

# SETTING UP BUSINESS IN INDONESIA



## General Aspect

Indonesia is a 2831.9 million sq km (742,308 sq miles) country, located in Southeast Asia, Spread across a chain of thousands of islands between Asia and Australia.

Ethnically it is highly diverse, with more than 300 local languages. The people range from rural hunter-gatherers to a modern urban elite. Indonesia has the world's largest Muslim population and Southeast Asia's biggest economy.

Historically, sophisticated kingdoms existed before the arrival of the Dutch, who consolidated their hold over two centuries, eventually uniting the archipelago in around 1900. After Japan's wartime occupation ended, independence was proclaimed in 1945 by Sukarno, the independence movement's leader.

Having the 4th largest population in the world, Indonesia has a large domestic market to offer, over 53% of which lives in urban areas and adopts a Currency – Rupiah

### **IN BRIEF**

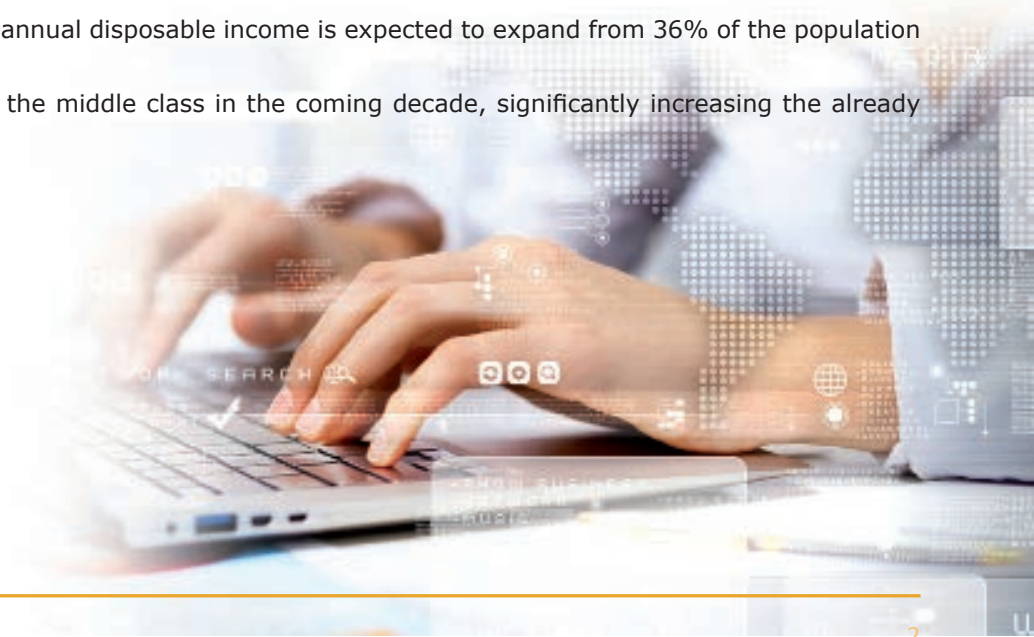
Having strengthened his position within the government since mid-2016, the president, Joko Widodo, will be able to comfortably serve out his full term until 2019. His economic policy agenda will remain focused on boosting investment in infrastructure and manufacturing. More politically challenging reforms will continue to be neglected, however. Real GDP growth will average 4.9% a year in 2017-21, supported by buoyant private consumption. That said, the external sector will remain sluggish.

Indonesia has a GDP per capita of US \$3,870.8 (in current price) in 2017, exceeds many of its ASEAN neighbors such the Philippines and Vietnam, and with 253 million people (World Bank), Indonesia's economy comprises nearly half of ASEAN economic output.

Indonesia is a thriving democracy with significant regional autonomy. It is located on one of the world's major trade routes and has extensive natural resource wealth distributed over an area the size of the United States and comprised of over 17,000 islands.

The number of households in Indonesia earning US\$5,000 to US\$15,000 in annual disposable income is expected to expand from 36% of the population to more than 58% by 2020.

More than 60 million low-income Indonesian workers are expected to join the middle class in the coming decade, significantly increasing the already strong consumer demand.



## IMF ON 2017 INDONESIA ECONOMY

<b>Economic outlook</b>	<ul style="list-style-type: none"> <li>• The near-term outlook remain favorable</li> <li>• Growth in 2016 is projected at 5% and modestly to 5.1% in 2017</li> <li>• Inflation is expected to rise from 3.2% at the end of 2016 to around 4.5% at the end of 2017</li> </ul>
<b>Policy recommendation</b>	<ul style="list-style-type: none"> <li>• Fiscal policy: Continue improving the composition and efficiency of government spending and raise tax revenues through tax policy and administration reforms</li> <li>• Monetary policy: Maintain exchange rate flexibility and stands ready to respond to a possibility more volatile external environment</li> <li>• Structural reform: Build on ongoing reforms to bolster investment and growth</li> </ul>
<b>Targeted reforms</b>	<ul style="list-style-type: none"> <li>• Expanding infrastructure</li> <li>• Streamlining regulations and improving coordination between national &amp; regional government.</li> <li>• Opening new sectors to private investment</li> <li>• Leveraging regional trade integration</li> </ul>
<b>Risks</b>	<ul style="list-style-type: none"> <li>• External risks include uncertainties about the policies of the incoming US administration, tighter global financial conditions, spillovers from a significant China slowdown and lower commodity prices.</li> <li>• Domestic risks include tax revenue shortfalls or higher domestic interest rates due to tighter global financial conditions which could curb fiscal space</li> </ul>

