

Update on Indonesia:

Investment Policy & Opportunity



Indra Darmawan
Director of Regional Promotion Facilitation





About the Investment Promotion Agency Indonesia Investment Coordinating Board (BKPM)

Who We Are

Primary interface between business and the government to boost FDI and DDI through the creation of conducive investment climate.



Our Services

Investment Planning Period

Investment Realization

After-care



Taiwan Companies in Indonesia

KENDA



PEGATRON



Formosa Plastics



Source: BKPM, 2019



Indonesia, why it matters? Economic Fundamental

Indonesia's economy is forecast to be the world's 10th largest by 2025

\$1 trillion GDP
GDP of more than \$1 trillion (PPP)

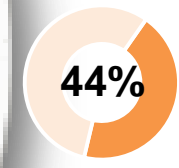
 **The largest economy in ASEAN**

 **Only ASEAN Member in the G20**

Indonesia is the fourth most populous country in the world

 Population of 260 million

2x "Consuming class" twice the size of the population of Australia

 **44%** Young and dynamic people
44% of Indonesians are aged under 25

Equal to **40.8%** of ASEAN total population
[World Bank, 2018]

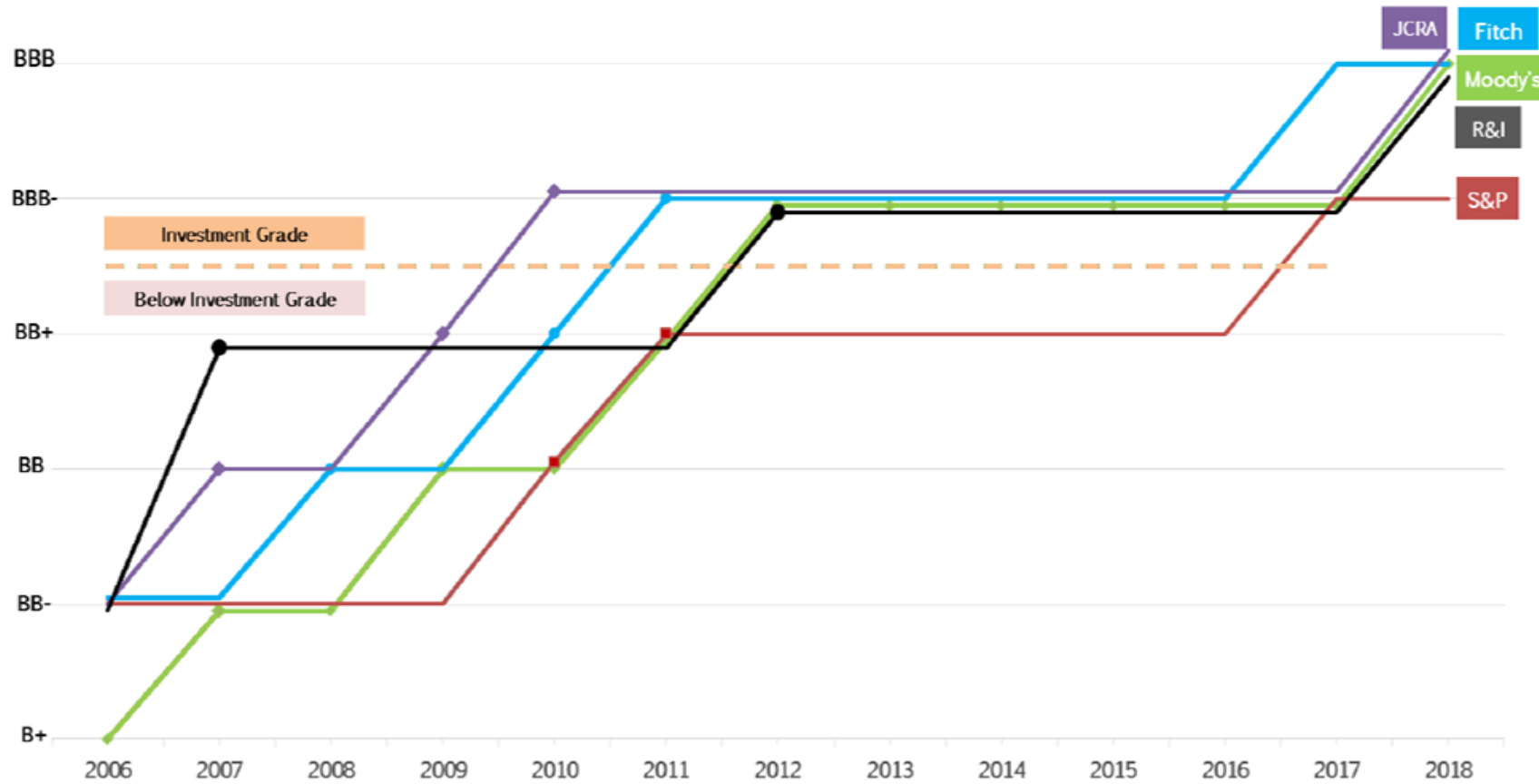
305.7 Million people of Indonesia population in 2035
[CEIC, 2018]

Source: various sources, 2018



S&P raises Indonesia's rating to 'BBB' on strong economic prospects on May 31, 2019

Investment Grade Status



FitchRatings
BBB / Stable

S&P Global
BBB / Stable

MOODY'S
Baa2 / Stable

R&I
BBB / Stable

JCR
日本格付研究所
BBB / Stable

STATUS

INDONESIA ECONOMIC AGREEMENT & COOPERATION LIST



<p>Signed, in Effect</p>	<ol style="list-style-type: none"> 1. Preferential Tariff Arrangement-Group of Eight Developing Countries 2. ASEAN FTA 3. ASEAN-Republic of Korea CEPA 4. ASEAN-Japan Comprehensive Economic Partnership 5. ASEAN-India Comprehensive Economic Cooperation Agreement 	<ol style="list-style-type: none"> 6. ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement 7. ASEAN-Australia and New Zealand FTA 8. Indonesia-Japan Economic Partnership Agreement 9. Indonesia-Pakistan FTA
<p>Signed, but not yet in Effect</p>	<ol style="list-style-type: none"> 1. ASEAN-Hong Kong, China FTA 2. Trade Preferential System of the Organization of the Islamic Conference 3. Indonesia-Chile FTA 	<ol style="list-style-type: none"> 4. Australia-Indonesia Comprehensive Economic Partnership Agreement 5. Indonesia-European Free Trade Association FTA
<p>Negotiations Launched</p>	<ol style="list-style-type: none"> 1. Regional Comprehensive Economic Partnership 2. Indonesia-Republic of Korea FTA 3. India-Indonesia Comprehensive Economic Cooperation Arrangement 4. Indonesia-Turkey FTA 	<ol style="list-style-type: none"> 5. Indonesia-Morocco Preferential Trade Agreement 6. Indonesia-Mozambique FTA 7. Indonesia-Tunisia Preferential Trade Agreement
<p>Proposed/ Under consultation and study</p>	<ol style="list-style-type: none"> 1. East Asia FTA (ASEAN+3) 2. ASEAN-EU FTA 3. CEPEA/ASEAN+6 4. ASEAN-Pakistan FTA 5. ASEAN-Eurasian Economic Union FTA 6. ASEAN-Canada FTA 7. Free Trade Area of the Asia Pacific 8. Indonesia-United States FTA 9. Indonesia-Gulf Cooperation Council FTA 	<ol style="list-style-type: none"> 10. Indonesia-Peru FTA 11. Indonesia-Taipei, China FTA 12. Indonesia-Ukraine FTA 13. Eurasian Economic Union-Indonesia 14. Indonesia-Kenya FTA 15. Indonesia-South Africa FTA

