



Improving Investment Competitiveness in Special Economic Zone

Swisscham Indonesia Virtual Discussion

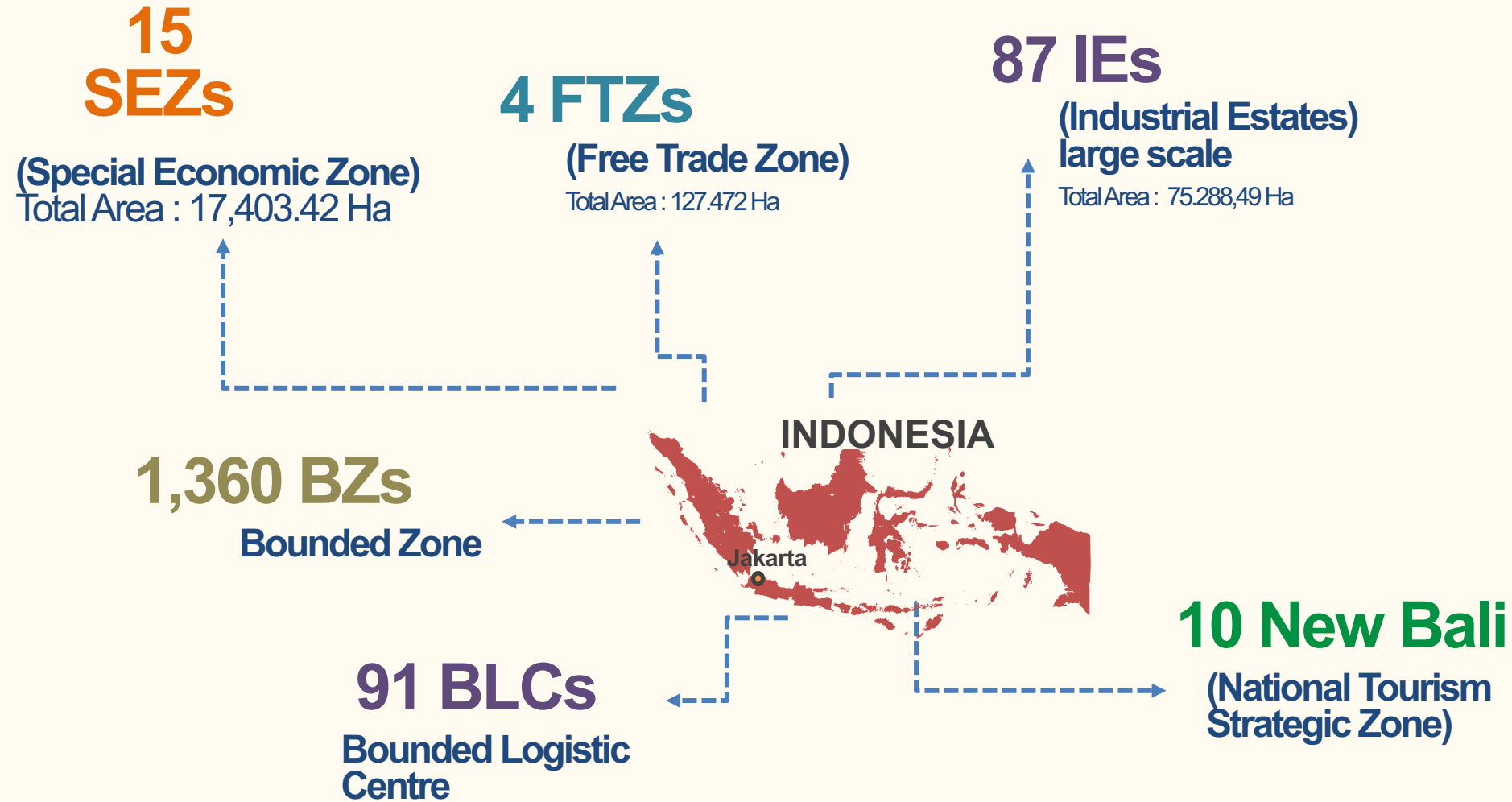
Jakarta, 10 Desember 2020

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**Acting Director, of Investment Planning for Services and Zones
The Investment Coordinating Board Republic of Indonesia**



