

[www.pwc.com/tw](http://www.pwc.com/tw)

# Direct Foreign Investment in Indonesia

Peter Su

**pwc**

資誠

# Why ASEAN?

## ASEAN Economy

A Highly Competitive Economic Region

With a combined GDP of **US\$2.6 trillion** in 2014, ASEAN economy was the **7th largest in the world** and the **3rd largest in Asia**

## ASEAN Population

A Region Fully Integrated Community

In 2014, ASEAN was the **3rd largest market in the world** with **622 million people** behind only China and India



## ASEAN Trade

A More Integrated Market

Total trade increased by nearly **US\$1 trillion**

between 2007 and 2014, with **intra-ASEAN** trade comprising **the largest share** of ASEAN's total trade by partner.

## ASEAN FDI

A World Class Investment Destination

ASEAN attracted **US\$136 billion**

in FDI in 2014, accounting for **11%** of global FDI inflows, up from only **5%** in 2007

## ASEAN Connectivity

A More Connected Community

Annual tourist arrivals were up from **62 million** in 2007 to **105 million** in 2014, **almost half** of which were **intra-ASEAN**

The rate of Internet subscription **more than doubled** from **11.8 per 100 inhabitants** in 2007 to **28.6** in 2014

## *Why Indonesia?*

# Indonesia in ASEAN

ASEAN is the third largest market in Asia, after China & India.

Indonesia represents:

**40%** of ASEAN population

**38%** of ASEAN's economy

Source: IMF, 2014

**16<sup>th</sup>** World's Largest Economy  
(World Bank, 2014)

**1 trillion USD GDP**  
(PPP)

**4,876 USD GDP per capita**  
(PPP)



## Indonesia – Investment Priority Sectors

<b>Power Generation</b>	35 GW new projects	7 GW projects in the pipeline			
<b>Labor-intensive industry</b>	Textile	Food & Beverages	Furniture	Toys	
<b>Import-substitution industry</b>	Chemical & Pharmaceutical	Iron & Steel			
<b>Export-oriented industry</b>	Electronics	CPO & derivative products	Wood products, pulp & paper	Automotive	
	Machinery	Rubber products	Fish & derivative products	Shrimp	
<b>Downstream industry of natural resources</b>	Cacao	Sugar	Smelter		
<b>Maritime</b>	Shipping	Ship building	Sea port	Cold storage	ICT for maritime
<b>Tourism</b>	Strategic tourism areas	MICE			

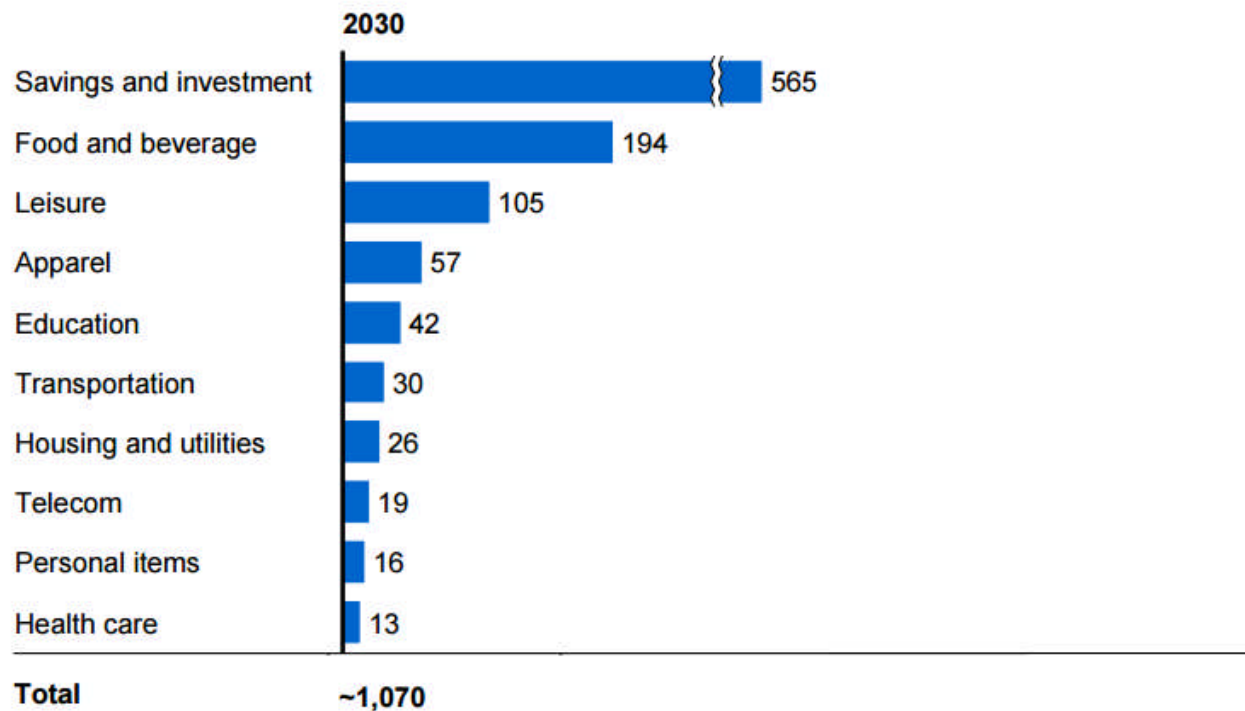
Source: Indonesia Investment Coordination Board 2015