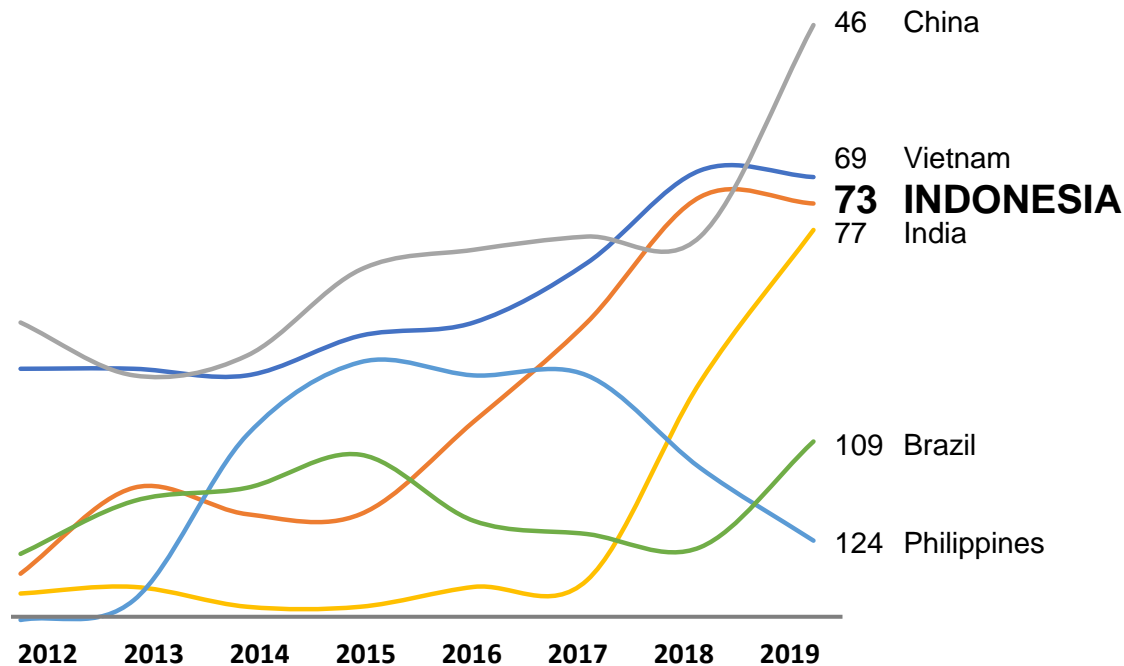
Indonesia has shown progressive achievement in the past few years..



2019: #73
2018: #72
2017: #91
2016: #106
2015: #120



Indonesia's Ease of Doing Business Rank, 2012-2019



Improved areas:

1. Starting business
2. Getting electricity
3. Registering property
4. Getting credit
5. Protecting minority investors
6. Paying taxes
7. Trading across borders

Key Improvements

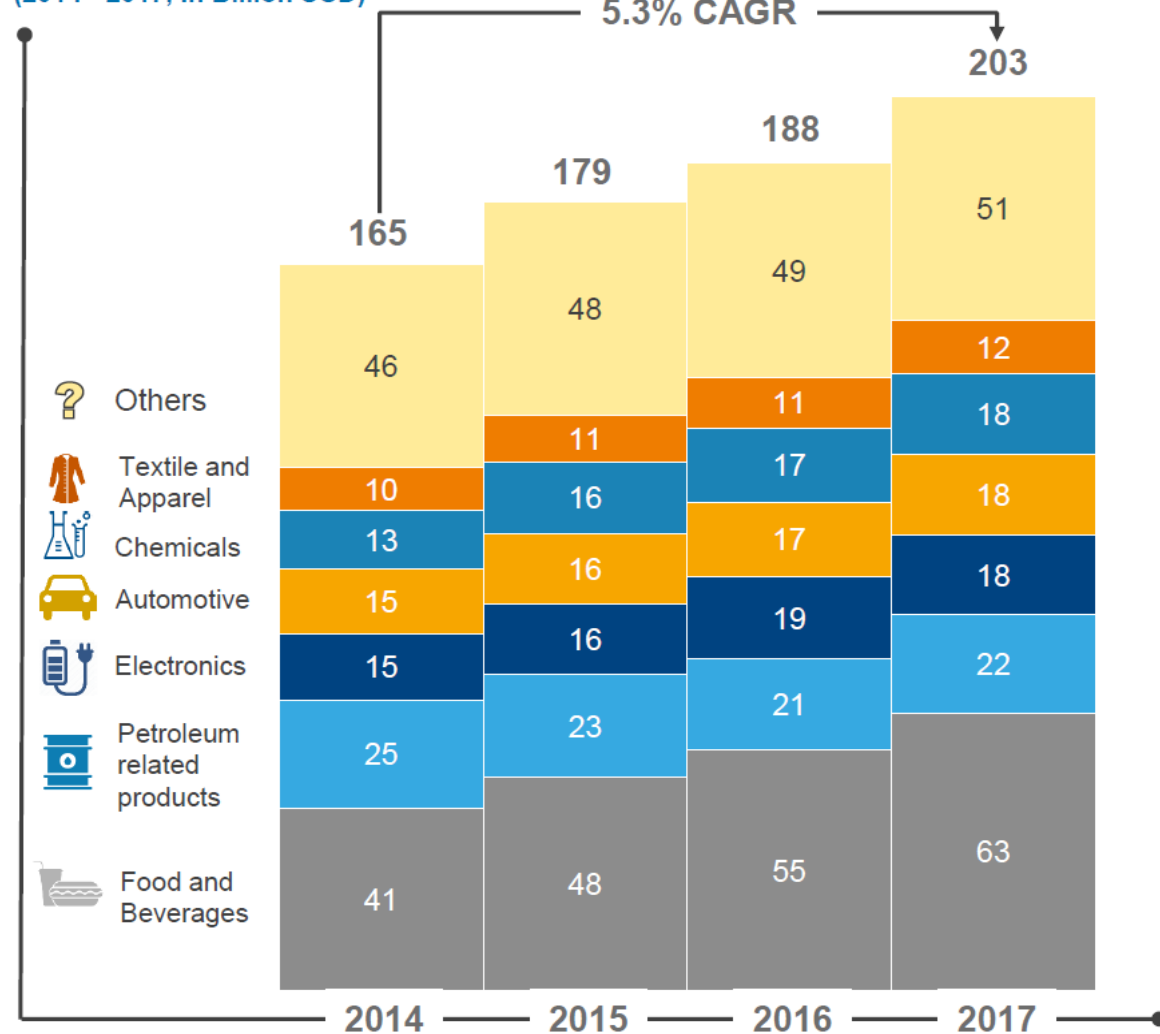
1. In the last 3 years, Indonesia has climbed 33 positions, which means that Indonesia has become an easier place to do business.
2. Reducing licensing procedures and implementing online system service
3. Reducing number of crossings, applying integrated risk management and using an online system
4. Simplifying procedures and strengthening building inspections.