## Legal Forms of Business Entities

Legal form	Feature
<b>Main Legal Forms</b>	To establish a business in Indonesia, if you do not require a local legal entity for the investment proposed, you could choose to appoint an Agent or Distributor, or set up a Representative Office. Many foreign investors at the early stage of entering the Indonesia market choose to set up an Agency Agreement or Representative Office, then later after the business starts to grow they will apply for a Foreign Direct Investment Company (FDI) status.

<b>Incorporation process</b>	<p>The Investment Coordinating Board (BKPM), the government body which processes and handles FDI companies, issued an important deregulation package on PMA in 2010 referred to as Presidential Decree No. 39 year 2014. Some highlights of the new regulation:</p> <ul style="list-style-type: none"> <li>• Allows 100% FDI investment in selected areas of business</li> <li>• Limits foreign direct investment to 95%, with a minimum of 5% ownership by an Indonesian</li> <li>• Allows FDI investment with certain conditions</li> <li>• Stipulates the sectors which are closed to FDI investment (Negative List)</li> </ul> <p>A copy of the FDI application in English can be obtained from Indonesian embassies overseas or from Investment Coordinating Board office - either from the head office in Jakarta or from regional.</p>
<b>Setting up Company</b>	<p>There are 3 (three) choices for setting up a company in Indonesia, as follows:</p> <p><b>A. Representative Office</b></p> <ol style="list-style-type: none"> <li>1. A Representative Office can be established depending upon the line of business and the necessary licenses issued by the related government department. The limitation of a Representative Office is that they are not allowed to conduct direct sales and cannot issue Bills of Lading.</li> <li>2. Representative offices are set up primarily for marketing, market research, or as buying or selling agents. The related government ministries are: <ul style="list-style-type: none"> <li>• Representative Office from Ministry of Industry &amp; Trade - for bilateral trade</li> <li>• Representative Office from Ministry of Public Work - for consultant or contractor</li> <li>• Representative Office from Ministry of Mining - for mining activities</li> <li>• Representative Office from Ministry of Finance - for banking</li> <li>• Representative Office from Ministry of Trading - for trading</li> <li>• Representative Office from Investment Board (BKPM) - regional representative</li> </ul> </li> <li>3. The life of foreign investment companies has been extended by allowing the renewal of the fixed/permanent operating license (IUT) for an additional 30 years. The process of incorporation of a new foreign direct investment company: <p><b>- Principle License will be valid for 3 years</b></p> <p><b>Step 1:</b></p> <p>Obtain the standard form of the company deed; arrange for a notary electronically; obtain clearance for the Indonesian company's name at the Ministry of Law and Human Rights.</p> <p>The uniqueness of the company name (should use 3 words) must be checked to ensure that it has not been used by another Indonesian company, to avoid rejection by the Ministry of Justice and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a notary public (because the new computerized system for non-tax state revenue payments may be accessed only by a notary public). The reserved name will be blocked for 60 days. If the founding shareholders are confident that the same name has not been used by another Indonesian company, this procedure is not necessary.</p> </li> </ol>

- 1) Under Article 16 of Law No. 40 of 2007, Limited Liability Companies may not use names which:
  - a. have been legally used by another Company or are in principle the same as the name of another Company;
  - b. conflict with public order and/or morality;
  - c. are the same as or similar to names of state institutions, government institutions, or international institutions, except with the permission of those concerned;
  - d. are not in accordance with the purpose and objective as well as business activities or only show the purpose and objective of the Company without its own name;
  - e. consist of figures or series of figures, characters or series of characters which do not form words.
  - f. have the meaning as Company, legal entity, or civil association

2) The name of the Company must be preceded by the phrase "Perseroan Terbatas" (Limited Liability Company) or the abbreviation "PT".

3) In the case of a Public Company (Perseroan Terbuka), apart from the provisions referred to in paragraph (2) being applicable, the abbreviation "Tbk" shall be added at the end of the Company's name.

4) Further provisions regarding the procedures for the use of Company names shall be stipulated by Government Regulation.

The Ministry of Law and Human Rights may reject a name application reservation if the requested name is, among others, the same as or resembles the name of other companies.

Government Regulation No. 43 of 2011 on Use of Names of Limited Liability Companies also provides that an application to use a name that is the same as or similar to a well known trademark shall be rejected unless approval is obtained from the holder of the trademark.

## **Step 2:**

### **Joint Venture Agreement**

1) Prepare and send the application with required documentation, compiled according to the investment plan (production chart for industry or description of the activity for services) and the planned use of business capital.

2) Set up a joint venture agreement if you are making the investment with Indonesian partners. For a consulting services company you are required make a presentation to the leadership of BKPM before applying for a Principle License.