PwC Taiwan 資誠

## Indonesia – Investment Sectors by 2030

Indonesia's **Savings and Investment** and **retail** sectors are expected to become large consumer markets by 2030.

Annual consumer spend  
\$ billion



SOURCE: CSI Indonesia survey 2011; Indonesia's Central Bureau of Statistics; Canback Global Income Distribution Database (C-GIDD); McKinsey Global Growth Model; McKinsey Global Institute analysis

---

## ***Indonesia – Foreign Investment Liberalization***

**“Indonesia eases restrictions on foreign investment”**

*- Reuters*



**“Relaxation of Foreign Ownership Limits”**

*- Jones Day*

## Indonesia – Taiwan Investments



*“Taiwan Mobile Co (台灣大哥大) is studying the possibility of investing in the telecom markets Indonesia, company chairman Richard Tsai (蔡明興) said at the annual general meeting...”*

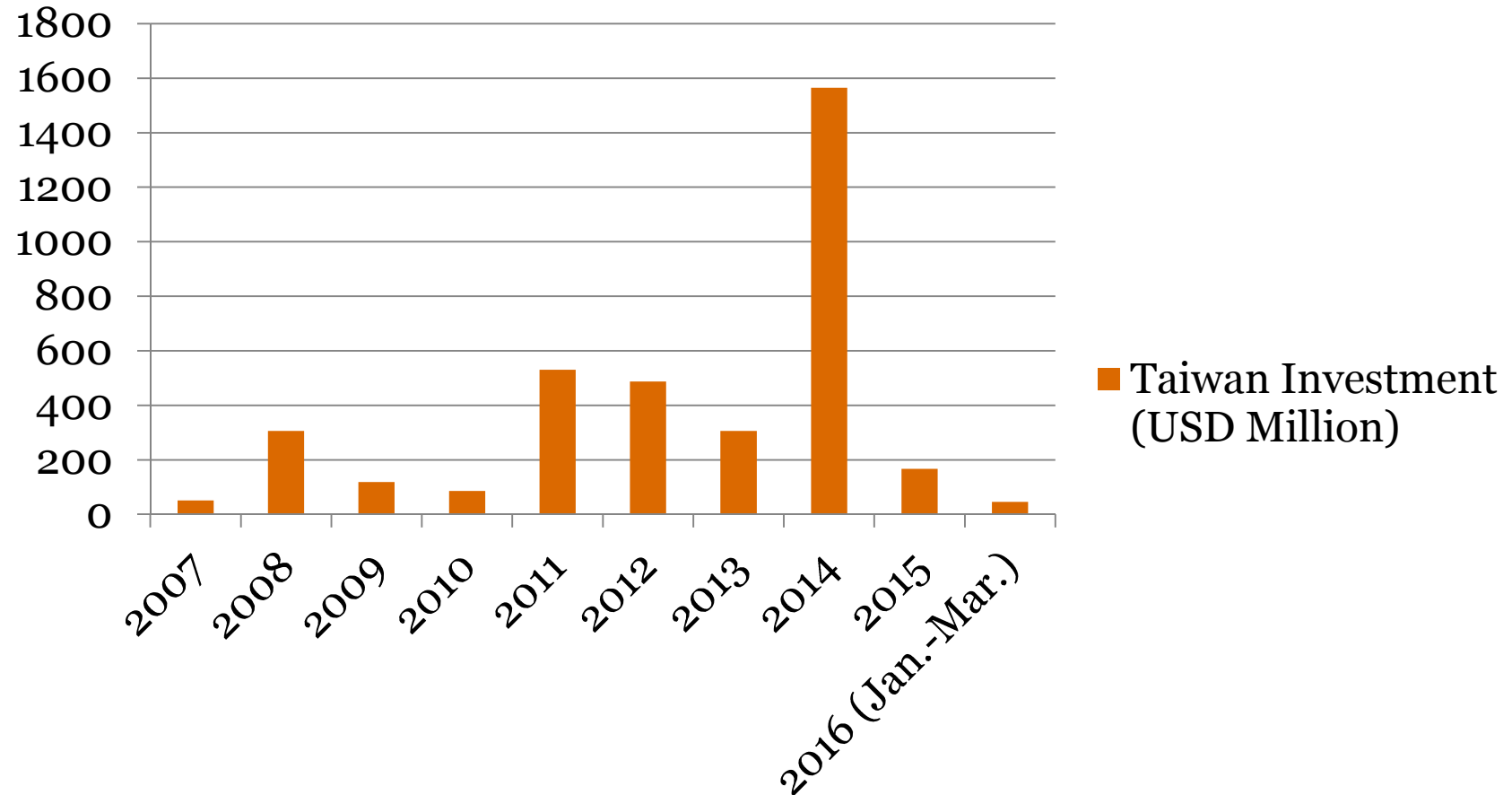
*-Taipei Times*



*“Hon Hai Precision Industry Co. (鴻海精密), an assembler of Apple Inc.’s iPhone devices, said it will continue to look at investment opportunities in Indonesia...”*

*- Taipei Times*

## Indonesia – Statistics of Taiwan Investment



Source: BKPM

PwC Taiwan 資誠



## *Indonesia – Relocation Trend*



Source: Indonesia Investment Coordination Board 2015

PwC Taiwan 資誠

## Indonesia – Tax Treaty



Corporate Income Tax (%)	Number of Treaty Signed	Treaty with Taiwan	Withholding Tax Rate (%) - <b>Dividends</b> (Domestic/ Treaty)	Withholding Tax Rate (%) - <b>Interest</b> (Domestic/ Treaty)	Withholding Tax Rate (%) - <b>Royalties</b> (Domestic/ Treaty)
25	65	√	20/10	20/10	20/10

## ***Indonesia – Incentives***

### **Tax Holiday**

- Tax exemption for period of 5 to 10 years after a minimum investment of Rp. 1 trillion (USD 100 million)