Source: EoDB Survey, 2019

Indonesia Urges to Push Export through Investment in Manufacturing Industry

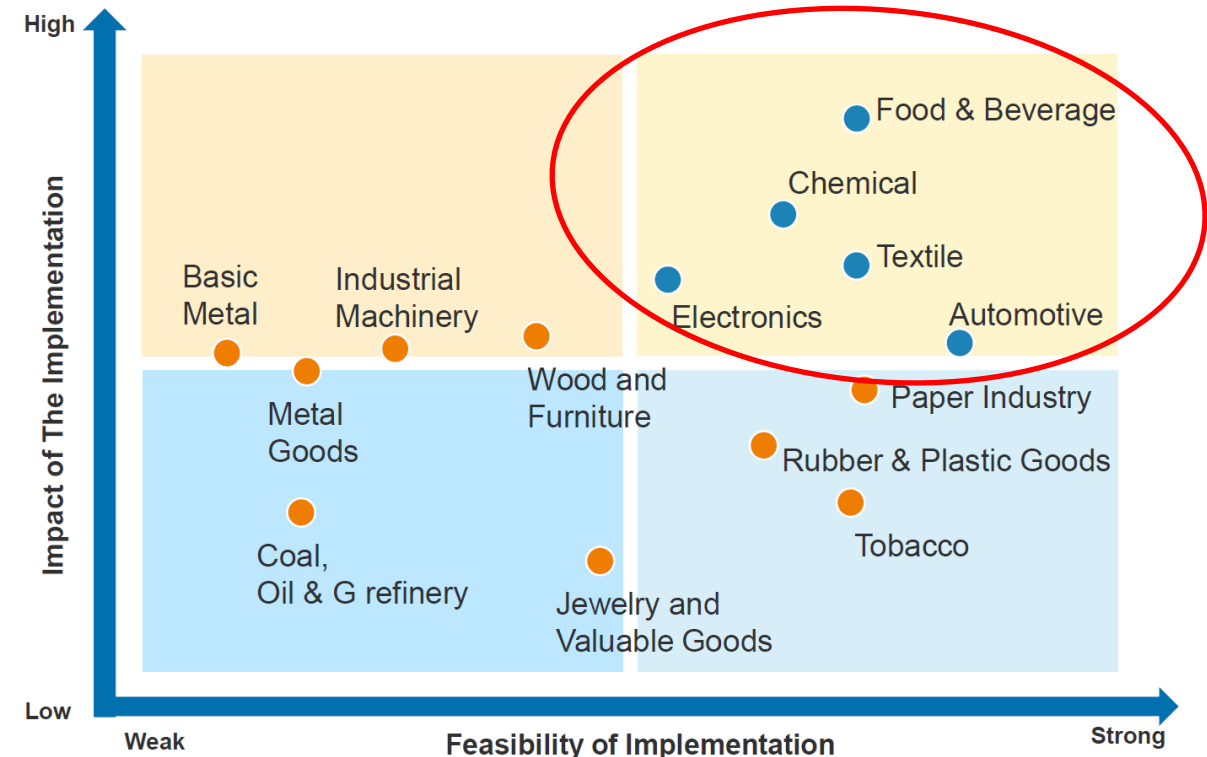


(2014 - 2017, In Billion USD)



5 Sectors were selected for Making Indonesia 4.0

1. F&B
2. Textile
3. Automotive
4. Electronics
5. Chemical



6 (Six) Investment Priority Sectors



Regarding investment, 6 (six) priority sectors driven by the Indonesian Government are infrastructure, manufacturing industry, maritime, agriculture, tourism, and lifestyle industries



Infrastructure

Electricity, road, railway, airport, seaport, etc

Including



Special Economic Zone (SEZ)



Industrial Estate (IE)



Manufacturing Industry

Labor intensive, export orientation, import substitution, and downstream industries



Maritime

Including fisheries and cold storage



Agriculture



Tourism

“10 New Bali”



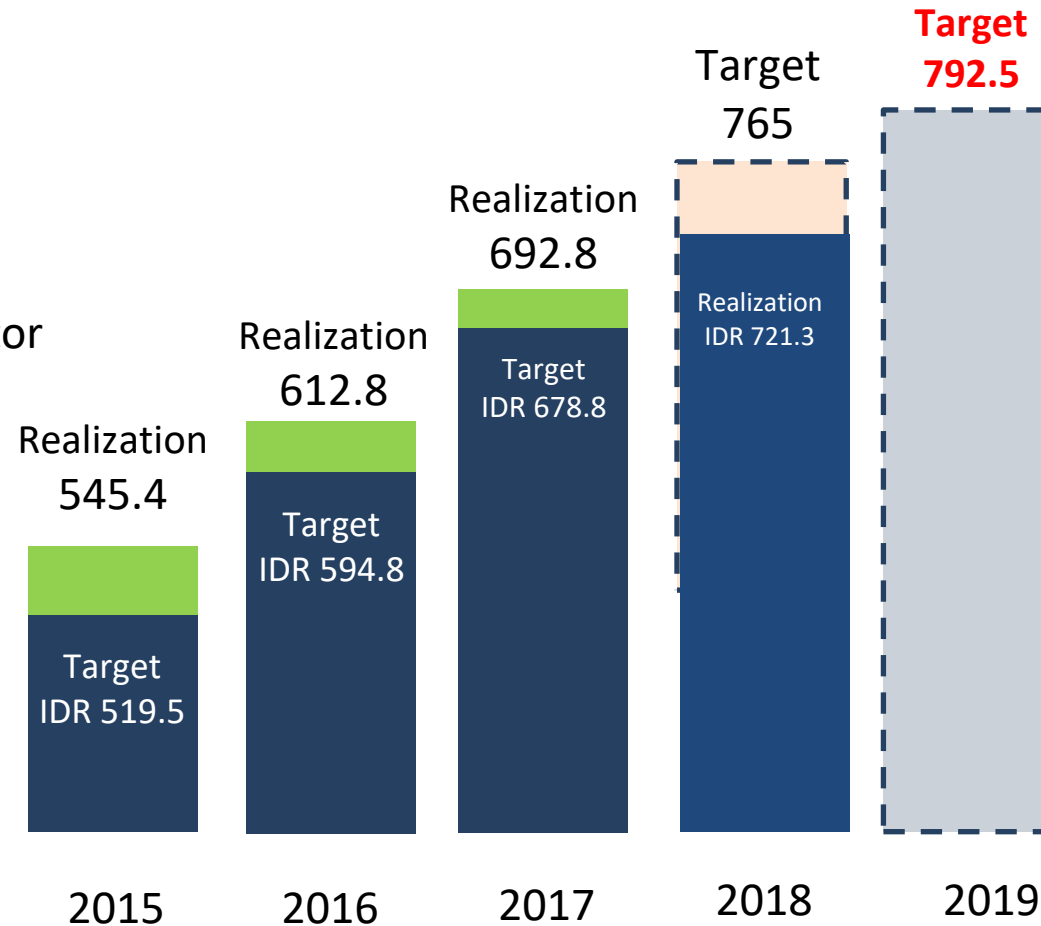
Lifestyle Industry

e.g: creative economy, digital industry

Digital economy will be the catalyst for pushing 6 (six) priority sectors towards Indonesia 4.0