3) Foreign Investment Regulations in accordance with the Head of BKPM Rule No. 5 year 2013, unless otherwise specified by legislation, must adhere to the following conditions:

- a. Total investment value greater than Rp 10,000,000,000 (ten billion rupiah) or its equivalent value in US dollars, excluding land and buildings;
- b. Equity and paid up of shares equal to the value of paid-up capital of at least Rp 2.500.000.000 (two billion five hundred million Rupiah) or its equivalent value in US dollars,
- c. inclusion in the company's capital, for each shareholders at least Rp 10,000,000 (ten million Rupiah) or its equivalent value in US dollars and percentage shareholding is calculated based on the value of nominal shares.

### **Step 3:**

#### **Obtain the Principle License (Izin Prinsip):**

Valid a maximum of three (3) years from the date of issuance of the principle license, except for certain sectors which require a longer project completion time and may be given an extension in accordance with an applicable period prior to giving permission.

### **Step 4:**

#### **Incorporation of Izin Prinsip BKPM**

- a. Establish Articles of Association with a Public Notary detailing proof of capital investment, and send it to the Ministry of Justice for approval and issuance in the State Gazette
- b. Registration of company address with local council (domicile). It should be in an office building or business area/district.
- c. President Director's personal Tax Identity Number (NPWP)
- d. Obtain a company taxpayer registration number (NPWP) and a VAT collector number (NPPKP)
- e. Registration with the Department of Industry and Trade (TDP)

### **Step 5:**

#### **Apply for the Workers Social Security Program (BPJS Program)**

According to legal provisions on workers' social security (Manpower Minister Regulation 12/MEN/VI/2007), it is mandatory for every company to apply for the Workers Social Security

Program (BPJS), operated by the executing agency. This social security program covers occupational accident security, death security, old age security, and health maintenance.

#### **B. Limited Liability Company or Perusahaan Terbatas (PT)**

Foreign Direct Investment, most often referred to by its Indonesian abbreviation PMA, is governed primarily by the Foreign Capital Investment Law No. 25 of 2007. As a legal basis, the law is fairly accommodative to various deregulatory policies and measures to date, and those that will be taken by the government in the foreseeable future.

In addition to Investment Law No. 25/2007, PMA companies as well as other companies in their business operations are still subject to sector/industrial policies as required by corresponding ministries.

#### **C. Incorporation of PMA Company**

The Investment Coordinating Board (BKPM), the government body which processes and handles FDI companies, issued an important deregulation package on PMA in 2010 referred to as Presidential Decree No. 39 year 2014. It was seen as a very significant step toward a much more conducive and attractive investment environment in Indonesia. Some highlights of the new regulation:

1. Allows 100% FDI investment in selected areas of business
2. Limits foreign direct investment to 95%, with a minimum of 5% ownership by an Indonesian
3. Allows FDI investment with certain conditions
4. Stipulates the sectors which are closed to FDI investment (Negative List)

You can obtain a copy of the FDI application in English from Indonesian embassies overseas or from Investment Coordinating Board office - either from the head office in Jakarta or from regional offices in the provinces.

The amount of capital to be invested in a foreign-owned company is decided by the investing parties themselves, and the BKPM approval is based on the economics and scale of the project. Foreign investment companies are basically free to choose where in Indonesia they will set up operations, with the proviso that factories must be in areas zoned for industry or in an industrial estate.

#### **D. Fixed Operating License (IUT) - 30 years**

##### **Step 1:**

Prepare and send the 3-month report (LKPM) of the last period to the BKPM office as well as UUG (HO) nuisance act and environmental management (SPPL/ UKL-UPL/Amdal) to BKPM and required financial audits for several businesses, if necessary.

##### **Step 2:**

#### **Fixed Operating License (IUT) for 30 years is issued**

A Limited Liability company is established either under foreign shareholders or through a joint venture with Indonesians or wholly owned by Indonesian shareholders and must be approved by the Ministry of Justice. It doesn't matter who is the owner of an Indonesian Limited Liability company, they must comply with Indonesian law and are considered an Indonesian company and the company can subsequently be changed or sold to the shareholders, foreign or Indonesian.

## Has Indonesia made starting a business easier or not?

<b>DB Year</b>	<b>Reform</b>
<b>DB2015</b>	Indonesia made starting a business easier by allowing the Ministry of Law and Human Rights to electronically issue the approval letter for the deed of establishment. This reform applies to both Jakarta and Surabaya
<b>DB2016</b>	Indonesia made starting a business in Jakarta easier by reducing the time needed to register with the Ministry of Manpower.
<b>DB2017</b>	Indonesia made starting a business easier by creating a single form to apply for the company registration certificate and trading license. This reform applies to Jakarta. Indonesia also made starting a business easier by abolishing the minimum capital requirement for small and medium-size enterprises and by encouraging the use of an online system to reserve company names. This reform applies to both Jakarta and Surabaya

# Taxation and Labor Law

Another important matter is the Taxation and Labor Law. It is compulsory to report taxes on a monthly basis and follow Indonesian labor law.