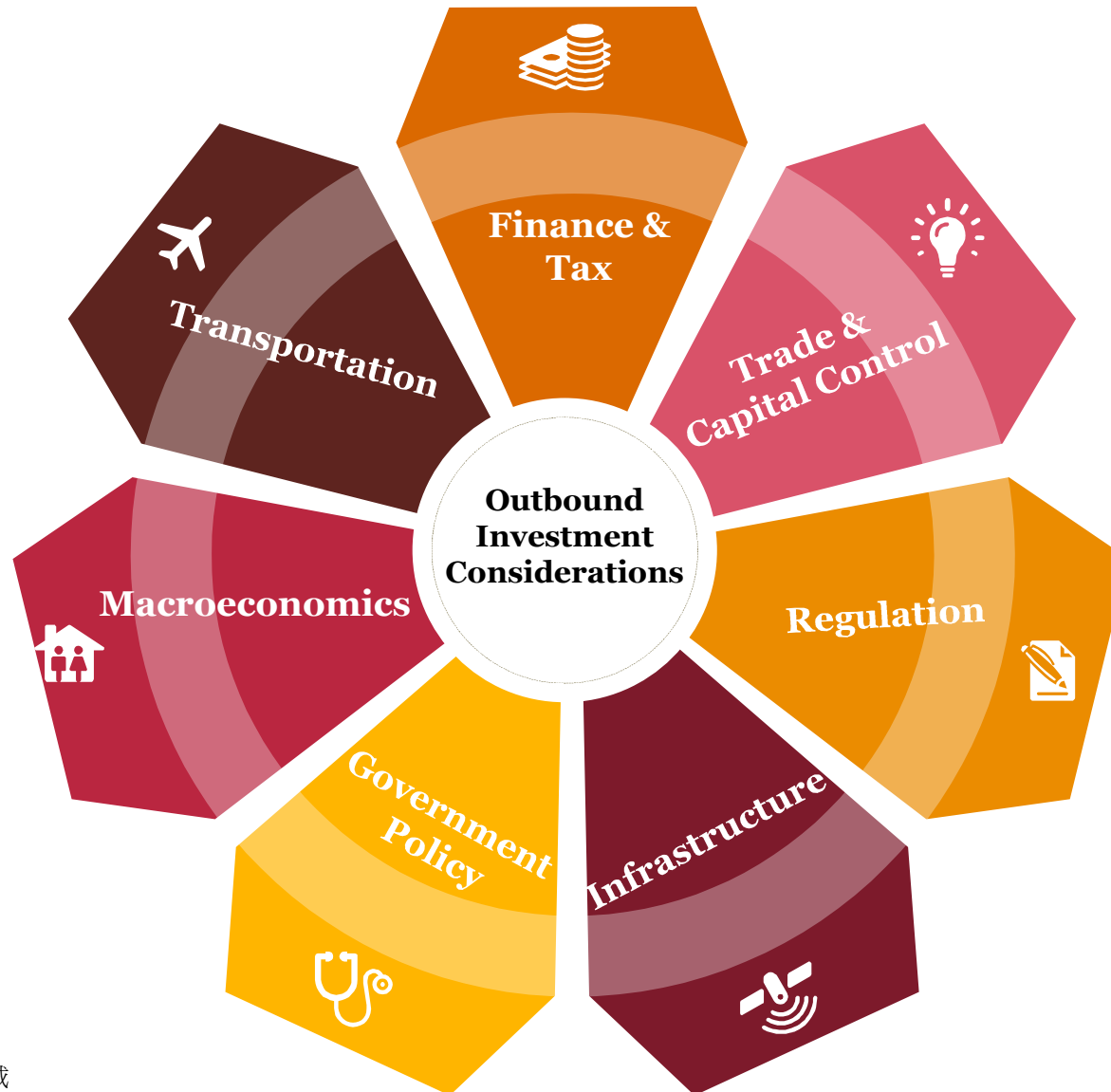
### **Tax Allowance**

- Eligible for 129 business segments including infrastructure

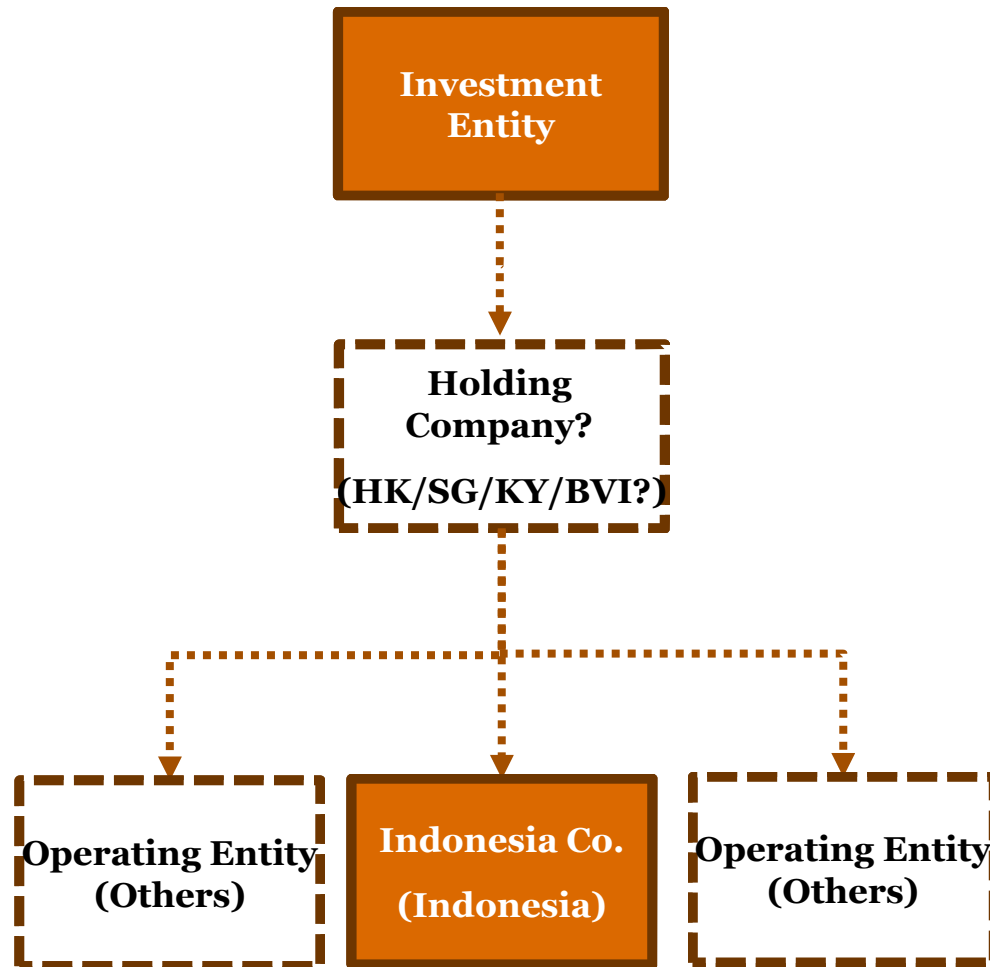
### **Duty Facilities**

- For machinery, equipment, and raw materials

# Outbound Investment Considerations



# Investment and Operation Models



- **Investment entity**
- **Holding company**
  - ✓ Direct investment vs. Indirect investment
- **Operating entity**
  - ✓ Subsidiary vs. Branch?
- **Issues to consider:**
  - ✓ Corporate Income Tax
  - ✓ Withholding Tax
  - ✓ Treaty
- **Characterization of operation model:**
  - ✓ Principal/Entrepreneur?
  - ✓ Full-fledge vs. Limited risk



## **Peter Su**

Partner  
International Tax Services

+886 2 27296666 ext. 23951

[peter.y.su@tw.pwc.com](mailto:peter.y.su@tw.pwc.com)

---

# *Credential*

## **Professional Certificate:**

- Certified Public Accountant (California, USA)
- Attorney (Texas Bar, USA)

## **Education:**

- University of Houston (Law Center), J.D.
- San Diego State University, Bachelor of Science (Accounting)

## **Experience:**

- Cross-border investment structure and tax planning/ Cross-border financial structure and shareholder equity tax consultation and planning
- Global Transaction Models Tax Consulting and Planning
- Intellectual property tax planning
- Tax treaty consultation and application
- Foreign corporation establishment and consultation
- Global transfer pricing strategy formulation
- Tax implication analysis and permanent establishments
- Tax structure consultation on EU investment and distribution system design

---

# *Thank you*

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional comment. You should not act upon the information contained in this publication without obtaining specific professional comment. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers Taiwan, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2016 PricewaterhouseCoopers Taiwan. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Taiwan which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.