Investment Realization Target 2015 – 2019

(in IDR trillion) Excluding oil & gas and financial sector



In USD Million

Taiwan FDI TOP 10 Destination

Source: FDI Market, 2019

Destination Country	2014	2015	2016	2017	2018	2019	Total	Share%
1 China	4,440.0	6,196.0	10,931.6	2,590.6	9,652.4	200.0	34,011	52%
2 United States	6.0	5.7	81.9	10,000.0	9,481.9	.0	19,575	30%
3 Vietnam	475.9	982.6	3,526.0	647.9	495.0	110.0	6,237	10%
4 India	.0	442.5	133.2	46.1	790.8	678.5	2,091	3%
5 Indonesia	381.6	.0	4.0	50.0	957.8	.0	1,393	2%
6 South Korea	.0	.0	.0	.0	449.0	.0	449	1%
7 Singapore	200.8	.0	33.5	25.0	.0	.0	259	0%
8 Serbia	90.6	.0	.0	.0	122.5	.0	213	0%
9 Belgium	.0	.0	.0	.0	201.3	.0	201	0%
10 Malaysia	.0	166.9	.0	.0	.0	.0	167	0%
Other Country	305.0	127.1	116.3	209.4	148.3	30.4	936	2%
Total	5,900	7,921	14,826	13,569	22,299	1,019	65,534	100%

Taiwan FDI Sector in Indonesia)

(Source: FDI Market, 2019)

	Industry Sector	Projects	Capex	Companies
1	Renewable energy (electricity)	2	936.3	2
2	Rubber	1	333.6	1
3	Textiles	3	99.0	3
	Other Sectors	11	24.5	11
	Total	17	1,393.4	17

Indonesia holds 2 % of Taiwan total investment, in sectors such as: Renewable energy, rubber and textiles

Top 10 Investors in Indonesia (2014-Q1 2019)

By Country Excl. Upstream oil, gas, and financial sectors

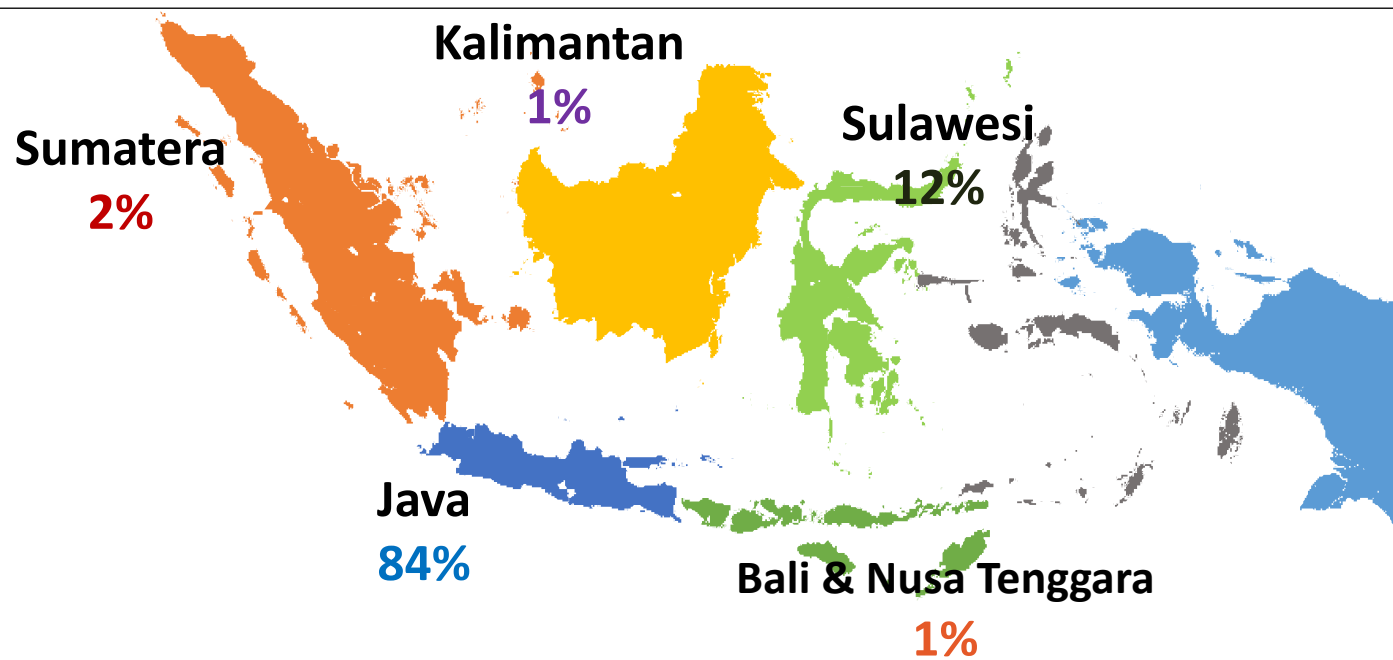
In USD Million

	Country	2014	2015	2016	2017	2018	2019 Q1	Total
1	Singapura	5,832	5,901	9,179	8,442	9,193	1,723	40,270
2	Jepang	2,705	2,877	5,401	4,996	4,953	1,134	22,066
3	R.R. Tiongkok	800	628	2,665	3,361	2,377	1,159	10,991
4	Malaysia	1,776	3,077	1,116	1,214	1,775	705	9,663
5	Hongkong, RRT	657	937	2,248	2,117	2,011	583	8,554
6	Belanda	1,726	1,308	1,475	1,489	943	365	7,307
7	Korea Selatan	1,127	1,213	1,066	2,025	1,605	269	7,305
8	Amerika Serikat	1,300	893	1,162	1,993	1,218	329	6,894
9	British Virgin Islands	624	731	1,157	845	1,043	199	4,599
10	Inggris	1,588	503	307	775	271	24	3,468
15	Taiwan	115	108	149	397	210	22	1,001
	Other country	10,280	11,099	3,039	4,587	3,709	681	33,395
	Total	28,530	29,276	28,964	32,240	29,308	7,195	155,512

**Taiwan rank 15 in total investment in Indonesia,
with 2.142 projects and absorbs 102.916 local workers.**

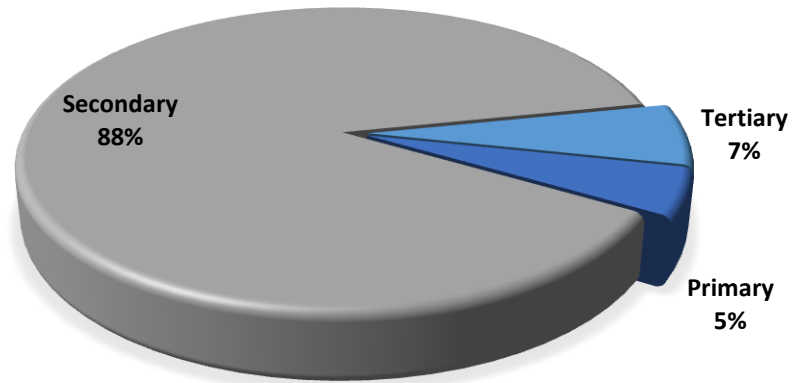
Taiwan FDI in Indonesia, mostly located in Java region and encouraged to grow in other regions

Region	2014	2015	2016	2017	2018	2019Q1	Total	Share %
Sumatera	1.82	2.71	2.41	10.76	3.73	0.24	21.68	2%
Java	111.78	95.75	145.55	372.84	92.81	20.90	839.62	84%
Bali & Nusa Tenggara	0.06	-	0.26	3.02	5.90	0.05	9.29	1%
Kalimantan	0.26	4.56	-	7.63	-	-	12.44	1%
Sulawesi	0.75	4.93	0.85	2.79	107.77	0.92	118.01	12%
Total	114.67	107.95	149.06	397.03	210.22	22.11	1,001.04	



Investment from Taiwan is Rising, Mostly in Secondary Sector

TOTAL FDI BY SECTOR IN TAIWAN
2014-2019 Q1



88% Taiwan FDI in Indonesia came from secondary sector.