The process is a complicated and lengthy one and can be a virtual mine field for those who are unfamiliar with dealing with Indonesian ministries. Because of this, many foreign companies choose to acquire the advisory services of a professional investment consultant which specializes in assisting foreign companies who want to establish businesses in Indonesia

## Employment

Topic	Feature
<b>Basic Principles</b>	Labor conditions in Indonesia are mainly regulated by the Manpower and Transmigration Minister
<b>Remuneration</b>	Full time employees provide their services in return of a monthly salary payment/ principal wage and regular allowances. Minimum wages are set based on the basic cost of living ('KHL').
<b>Minimum Wages</b>	<p>Regulation of the Manpower and Transmigration Minister No PER-01/MEN/1999, as already amended by Decree of the Manpower and Transmigration Minister No.KEP.226/MEN/2000, shall be recalled and declared null and void. Regulation of the Manpower and Transmigration Minister No. 7/2013 ( 'Regulation No. 7/2013') shall take effect as from the date of promulgation, which is 18 October 2013.</p> <p>Under Regulation No. 7/2013 a distinction is made between several types of minimum wages:</p> <ol style="list-style-type: none"><li>1. Provincial minimum wage ('UMP') is minimum wage for all regencies/municipalities in a province. UMP is set and announced by each governor every 1st of November.</li><li>2. Regency/municipal minimum wage, ('UMK'), is minimum wage for a regency/municipality. UMK are set and announced by governors no later than November 21 after UMP are set.</li><li>3. Sectoral provincial minimum wage ('UMSP'), is minimum wage for a province on a sectoral basis.</li><li>4. Sectoral regency/municipal minimum wage, ('UMSK'), is minimum wage for a regency/municipality on a sectoral basis.</li></ol> <p>Provincial minimum wages and regency/municipal minimum wages will be put into effect from the first of January in the following year. UMSP and/or UMSK shall be set by Governors based on an agreement between the organization of companies and the labor union/trade union in the relevant sector.</p> <p>The setting of minimum wages is as follows:</p> <ol style="list-style-type: none"><li>1. Employers are banned from wages lower than the already existing minimum wages.</li><li>2. Minimum wages are only applicable to workers/laborers having experience of less than 1 year.</li><li>3. Minimum wages shall be paid to workers/laborers every month, except where an agreement provides otherwise.</li></ol>



4. If workers/laborers are employed under a piece-work system or day-off system for 1 month (maximum of 12 months), the average monthly wages will be equal to minimum wages paid at the relevant companies.
5. When companies cover more than one sectors, minimum wages accord with UMSP or UMSK

When hiring employees, the employer should be aware of the expectation of the employees to have their salary quoted in both 'net of tax' or 'gross salary' amounts and the employee needs to fully understand that their take-home pay will have several deductions from the gross amount. If the salary is quoted in a net amount, the employer should gross up the amount to obtain the gross salary. It will be easier to develop a company's budget based on the gross amount, as it might be complicated to calculate a budget based solely on the net salary without taking into account the various deductions that need to be calculated.

Based on the latest tax regulations, these are the tax rates, which are based on annual Income after the deduction of non-taxable income (PTKP).

Annual income after deduction of non-taxable income	Tax rate
Rp 0 up to Rp 50.000.000	5%
More than Rp 50.000.000 up to Rp 250.000.000	15%
More than Rp 250.000.000 up to Rp 500.000.000	25%
More than Rp 500.000.000	30%

Non-taxable income 2012	Non-taxable income 2015	Tax status
Rp 24.300.000	Rp 36,000,000	Single
Rp 26.325.000	Rp 39,000,000	Married
Rp 28.350.000	Rp 42,000,000	Married with 1 child
Rp 30.375.000	Rp 45,000,000	Married with 2 children
Rp 32.400.000	Rp 48,000,000	Married with a maximum of 3 children

As the company operates for a long period of time, the employer needs to accrue the obligation of severance pay, reward pay, and compensation for housing allowance which is 15% from the total obligation of severance pay and reward pay for the employee when they retire.



## **National Health Insurance and Pension Program**

Doing business in Indonesia requires basic knowledge about its regulations. Each employee contract and company regulation/collective agreement should comply with Manpower/Labor Law UU no. 13 Year 2003. This law is one of the most important labor laws in Indonesia that should be implemented and complied with. In 2015, the Government of Indonesia has imposed companies to join with the, which have increased the employment cost. Below are some important points that you might wish to consider in calculating your company's budget for hiring employees in Indonesia:

1. Several minimum wages depend on the province and are determined every year by the local governor. This is applicable for hiring non-staff members such as office boys, security guards, operators, etc. Based on the Manpower Law, the fixed salary should be at least 75% of the total monthly compensation benefit.
2. Besides a monthly salary, there is also a religious holiday allowance or "13th month salary" which should be paid at least one week before the holiday of the employee's choice - either Eid al Fitri or Christmas. Many companies pay this holiday allowance before Eid al Fitri for all employees regardless of their religion. If a person has been hired less than a year ago, but for more than three months, this allowance will be calculated proportionally.
3. Based on the Social Benefit Law, the employer should pay an Old Age Security amounting to 3.7% from the salary and the employees will contribute 2% from their individual salary. The employer should also pay a work accident premium of between 0.24% to 1.74% of the salary, depending on the type of industry and death during working premium amounting to 0.3% of the salary.
4. Based on the Government Regulation no 45 2015, regarding the Pension Program, which is issued in June 2015, Employers should pay an additional Pension premium of 2% from the salary with a maximum salary of Rp 7,000,000 or the premium is a maximum of Rp 140,000, while the employee will contribute 1% from his/her salary or the premium is a maximum of Rp 70,000. This total 3% will be valid for at least 3 years and gradually can be increased up to 8%.
5. The difference between the Old Age Security and Pension is that the employee will obtain the accumulation of the Old Age Security, when he/she retires or is terminated, while the employee will obtain a certain amount between Rp 300,000 to Rp 3,600,000 per month, when he/she retires.
6. If an employee works more than 40 hours a week, he/she will be eligible to obtain overtime allowance. The overtime allowance should be calculated based on the Ministry of Manpower Decree No 102/Men/IV/2004, which is applicable for all companies except for oil and gas companies. Oil and gas companies should pay overtime allowance based on the Ministry of Manpower Regulation No 4/2014.
7. Although the current health benefit allowance may vary amongst companies, the most common health benefit is a maximum of a month's salary or a cap, to a certain amount, for higher-level employees. Some companies appoint an insurance company to provide inpatient and outpatient insurance.
8. In addition, based on the Presidential Regulation no 111/2013, although this program was delayed in the first semester of 2015, the employer should register the employee to join with the National Health Insurance. The cost of this program is 4% from the salary with a maximum salary of Rp 4,725,000 or the premium is a maximum of Rp 189,00 per month. With increasing non-taxable income, the maximum premium will be Rp 280,000 per month. The employee contributes 1% of his/her salary to participate in the National Health Insurance. Although there are many good stories about the benefit of this program, I personally believe that there is room for improvement in the administration of the National Health Insurance. This includes the simplification of the process. In order to improve the quality of the health insurance, the company might wish to pay an additional premium to an insurance company that work together with BPJS Kesehatan.

	<p>9. When hiring employees, the employer should be aware of the expectation of the employees to have their salary quoted in both 'net of tax' or 'gross salary' amounts and the employee needs to fully understand that their take-home pay will have several deductions from the gross amount. If the salary is quoted in a net amount, the employer should gross up the amount to obtain the gross salary. It will be easier to develop a company's budget based on the gross amount, as it might be complicated to calculate a budget based solely on the net salary without taking into account the various deductions that need to be calculated.</p> <p>10. Based on the latest tax regulations, these are the tax rates, which are based on annual Income after the deduction of non-taxable income (PTKP).</p>
<b>Employing Expatriates in Indonesia</b>	The employment of expatriates in Indonesia is regulated by the Menteri Tenaga Kerja (Manpower Ministry). Visas for expatriates are issued by the Directorate General of Immigration, under the Ministry of Justice. There are many documents that are required and need to be processed by these two government entities in order for a foreigner to work and live in Indonesia.
<b>RPTKA (Expatriate Placement Plan)</b>	<p>The Indonesian government has strict guidelines on what foreign expertise is required for the development of the country. These guidelines determine who can be issued work permits.</p> <p>National, multinational or joint venture firms must submit a manpower plan (EPP = Expatriate Placement Plan) to Kemenakertrans (Article 42 Manpower Act number 13 year 2003).</p> <p>Foreigners can only get a limited stay visa/permit and an ITAS card if they already have been issued a TA01 recommendation (from the Manpower Department if the company is a domestic company; or from BKPM/Investment Board Department if the employing company is a foreign investment company, a so-called PMA company). A TA-01 is based on an approved Expatriate Placement Plan (EPP).</p> <p>Typical documents required to obtain an EPP for a job position for expats:</p> <ol style="list-style-type: none"> <li>1. A letter detailing the reasons for hiring the expat and what specific positions the expat/s will hold EPP application form</li> <li>2. The company's Deed of Establishment, Ministerial Approval and adjustments</li> <li>3. The company's paid up capital must be at least Rp. 1,000,000,000</li> <li>4. The standard company documents: LOD, NPWP, TDP and SIUP (or IUT for a PT PMA)</li> <li>5. Company organization chart</li> <li>6. Letter of recommendation from a technical ministry (e.g. Education, Transportation, Oil &amp; Gas, Mining) This is not needed for a trading or consulting company.</li> <li>7. One Indonesian counterpart employee per expat - not required for directors and commissioners or non-resident directors/commissioners</li> <li>8. An education and training plan for the Indonesian counterpart</li> </ol>
<b>Annual Report of Employees</b>	The company has to submit an annual report stating the number of experts and local employees (in bahasa: Wajib Laporkan Ketenagakerjaan -WLK)

**A new system for receiving all applications**

Effective 01 December 2014, the Manpower Dept has instituted. All kinds of applications - such as RPTK, TA01 & IMTA Working permit, Amendment of RPTK, TA01 / Working Permit - can only be reviewed/processed by the Manpower Dept office if the company applying has obtained an online queue number (barcode) after submitting the online application at the TKA-online website. Each application will have to use the company's username, in which the date of the hardcopy application at the Manpower Dept office will be decided by the Authority.