Economic Zone as Strategic Investment Location



15 Existing Special Economic Zones



<p>1 ARUN LHOKEUMAWE SEZ</p> <ul style="list-style-type: none"> North Aceh District & Lhokseumawe City, Aceh Export Processing, Logistic, Industry, Energy, and Tourism Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation 	<p>2 SEI MANGKEI SEZ</p> <ul style="list-style-type: none"> Simalungun District, North Sumatra Industry, Logistic, and Tourism Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation 	<p>3 GALANG BATANG SEZ</p> <ul style="list-style-type: none"> Bintan District, Kepulauan Riau Export processing, industry, logistic, and energy Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation 	<p>4 TG. API-API SEZ</p> <ul style="list-style-type: none"> Banyuasin District, South Sumatra Industry, Logistic, Export Processing and Energy Supporting Infrastructure: Airport, Seaport, Electricity 	<p>5 TG. KELAYANG</p> <ul style="list-style-type: none"> Belitung District, Bangka Belitung Tourism Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation 	<p>6 MBTK SEZ</p> <ul style="list-style-type: none"> East Kutai District, East Kalimantan Industry, Logistic and Export Processing Supporting Infrastructure: Airport, Seaport, Road 	<p>7 PALU SEZ</p> <ul style="list-style-type: none"> Palu City, Central Sulawesi Industry, Logistic and Export Processing Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation 	<p>8 BITUNG SEZ</p> <ul style="list-style-type: none"> Bitung City, North Sulawesi Industry, Logistic and Export Processing Supporting Infrastructure: Airport, Seaport, Road
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<p>9 MOROTAI SEZ</p> <ul style="list-style-type: none"> Pulau Morotai District, North Maluku Industry, Logistic, Export Processing and Tourism Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation 	<p>10 SORONG SEZ</p> <ul style="list-style-type: none"> Sorong District, West Papua Industry, Logistic and Export Processing Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation 	<p>11 MANDALIKA SEZ</p> <ul style="list-style-type: none"> Central Lombok District, West Nusa Tenggara Tourism Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation 	<p>12 TG. LESUNG SEZ</p> <ul style="list-style-type: none"> Pandeglang District, Banten Tourism Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation 	<p>13 SINGHASARI SEZ</p> <ul style="list-style-type: none"> Malang District, East Java Tourism, Technology Development Supporting Infrastructure: Airport, Road, Electricity, water installation 	<p>14 LIKUPANG SEZ</p> <ul style="list-style-type: none"> North Minahasa District, North Sulawesi Tourism Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation 	<p>15 KENDAL SEZ</p> <ul style="list-style-type: none"> Kendal District, Central Java Industry, Logistic and Export Processing Supporting Infrastructure: Airport, Seaport, Road, Electricity, water installation
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○ Operational
○ Construction

Total land area:
 17,403.42 Ha






Economic Zone Development Concept in Indonesia



				
<p>Industrial Estate</p>	<p>Bounded Zone</p>	<p>Bounded Logistic Centre</p>	<p>Free Trade Zone</p>	<p>Special Economic Zone</p>
<p>87 Industrial Estate</p>	<p>1.360 Bounded Zone</p>	<p>91 bounded logistic centre in 131 location</p>	<p>4 FTZ</p>	<p>15 SEZ</p>
<ul style="list-style-type: none"> Export Oriented and Domestic Industry 	<ul style="list-style-type: none"> Export oriented, import substitution, downstream industries 	<ul style="list-style-type: none"> Supports industrial activities 	<ul style="list-style-type: none"> Export Oriented 	<ul style="list-style-type: none"> Export (and flexible for domestic market)
<ul style="list-style-type: none"> Centralized industrial activities equipped with supporting facilities and infrastructure 	<ul style="list-style-type: none"> Bonded stockpiling sites for imported goods and / or goods originating from other places in the customs area to be processed or combined 	<ul style="list-style-type: none"> Bonded stockpiling sites for stockpiling goods originating outside the customs area and / or from other places in the customs area, it can be accompanied by 1 (one) or more simple activities within a certain period of time to be reissued (Bonded warehousing, it can be accompanied by 1 or more simple activities (packaging (return), sorting, QA, combining, packing, installation / repair, other) 	<ul style="list-style-type: none"> Specific Zone/Region within the legal territory of the Indonesia which treated as separate zone from the customs area and cover some business activities (Processing activities, design engineering, sorting, initial or final inspection, packing, repackaging, repairing / rebuilding machinery) 	<ul style="list-style-type: none"> Zone/Region with specific boundary within the Indonesia which set up to carry out economic functions (Export processing activities, logistics (storage, assembly, sorting, packing, distributing, repairing / rebuilding machinery), engineering, industrial engineering)