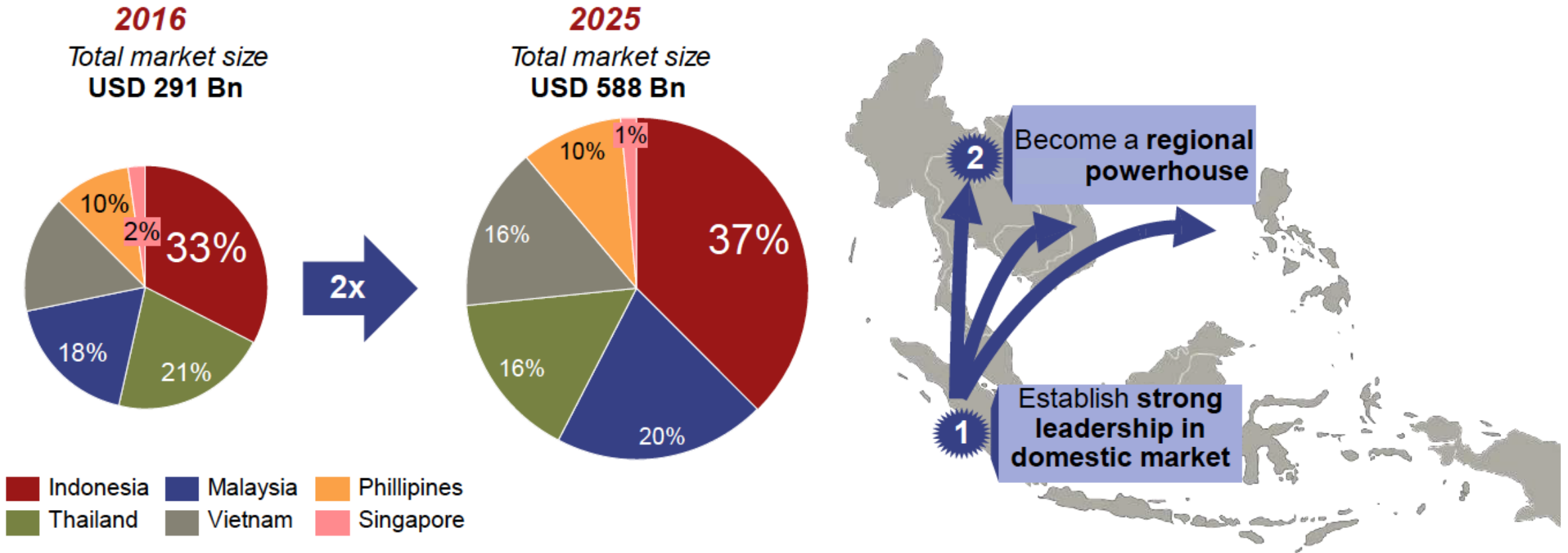
In USD Million

#	Sectors	2014	2015	2016	2017	2018	2019 Q1	Total
1	Rubber and plastic industry	10.96	52.32	76.78	242.46	22.00	1.17	405.7
2	Textile Industry	38.85	5.43	8.43	32.62	9.35	0.84	95.5
3	Basic Metal, metal and others	21.35	9.05	14.05	20.29	19.91	1.20	85.8
4	Chemicals and pharmaceutical	0.70	0.81	9.68	12.83	58.53	0.26	82.8
5	Machinery, electronics, medical instruments, electric equipment, optics, watch,	4.32	0.91	13.19	17.82	15.81	4.23	56.3
	Other Sectors	38.50	39.42	26.93	71.00	84.62	14.41	274.9
	Total	114.7	107.9	149.1	397.0	210.2	22.1	1,001.0



Indonesia Shares Largest Market in ASEAN

ASEAN only includes Indonesia, Malaysia, Philippines, Singapore and Vietnam

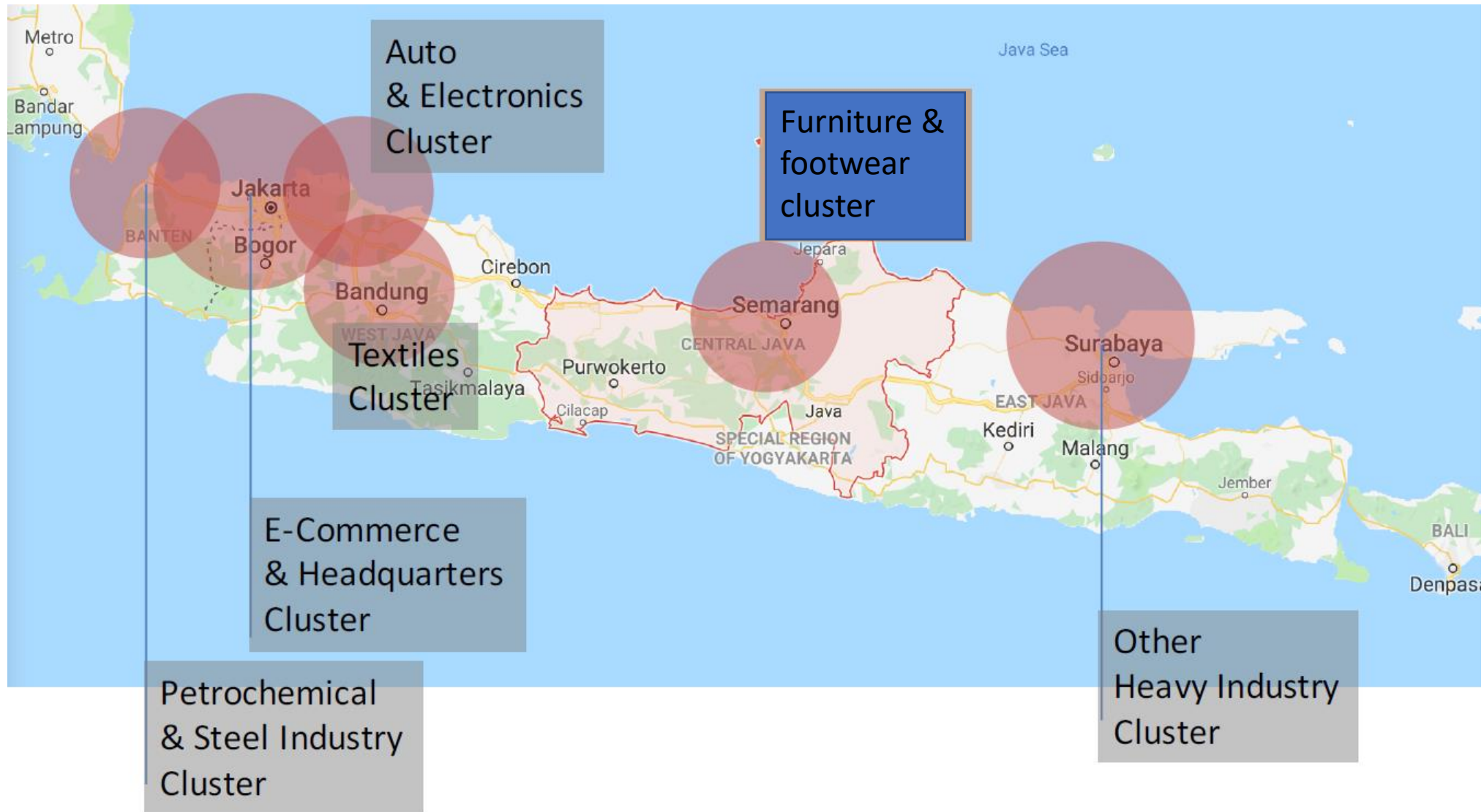


ASEAN Market is attractive given the size, proximity to Indonesia and established trade cooperation