For Foreign Investment companies who only have a "Principal Permit" (Initial permit) and do not yet have a Permanent License "IUT" (Ijin Usaha Tetap) for job titles other than Directors or Commissary, the Manpower Dept office will only grant the work authorization for less than 6 months (this clause is as per the Manpower Dept regulation "Permenakertrans No. 12, Tahun 2013 pasal 12 (C)).

**Working Permit for Experts (The IMTA - Ijin Mempekerjakan Tenaga Kerja Asing)**

Once the RPTKA (Expatriate Placement Plan) has been granted by the government, then the company that hires the expat needs to apply for a Work Permit - the IMTA. This is the only legal authorization given to a company to employ a foreigner. If expats working in Indonesia are not holding an IMTA, they are not working legally in Indonesia. After ensuring the necessary approvals are in place, a TA-01 is issued, and then a work permit, Izin Kerja Tenaga Asing (IKTA) is issued by the Manpower Ministry (Kementerian Tenaga Kerja or Kemenakertrans) after your arrival and the issuance of the ITAS card and have paid your annual DPKK.

If a company wants to employ foreigners, the company must submit the RPTKA (above) to the Manpower Department if the employing company is a domestic company or to the BKPM (Investment Coordinating Board if the company is a foreign investment company. In foreign investment/PMA companies, work permits for senior positions (such as Director held by foreigners are for three years and can be renewed just before expiration. (Note: Director's positions held by foreigners are only applicable for foreign investment/PMA companies). Other position slots in the RPTKA are only for one year and can be renewed annually, usually up to a fixed number of years.

Small Indonesian companies incorporated as a CV are not allowed to hire experts. So-called "medium-sized companies" are only allowed to hire two expats. In larger companies there is no limitation to the number of expats hired, as long as the ratio of 1 expat : 1 local expert as a counterpart is followed.

**RESUME:**

- The IMTA is issued through the Department of Manpower and must be approved through several ministries.
- It is issued by the government to/through a sponsoring company for an individual.
- Work Permits are only issued to companies that require a specific position to be reserved for an expatriate when there is currently not an Indonesian qualified to fill that same position.
- IMTA may be issued for short-term periods and up to a maximum of a 12-month period.

The following documents must be presented by the employing company in order to apply for the IMTA:

- Proof of an education relevant to the position the expat will hold
- A certificate of competence or work experience of at least five years in a position relevant to the position
- A statement from the expert agreeing to transfer his/her knowledge to the Indonesian counterpart
- A copy of the employment agreement of the Indonesian colleague
- A Taxpayer Identification card (NPWP), if the expat is working longer than six months

- An insurance policy issued by an insurance company incorporated in Indonesia
- A National Social Security policy, if working in Indonesia longer than six months
- Receipt for the DKP-TKA payment (US\$1,200 a year)
- The RPTKA approval (see above)
- A copy of the expert's passport, showing he/she is 25 years or older and not older than 55 (for oil and gas) and 60 (for teachers)
- Two colour photographs 4x6 cm size
- A letter of recommendation from a technical Ministry (if applicable)
- Directors and the commissioners don't need to fulfill the first four requirements listed above

## Visa and Resident Permits

Topic	Feature
<b>ITAP/KITAP - Permanent Stay Permit/Card</b>	ITAP = Izin Tinggal Tetap (Permanent Stay Permit). This is the immigration status/permit by itself. It is evident by the stamp that the immigration office stamps into your passport.
<b>KITAP = Kartu Izin Tinggal Terbatas (Permanent Stay Permit Card).</b>	This is the blue card that immigration will give you after the ITAP has been granted. 1. There is no "direct to KITAP" option, all KITAP applicants must be holders of KITAS visas first. 2. ITAP can also be issued to foreign investors, CEOs or to workers in fields that require a specific skill. However, others, who don't fall under these categories, can also obtain an ITAP as well, with persistence and knowing the regulations. Special provisions are also available for foreign nationals to get an ITAP if they are married to an Indonesian. 3. Official cost for an ITAP application - Rp 3,500,000 (non-electronic), Rp. 3,700,000 (electronic), Extension Rp 10,000,000 (non-electronic), Rp. 10,200,000 (electronic).  With the KITAP you will also be charged for a 2 year MERP, the official cost of which is Rp. 1,750,000.
<b>Who can apply for an ITAP?</b>	Indonesian Law is, in fact, quite clear. But as in many cases in Indonesia, this is more a problem of getting the right text of law with all of its amendments to clearly understand who can apply for to an ITAP. Once you get the right context, everything becomes very clear and the only remaining difficulty is to explain the law to the ones who are supposed to know it: the Immigration officials, who in many cases seemingly ignore the law. Once you get past the lower echelons, things are much smoother, because at the higher levels (i.e., KanWil or DitJen), they know the law regarding ITAP issuance.  A Permanent Residence Permit may be given to: 1. A foreign national who holds a Temporary Residence Permit as a religious cleric/missionary, expatriate worker, investor, or retiree; 2. A member of a mixed marriage family; 3. The husband, wife, and/or child of a foreign national who holds a Permanent Residence Permit; and 4. A foreign national who is a former Indonesian citizen or held dual citizenship of the Republic of Indonesia and another country.  For an applicant as intended in Article 54 paragraph (1) letter a, the Permanent Residence Permit is issued after the applicant has stayed for 3 (three) years consecutively and signed a Statement of Integration to the Government of the Republic of Indonesia.