Incentives in Economic Zones



	 Industrial Estate	 Bounded Zone	 Bounded Logistic Centre	 Free Trade Zone	 Special Economic Zone
Tax Holiday	Applying general provisions of TH (18 pioneer industries)				TH is applicable (for SEZ's primary activities)
Tax Allowance	Applying general provisions of TA (certain sectors and locations)				TA is applicable (for activities outside SEZ's primary activities)
VAT or VAT and Luxury Goods Tax	General provision is applicable	VAT or VAT and Luxury Goods Tax is not collected	VAT or VAT and Luxury Goods Tax is not collected (Entry comes from PLB, TPB other than PLB, and other area inside custom area)	Exemption of VAT or VAT and Luxury Goods Tax	<ul style="list-style-type: none"> - VAT or VAT and Luxury Goods Tax is not collected (import/goods entry to SEZ) - VAT return (foreign passport holder) - Exemption of Luxury Goods Tax (Handover property/residence)
Custom	<ul style="list-style-type: none"> - General provision is applicable - Master list is decided by One – Stop Service BKPM 	Deferred Import Duty	Deferred Import Duty	<ul style="list-style-type: none"> - Exemption of Import Duty - Master list is decided by One –Stop Service BKPM 	<ul style="list-style-type: none"> - Exemption of Import Duty for Developer and Investors/Business Players - Master list is decided by SEZ Administrator - Import Duty Tariff 0% upon products with 40% local content
Excise	Applying excise's provisions	Excise Exemption	Excise exemption (for consumption needs of people living in free zones)	Excise Exemption	Excise Exemption (raw materials or auxiliary materials in the manufacturing of finished goods which are not subject to excise)
Income Tax Art 22 Import	-	Not collected	Not collected	Not collected	Not collected
Inland FTA	-	Applicable	-	Applicable	Applicable (Local content/TKDN min 40%)
Goods Traffic	Provisions on prohibitions and restrictions on imports and exports are applied	Provisions for the entry of goods prohibited from being imported and the export of goods prohibited from export are applied	Provisions for the entry of goods prohibited from being imported and the export of goods prohibited from export are applied	Provisions for the entry of goods prohibited from being imported and the export of goods prohibited from export are applied	Goods subject to provisions on import and export restrictions can be given exemptions and / or relaxation.



Incentives and Facilities in SEZ (Gov't Regulation No. 12/2020) [1]

Eligible Business Fields

- ✓ Development and management of SEZs
- ✓ Development of SEZ infrastructure
- ✓ Upstream and downstream processing of certain commodities
- ✓ Manufacturing of certain products
- ✓ Energy development
- ✓ Logistics
- ✓ Tourism services
- ✓ Health services
- ✓ Educational services
- ✓ Technology, research and development
- ✓ Financial services
- ✓ Creative industries
- ✓ Other industries determined by the National Council

Type of Facilities

- ✓ Taxation, customs, and excise [Income Tax, Value-Added Tax (VAT)/Luxury-goods Sales Tax (LST), Import Duty, and Excise facilities]
- ✓ Logistics
- ✓ Employment obligations
- ✓ Immigration
- ✓ Land and spatial planning
- ✓ Business licenses
- ✓ Other matters

Main Incentives and Facilities

1 Tax Holiday (TH)

TH/ Corporate Income Tax (CIT) Reduction is available for the income received from the primary activities only

2 Tax Allowance (TA)

Taxpayers who do not obtain a CIT reduction, or carry out activities outside of their main activities, may alternatively apply for an Income Tax Allowance:

- ✓ A 30 percent reduction in net income from the amount of investment
- ✓ Accelerated of fiscal depreciation and amortization
- ✓ A reduction in the withholding tax rate on dividends paid to nonresidents to 10% (before any lower tax treaty relief)
- ✓ An extension of the tax-loss carry forward period to up to 10 years.