Source: HIS Markit, A.T. Kearney

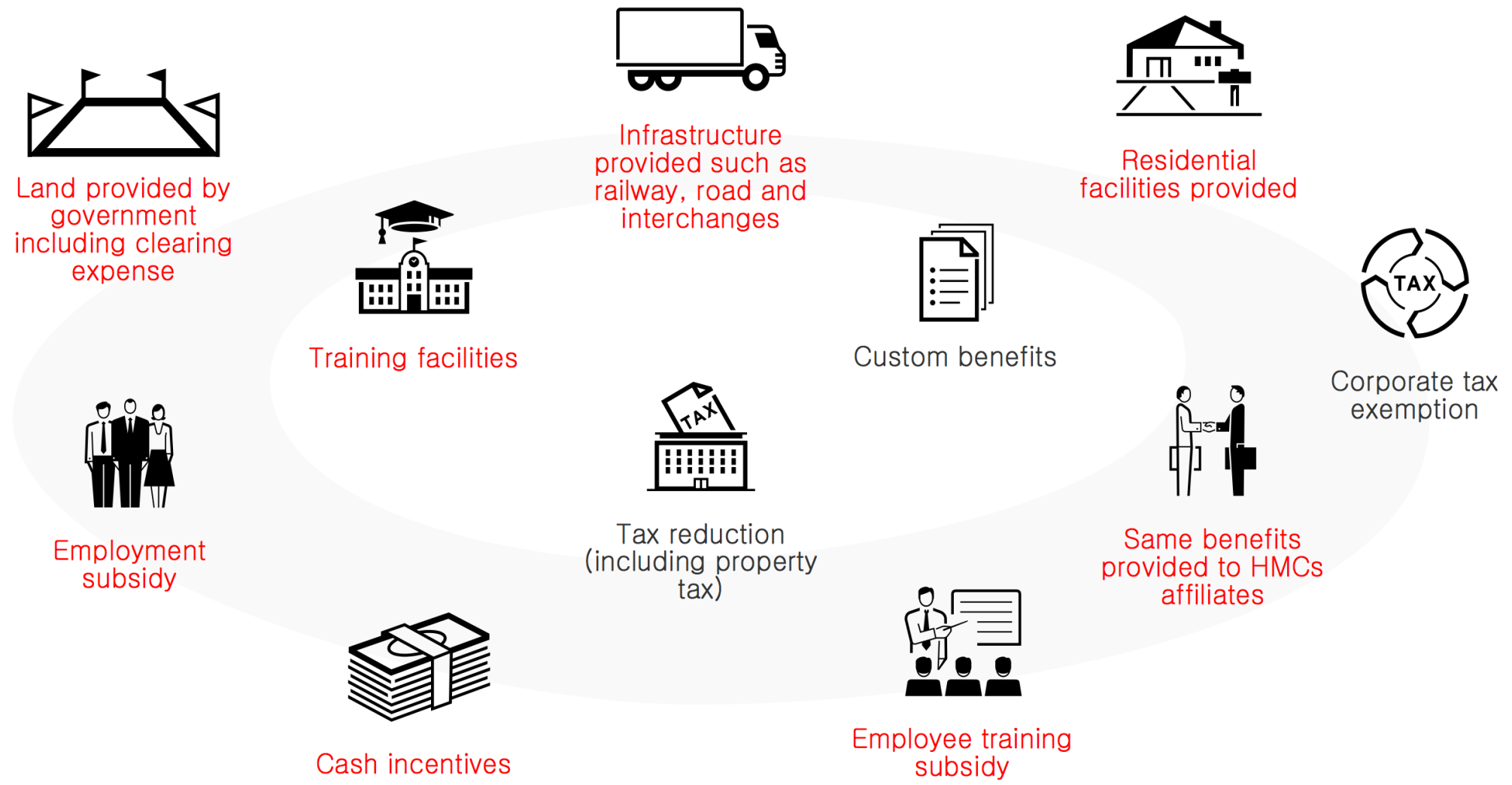


Government is Preparing Industrial Cluster in Particular Sectors



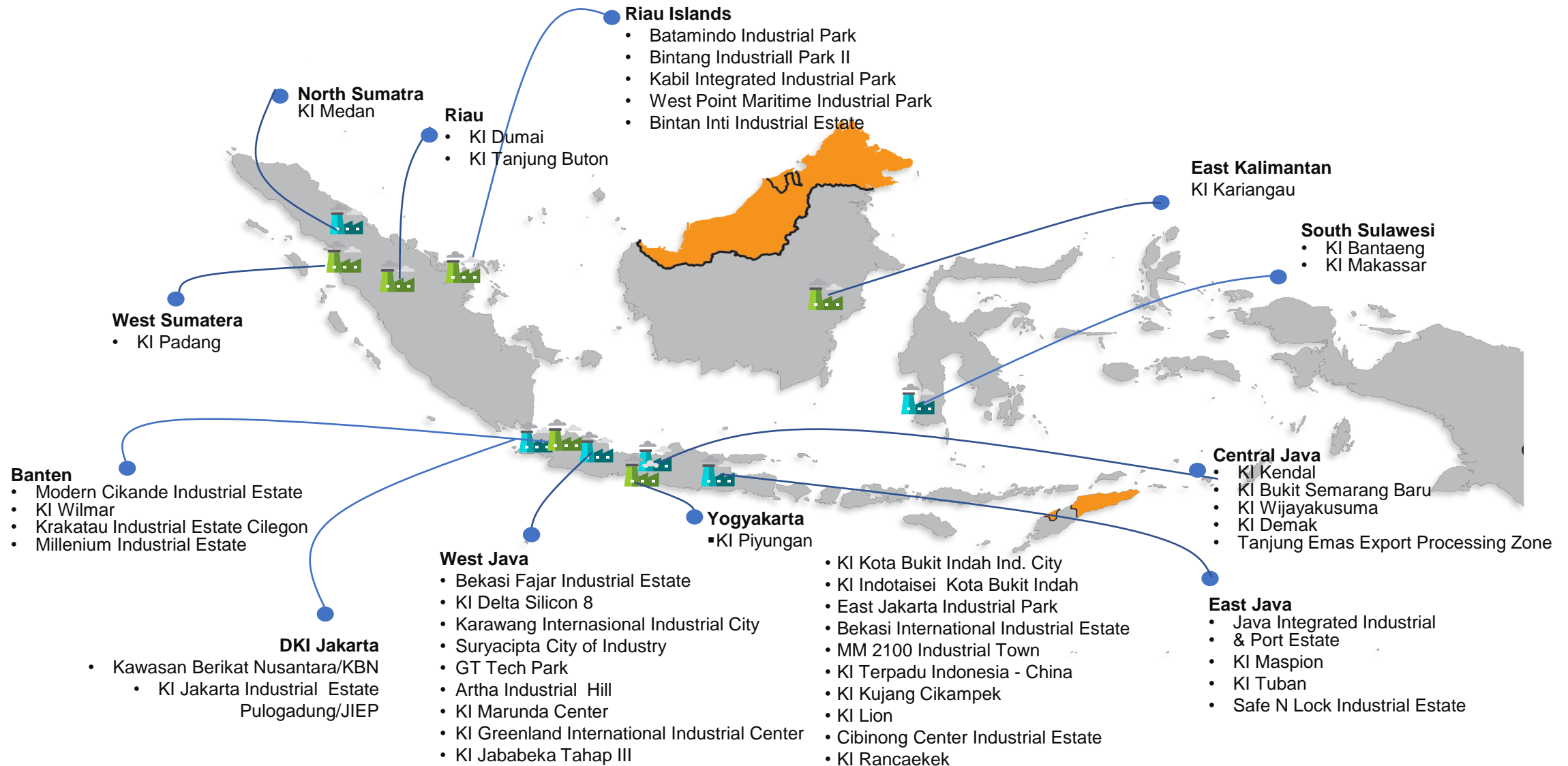


Government is Formulating some Incentives to Support The Development of Industrial Cluster





