesia who works for at least 6 months are obligated to join BPJS Employment which is paid by both workers and employers. For expatriate they are only obligated to join 3 components, namely: Occupational hazard benefit, Old age benefit, and death benefit programmes. While Indonesian workers are obligated to join 4 components, which are the previous 3 components and pension fund.

Components	Employer's share of monthly salary	Employee's share of monthly salary
Occupational hazard benefit	0.24-1.74%	-
Old age benefit	3.7%	2%
Death benefit	0.3%	-
Pension benefit	2%	1%

Land Ownership

1 Can I buy and own land in Indonesia?

According to the law, only Indonesian citizen can have the Ownership Rights (*Hak Milik* - HM) in Indonesia. Foreigners are not permitted to buy and own land in Indonesia. Foreign-owned companies however can buy and own land in Indonesia for a certain period of time by using the following rights:

- The Rights of Exploitation (*Hak Guna Usaha* – HGU) is granted for 25 years and it can be extended for another 25 years.
- The Rights of Building (*Hak Guna Bangunan* – HGB) is the right to build and own a building on land which belong to someone for a period of no more than 30 years and can be extended for no more than 20 years.
- The Rights of Use (*Hak Pakai-HP*) is the right to use and/or collect the product from land directly controlled by the state, or land owned by someone which gives the rights and obligations stipulated in the decision upon granting his right by the authorized official, or in the agreement to work the land, as far as it is not conflicting with the spirit and the provision of the law. The Rights of Use is granted for 25 years and can be extended for 20 years.

The ownership of HGU and HGB is allowed to change during the contract period. While the land usage right can only be transferred to other parties with the approval of the relevant government official.

2 Can I buy and own a property in Indonesia?

Pursuant to Government regulation No 103 of 2015, foreigners are permitted to buy and own a property in Indonesia under certain conditions:

1. For landed building (house, office, factory), foreigners are allowed to buy one property with a certain minimum value under the Rights of Use category for a period up to 80 years.
2. For a condominium or apartment and office space, foreigner can own a property of a certain minimum value as long as it is not a part of government-subsidized housing development and the land status of building is strata title status under the Rights of Use

Based on Ministerial Regulation of Agrarian and Spatial Planning/National Land Agency Regulation number 29 of 2016, Foreigner Natural Person can own stand alone house or an apartment with certain condition, namely: a) the land title should be Right of Use; b) comply with minimum price based on the regulation; c) maximum area of 2.000 sqm. The Land Title Right of Use is time limited but can be extended depending on the type of the land as well can be inherited.

3 What is the status of land for a foreign property developer?

A foreign property developer can buy land and develop property. The status of the land is HGB which then will be divided into small lots. Indonesian buyers of the property can submit an application to change the status of the land to Ownership Rights (*Hak Milik*). Ownership rights of land is only given to Indonesian citizen.



About EIBN

The EIBN is a partnership project between six European bilateral chambers of commerce in Indonesia (BritCham, Dancham, EKONID, EuroCham, IFCCI, IBAI) and two counterparts in Europe (EUROCHAMBRES, CCI Barcelona). EIBN's aim is to promote Indonesia and ASEAN as high potential trade and investment destinations among companies from all EU 28 member states – especially SMEs – and support them in their endeavor to explore the full market potential in Indonesia. The project was initiated and co-founded by the EU.



Contact us

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