3 Other Income Tax Facility

An Income Tax “not collected” for a Business Entity conducting transactions e.g.:

- ✓ Land procurement for a SEZ
- ✓ The sale of land and/or buildings in a SEZ
- ✓ The lease of land and/or buildings in a SEZ

4 VAT/LST Facilities

VAT/LST is to be “not collected” for certain transactions

5 Import Tax and Customs Facilities

- ✓ “not collected” for the import of capital goods
- ✓ Facilities for the movement of goods in a SEZ, e.g.:
 - Excise exemption & domestic VAT/LST “not collected” if origin of goods is from a TLDDP*
 - 0% Import Duty is applicable for products with minimum 40% local content, if destination of goods is to TLDDP intended for domestic use.

*TLDDP (Tempat Lain Dalam Daerah Pabean): Other Places in the Customs Area



Incentives and Facilities in SEZ (Gov't Regulation No. 12/2020) [2]

Tax Facilities for Tourism SEZ

Customs and excise facilities for the acquisition of capital goods and raw materials by a business player:

- ✓ Accommodation services
- ✓ Meetings and conference centers
- ✓ Marinas (special piers for tourist ships)
- ✓ Special airports for tourism
- ✓ Tourism transportation services
- ✓ Development of resort and residences
- ✓ Catering services
- ✓ Malls
- ✓ Recreation centers
- ✓ Education/training centers
- ✓ Sport centers and facilities
- ✓ Retirement centers
- ✓ Other tourism support activities as determined by the National Council.

VAT refunds for foreigners on the purchase of goods from participating stores

An exemption from LST and Article 22 Income Tax on the purchase of houses and residences in a tourism SEZ