47 Industrial Estates are Ready with Direct Constructions (KLIK) Facility





11 Special Economic Zones (SEZ)

Arun Lhoksemawe

Petrochemical, Logistics, Oil & Gas
Food & Paper Manufacture

Sei Mangkei

Palm Oil & Rubber Industry,
Fertilizer, Logistics, Tourism

Tanjung Api-api

Palm Oil, Rubber,
Petrochemical Industries

Tanjung Lesung

Tourism

Kelayang

Tourism

Maloy Batuta

Palm Oil, Coal and Mining

Mandalika

Tourism

Bitung

Fishery, Coconut Oil & Herbal
Pharmacies
Industries, Various Industry,
Logistics

Palu

Manufacture, Agro (Rubber,
Cacao, Seaweed, & Rattan)
Nickel & Ore Industry, Logistics

Morotai

Tourism, Fishery
Industry, Manufacture & Logistics

Sorong

Shipyard, Fishery &
Tourism

Tax Incentive:

- Income tax reduction from 20% up to 100% for periods of max 25 years
- Free VAT for import on raw materials

Facility:

- Property ownership and residence permit for foreigner
- The ease of investment licensing, land, immigration, work integrated in SEZ



OSS

Digitalization of investment licensing to simplify the process through **Online Single Submission**

as integrated online system with data sharing

100%

Most manufacturing industries in Indonesia are **open 100% for FDI**

100% FDI
Waste Recycling Industry

100% FDI
Textile Industry

100% FDI
Automotive Industry

100% FDI
Smelter and Steel Industry

Government Incentives

1

Green Line Facility
New Facility: Status upgrade
From **RED** to **GREEN**
line for new companies under construction

2

Tax Allowance
30% of investment value, 5% per year for 6 year (total 30%), 145 Business Fields,

3

Tax Holiday
100% single rate, 5-20 Year, minimum investment value of Rp. 500 Billion for 18 Pioneer Industries

4

Mini Tax Holiday
50% single rate, 5 Year, Investment value >Rp. 100 Billion – ≤Rp. 500 Billion

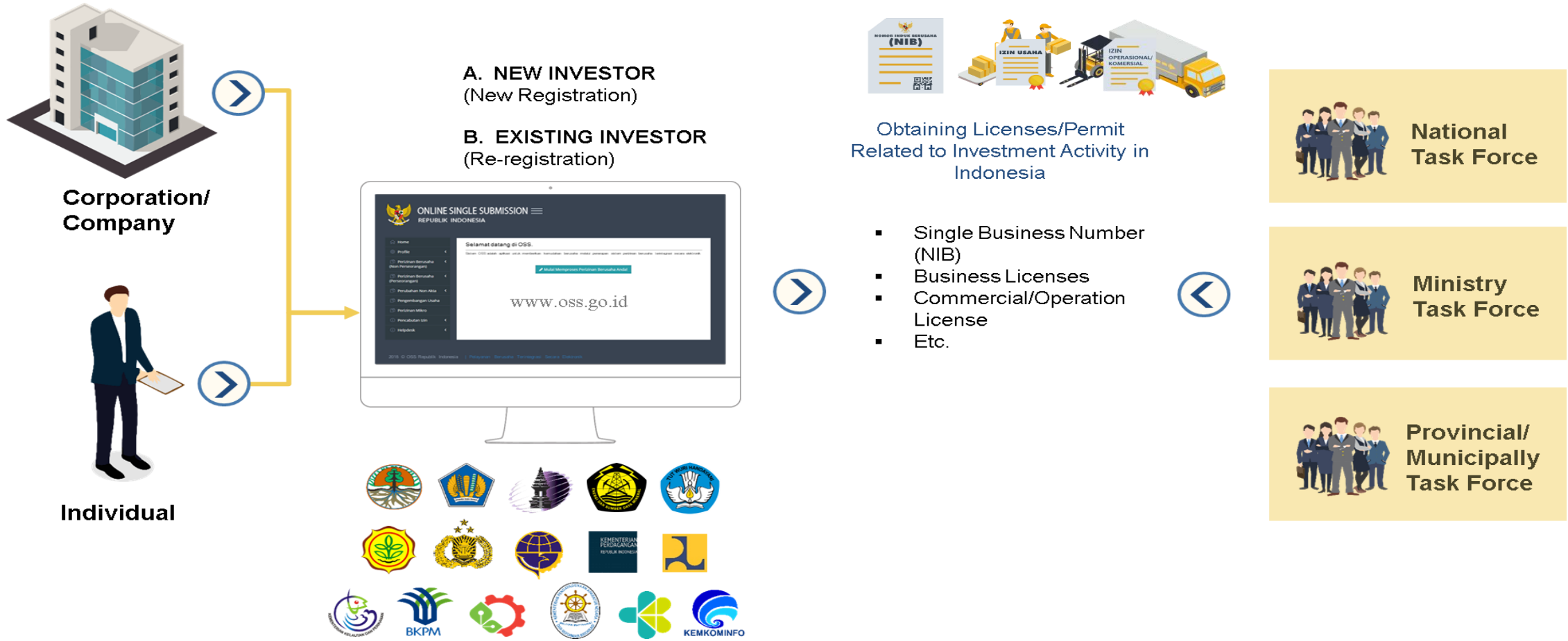
5

Super Deduction Tax*
Proposed by the Ministry of Industry for companies / industries related to training for vocational programs and generating innovation/R&D



Licensing : Government develops Online Single Submission (OSS) as integrated online system with data sharing

1. Simplify licensing process by deregulating unnecessary license/permit by line ministries/agencies.
2. NIB, Business License and Commercial License are issued on the same day with commitment and compliance.
3. Permit and License that are not included in Government Regulation Number 24 Year 2018 will still be processed via SPIPISE PTSP BKPM