Basically, Article 60 means that an ITAS can be transformed to an ITAP and that this transformation of status can be given after a demand of the foreigner with the condition that he/she has already stayed a minimum of three full successive years in Indonesia since the date that his/her ITAS has been issued.

Article 59 - regarding extensions

- A Permanent Residence Permit is issued for a period of 5 (five) years and may be extended for an unlimited period insofar as the permit has not been cancelled
- The holder of a Permanent Residence Permit for an unlimited period as intended in paragraph (1) must report to an Immigration Office every 5 (five) years and is not subject to a fee.

This is the article of law which lists the category of ITAS holder that could be entitled to be issued an ITAP. They are:

1. Investors
2. rare foreign experts
3. top foreign manager of a company
4. foreign churchmen with religious duties
5. foreign spouse joining an Indonesian husband or wife
6. legitimate child who holds a foreign passport joining an Indonesian parent
7. foreign spouse of a foreigner holding an ITAP
8. legitimate unmarried foreign child (under 18 years old) joining a foreign father/mother who is an ITAP holder.
9. Former Indonesian willing to regain Indonesian citizenship as per Citizenship law number 12/2006
10. Retired foreigner

However, belonging to one of the above categories may not be enough. If you read point (3), it says that the change of status (from ITAS to ITAP) must consider the benefits that this foreigner brings to the nation in terms of national development and must consider the human aspects. This is for the very least highly subjective, and apart for the one belonging to the category e.), f.), g.), h.) and i.) it may well remain a demand without automatic approbation.

If your change of status is accepted, you will receive an ITAP which allows you to remain in Indonesia for five years - which may be worth all the paperwork hassles.

All documents must be in 3 copies.

### **Service Visa**

Service Visas are given to foreign citizens bearing service passports, on assignment to Indonesia for diplomatic purposes. They are working in Indonesia under official government entities such as UN bodies, aid organizations, etc. Visa Dinas are directly handled by the Indonesian government department who employees the expats and they apply direct to the Foreign Ministry (Menlu) to process the visa. Private agents are not allowed to handle this type of visa.

## Visa- Free Entry

First Group (of countries): Based on reciprocity, holders of passports from the first visa-free privileges group (15 countries) are able to enter Indonesia visa-free for 30 days at all air, sea or land crossing points for the purpose of government business, education, social/cultural, tourism, business, family visits, journalism, or in transit to continue their journey to another country.

These countries and administrative territories are Brunei Darussalam, Cambodia, Chile, Ecuador, Hong Kong, Laos, Macau, Malaysia, Morocco, Myanmar, Peru, the Philippines, Singapore, Thailand, and Vietnam.

Second Group (of countries): As of September 18, 2015 in accordance with Presidential Regulation No. 69 & 104 on Visa Exemption, holders of passports from 75 additional countries are able to enter Indonesia visa-free for 30 days.

These countries and administrative territories are Brunei Darussalam, Cambodia, Chile, Ecuador, Hong Kong, Laos, Macau, Malaysia, Morocco, Myanmar, Peru, the Philippines, Singapore, Thailand, and Vietnam.

Second Group (of countries): As of September 18, 2015 in accordance with Presidential Regulation No. 69 & 104 on Visa Exemption, holders of passports from 75 additional countries are able to enter Indonesia visa-free for 30 days.

These countries are Angola, Argentina, Austria, Algeria, Azerbaijan, Bahrain, Belarus, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Dominican Republic, Egypt, Estonia, Fiji, Finland, France, Ghana, Germany, Greece, Hungary, Iceland, India, Ireland, Italy, Japan, Jordan, Kazakhstan, Kirghistan, Kuwait, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, the Maldives, Malta, Mexico, Monaco, the Netherlands, New Zealand, Norway, Oman, Panama, Papua New Guinea, People's Republic of China, Poland, Portugal, Qatar, Romania, Russia, San Marino, Saudi Arabia, Seychelles, Slovakia, Slovenia, Spain, Suriname, Sweden, Switzerland, Taiwan, Tanzania, Timor Leste, Tunisia, Turkey, South Africa, South Korea, United Arab Emirates, United Kingdom, United States of America, the Vatican, and Venezuela.

For passport holders of the second group of countries, the visa-free facility is only available if visitors ARRIVE AND LEAVE from one of these five airports and four ports:

- Soekarno-Hatta International Airport in Jakarta
- Ngurah Rai International Airport in Bali
- Kualanamu International Airport in Medan
- Hang Nadim International Airport in Batam
- Juanda International Airport in Surabaya
- The seaports are Sri Bintan Pura International Port and Tanjung Uban International Port in Riau Islands as well as Sekupang International Port and Batam Center International Port in Batam.

If, for example, you arrive in Bali, but try to leave from Lombok, you will be asked to re-route your international flight through one of the airports/seaports that allows the visa free facility. It is NOT possible to pay for a VOA upon departure from non-listed airports/seaports, if you have entered using the visa-free facility.