Investment Incentives : New Tax Holiday Policy



Based on *Ministry of Finance Regulation No. 150 of 2018*

TAX HOLIDAY

MINI TAX HOLIDAY

 Investment Value	Investment > IDR 500 Billion (around US\$ 35.2 million*)	Investment IDR 100 to < IDR 500 Billion												
 Industry Group	Applied to 18 Pioneer Industry groups (169 KBLI)													
 Income Tax Reduction Rate	100% Reduction Rate (single rate)	50% Reduction Rate (single rate)												
 Concession Period	<table border="0"> <thead> <tr> <th><u>Period</u></th> <th><u>Investment Value</u></th> </tr> </thead> <tbody> <tr> <td>5 years</td> <td>IDR 500 Billion up to < IDR 1 Trillion</td> </tr> <tr> <td>7 years</td> <td>IDR 1 Trillion up to < IDR 5 Trillion</td> </tr> <tr> <td>10 years</td> <td>IDR 5 Trillion up to < IDR 15 Trillion</td> </tr> <tr> <td>15 years</td> <td>IDR 15 Trillion up to < IDR 30 Trillion</td> </tr> <tr> <td>20 years</td> <td>≥ IDR 30 Trillion</td> </tr> </tbody> </table>	<u>Period</u>	<u>Investment Value</u>	5 years	IDR 500 Billion up to < IDR 1 Trillion	7 years	IDR 1 Trillion up to < IDR 5 Trillion	10 years	IDR 5 Trillion up to < IDR 15 Trillion	15 years	IDR 15 Trillion up to < IDR 30 Trillion	20 years	≥ IDR 30 Trillion	5 Years Concession Period
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7 years	IDR 1 Trillion up to < IDR 5 Trillion													
10 years	IDR 5 Trillion up to < IDR 15 Trillion													
15 years	IDR 15 Trillion up to < IDR 30 Trillion													
20 years	≥ IDR 30 Trillion													
 Transition	50% CIT Reduction for the Next 2 Years	25% CIT Reduction for the Next 2 Years												

*1 USD : IDR 14,200

GENERAL CRITERIA

1. The taxpayer (company) is **incorporated in Indonesia**
2. Fulfill **Debt Equity Ratio** requirement for income tax purposes as stipulated on MoF Regulation No. 105/2018
3. For first time application (never had TH granted or rejected by the MoF)
4. Obtain a **Tax Clearance Certificate (SKF)** issued by DGT

HOW TO APPLY

1. Submit through Online Single Submission (OSS)
2. Along with taxpayer's application for New Business License (NIB) to BKPM
3. Investor should apply within 1 year after the NIB is issued by BKPM



18 Group Sectors Eligible to Apply for Tax Holiday

1. Upstream **base metal industry** (iron steel or not steel)
2. **Refining industry** / refinery for oil and gas)
3. Petroleum, natural gas or coal based **petrochemical industry**
4. **Organic basic chemical industry** sourced from agricultural, plantation or forestry products
5. **Inorganic basic chemical** industry
6. **Main pharmaceutical raw material** industry
7. Manufacture of **irradiation, electromedical or electrotherapy equipment**
8. Manufacture of **main components of electronic or telematics equipment**, such as semiconductor wafers, backlights for Liquid Crystal Display (LCD), electrical drivers, or displays
9. Manufacture of **machinery and engine main components**
10. Manufacture of **robotic components that support machinery** for manufacturing industries
11. Manufacture of the **main components of electric power generation** machines
12. Manufacture of **motorized vehicles and its main components**
13. Manufacture of **main components for ship**
14. Manufacture of **main component for train**
15. Manufacture of **main component for aircraft** and supporting activities for aerospace industry
16. **Processing industries based on agricultural, plantation or forestry products** that produce pulp, without or along with their derivatives
17. **Economic infrastructure** (including power plant, toll road with low IRR, port with low IRR, oil tanking)
18. **Digital economy** (including hosting activity and its related sector)



TAX ALLOWANCE

Government Regulation No. 9 of 2016

30 % of investment value

Reduction of corporate net income tax for 6 years, 5% each year.

145 Business fields

Eligible for tax allowance, expanded from 143 segments in the previous regulation with additional segment: clothing industry.

Under **certain requirements** among others: **investment value** or export orientation, **manpower absorption**, local content, and **project location** (especially outside Java island).

SOP to process TA facility is 25 working days

Equitable and Non discriminatory treatment against country of origin

For those taxpayers who have :

- Principal licenses (IP) and its changes **issued by BKPM**;
- Principal Licenses for Expansion (IP-PL) and its changes **issued by BKPM**; or
- Investment licenses **issued by other authorized agency**

These three types of license must be issued after **5 May 2015**

Manufacturing Industry

- Iron and Steel
- Clothing
- Semi conductors
- Electronic components
- Computer
- Communication devices
- Television
- Wheel
- Pharmaceutical
- Cosmetics
- Fish and Shrimp processing

Transportation and Warehouse

- Urban transportation
- Cargo handling

Power Generation

- Geothermal
- Renewable energy

Oil and Gas Industry

- Oil refineries
- Liquefied Natural & Petroleum Gas
- Lubricants

Notes:

Certain business fields and location are based on Attachment I and II of Government Regulation No. 18 of 2015 Jo. No. 9 of 2016

NOTE

- The Government under Ministry of Finance is now finalizing the new regulation for tax allowances, tax holidays, tax deductions for small and medium enterprises (SMEs), as well as incentives for companies that carried our research and development (R&D) activities.
- The government would expand the number of business sectors that would be eligible for the incentives.
- There will be simpler procedures to obtain the incentives.



IMPORT DUTY FACILITY

(MoF Regulation No.110/PMK.011/2005 MoF Regulation No.76/PMK.011/2012, MoF Regulation No.66/PMK.010/2015 and Chairman of BKPM Regulation No. 16/2015)

- Exemption of import duty on **imported capital goods** (machines) for **2 years** during construction period.
- Exemption of import duty on **imported goods and material for production for 2 years** during initial production (or 4 years for companies using locally-produced machines min.30% from total value of machines for production).
- Equitable and Non discriminatory treatment against country of origin

GREEN LINE ACCELERATION FACILITY

Four customs checking status:

- **Red line** is for new companies. Physical & document checks before transported from ports.
- **Yellow line** Document check before goods transported from ports.
- **Green line** Document check after goods transported from ports.
- **Main Partner Priority** for companies with proven track record. No checking required.

Acceleration and certainty in custom clearance process

Faster & Certain

- *Capital goods **do not** require screening.*
- *Cutting the processing time from 3-5 days to only **30 minutes**.*

Simple requirements

- *Projects under construction*
- *Obligated in reporting quarterly investment activities (LKPM)*
- *Recommendation from BKPM*

New Facility: Status upgrade

From **RED** to **GREEN** line for new companies under construction

Super Deduction Tax for Vocational Training and R&D

Proposed by Ministry of Industry

Incentive for Human Resources Development:

Reduction of Corporate Gross Income

Max of 200%

of cost for training/education

Incentive for R&D Development:

Reduction of Corporate Gross Income

Max of 300%

of cost for research & development

36 eligible competencies for super deduction tax (proposed):

- Electronic industry
- Electrical installation
- Machinery
- Welding
- Foundry
- Industrial Mechanical Maintenance
- Metal Instrumentation
- Metal Fabrication
- Control Process
- Mechanical Control
- Automation
- Mechatronics
- Chemical Industry
- Chemical Analysis
- Maintenance & Repair of Audio & Video
- Maintenance & Repair of Heavy Equipment
- Maintenance & Repair of Automotive Light Vehicle
- Maintenance & Repair of Automotive Motorbikes
- Design & Repair of Autotronic
- Repair of automotive body
- Automotive component industry
- Furniture
- Furniture Design
- Shipbuilding
- Ship construction
- Ship welding
- Ship electricity
- Ship machinery installation
- Textile design, craft & production
- Yarn Making
- Fabric making (weaving and knitting)
- Garment
- Chemical Textile
- Warehousing Logistic
- Transportaion Logistic
- Warehousing and distribution management

Indonesia **Investment Promotion Centre (IIPC)**



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**LETS INVEST
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Thank You
Xie Xie

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