Passport holders of the 30 countries are allowed to enter Indonesia strictly for the purpose of TOURISM only, and if they have any other purpose should purchase a Visa On Arrival (detailed below).

Passports must be valid for a minimum of six months from the date of arrival. Onward or return tickets must be shown on arrival. Additionally, APAC cardholders may be entitled to a free visa on arrival under the terms of their scheme.

NOTE: Visa-free entry is given for a 30-day stay in Indonesia, which CANNOT be extended or converted into any other type of visa. If you want to stay longer than 30 days, you need a VISA ON ARRIVAL - VOA (only available upon your arrival). BE AWARE of this extension limitation before you make your travel plans!

## Tax Policy Changes on 2017

The Ministry of Trade ("Ministry") has issued Regulation No. 7/M-DAG/PER/2/2017 ("Third Amendment") on the Third Amendment to Ministry Regulation No. 36/M-DAG/PER/9/2007 on the Issuance of Business Trade Licenses ("Regulation 36/2007") in order to ease the burdens placed upon trading businesses during the day-to-day running of their trading activities through the repeal of the obligation for such businesses to re-register their Business Trade Licenses (Surat Izin Usaha Perdagangan - "SIUP")....

Tax Amnesty Program Indonesia - Tax Tariffs:

	Period	Tax Tariff
<b>Declaration of funds</b>	1 July - 31 September 2016	4%
	1 October - 31 December 2016	6%
	1 January - 31 March 2017	10%
<b>Repatriation of funds</b>	July - 31 September 2016	July - 31 September 2016
	1 October - 31 December 2016	1 October - 31 December 2016
	1 January - 31 March 2017	1 January - 31 March 2017

On 19 July 2016 the Ministry of Finance announced the regulations corresponding to the tax amnesty program which has been approved by the Indonesian President and is running during the period of 1 July 2016 to 31 March 2017. The tax amnesty builds a unique opportunity for Indonesian taxpayers to come forward with undeclared assets prior the implementation of the automatic exchange of information.

According to the new law, the government will forgive qualifying taxpayers by waiving



# Tax Policy Changes on 2017

## Feature

Tax amnesty applicable for Indonesian individual or corporate tax residents.

2. The purpose is to cover fiscal years up to 31 December 2015. This means that taxpayers can report their undisclosed assets from past years up to 31 December 2015.
3. The reporting period: is from 1 July 2016 to 31 March 2017.
4. Cash should be reported using nominal value, while non-cash assets should be reported using fair value. Fair value refers to the condition of assets based on the taxpayer's assessment.
5. Repatriated offshore assets should be invested in Indonesian territory in the following instruments:
  - Government bonds
  - State-owned enterprise bonds
  - Financial investments in appointed banks
  - Corporate bonds supervised by OJK
  - Government-related infrastructure projects
  - Sectors to be determined by the Ministry of Finance
  - Other investment based on prevailing law
6. Repatriated offshore assets need to be retained in Indonesia for at least 3 years, while onshore assets cannot be transferred out of Indonesia for at least 3 years

## The effect to tax audits

In case of a submission, outstanding tax audits, preliminary evidence investigations and/or tax investigations will be stopped and not be conducted up to the last tax year.

# Tax Policy Changes on 2017

## Tax amnesty penalty

The different applicable tax amnesty penalty rates are significantly lower than the normal tax rates and depend on the moment of the submission of the declaration letter as per the below chart:

<b>Amnesty period and applicable rates</b>	<b>July – September 2016</b>	<b>October – December 2016</b>	<b>January – March 2016</b>
<b>Assets located offshore but not repatriated to Indonesia</b>	4%	6%	10%
<b>Assets located offshore, repatriated to Indonesia and invested in Indonesia for a minimum of 3 years</b>	2%	3%	5%
<b>Onshore assets retained in Indonesia for a minimum of 3 years</b>	2%	3%	5%

In addition to the above, Taxpayers with annual turnover not exceeding IDR 4.8 billion in 2015 will be subject to the following tax amnesty rates:

0.5% for assets declared not exceeding IDR 10 billion ; and  
2% for assets declared exceeding IDR 10 billion

## Other consequences

Besides the above benefits, there are some consequences in case of participation in the tax amnesty:

Offshore assets must be repatriated and must be invested in Indonesia for at least a three-year period from if they are transferred

On-shore assets cannot be transferred out of Indonesia within a three-year period after the date of the Confirmation Letter

The taxpayer cannot carry forward any tax (Income Tax and VAT) overpayments to the following months

The taxpayer cannot request a refund for a tax overpayment balance

All outstanding tax liabilities must be settled

This material has been prepared by Antea Alliance of Independent Firms. It is intended as general guide only. Accordingly, we recommend that readers seek appropriate professional advice regarding any particular problems that they encounter. This information should not be relied on as a substitute for such an advice. While all reasonable attempts have been made to ensure that the information contained herein is accurate, Antea Alliance of Independent Firms accepts no responsibility for any errors or omission it may contain whether caused by negligence or otherwise, or for any losses, however caused, sustained by any person that relies upon it.

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