Mandalika



Tj. Kelayang



Likupang



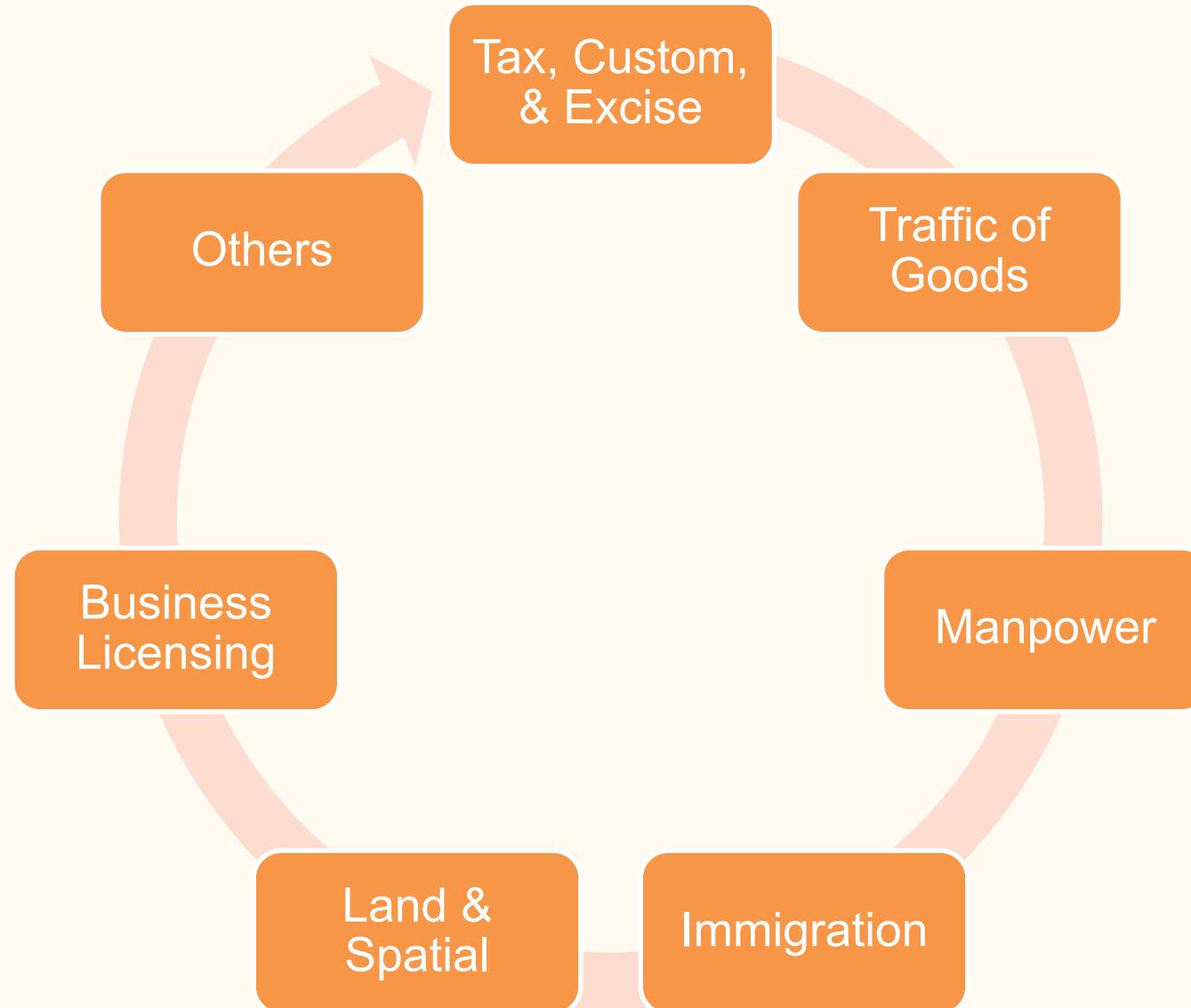
Tj. Lesung



Morotai



Singhasari





New Update : Law No. 11/2020 on Job Creation (UUCK)

1 Simplification of Attempted Licensing

1. Risk-based approach for all licensing sectors
2. Basic Infrastructure Licensing (Location and Spatial Permits, Environmental Permits, and IMB & SLF)

2 Investment Requirements

1. Investment Priority List
2. Consolidation of Investment Arrangements

3 Manpower

1. Minimum Wage
2. Outsourcing
3. Severance Layoffs
4. Working Hours

4 Ease and Protection of MSMEs & cooperative*

1. Partnership
2. Single Database
3. Incentives and Financing

5 Ease of Doing Business

1. Ease of Establishment of PT for MSEs
2. Patent
3. Repeal of the Disruption and Mandatory Company List Act

6 Research and Innovation Support

The assignment of SOEs in research, development, and innovation activities

7 Government Administration

1. Central and Local Government Authority Arrangements
2. Standard Government NSPK

8 Imposition of Sanctions

1. Removal of criminal sanctions for administrative errors
2. Types of sanctions in the form of administrative and/or civil

9 Land Procurement

1. Procurement of Land for the Public Good
2. Sustainable Food Agricultural Land Protection

10 National Strategic Investment and Projects

1. Formation of Sovereign Wealth Fund
2. Provision of land and licensing for National Strategic Projects
- 3.

11 Economic Zone

1. Institutional Arrangement of SEZ and FTZ
2. Industrial Estate Supporting Infrastructure

Scope of changes in Omnibus Law

78 Laws

1.129 Articles

*Note:

Ease and protection of MSMEs and Cooperatives, the backup of MSMEs remains in Law No. 20 of 2008 on MSMEs



Essential Changes to Special Economic Zones

1

More Business Opportunities

Education and health sectors are now included in the scope of business activities allowed to operate in the SEZ

2

Simplification of Bureaucracy and Institutional Reform

Simplification of procedures for proposing a new SEZ without eliminating local government support; the SEZ administrator is recruited based on professional qualifications; etc

3

Easier Licensing Services

Business licenses and other licenses are conducted by the SEZ Administrator

4

More Incentives and Facilities

- Development of integrated electronic system;
- VAT or VAT and Luxury Goods Tax is not collected for taxable services and intangible taxable goods;
- Non-industrial SEZ may import consumer goods;
- local governments are required to provide support, including regional incentives; etc

THANK YOU
LET'S INVEST IN INDONESIA



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Investment Opportunity in SEZ

Invest as a Tenant/Investor

- Invest in SEZ Business Sectors (industry: Palm Oil, rubber, petrochemical, agro, fishery, manufacturing, logistic, tourism; etc)
- Joint Venture with SEZ Developer/Operator as an Investor



Invest as a SEZ Developer

- Joint Venture with SEZ Developer/Operator in operating and managing SEZ



Invest as Supporting Infrastructure Provider

- Invest to Provide SEZ Infrastructures:
- On-site infrastructure (road, drainage, power plant, waste water treatment plant, etc)
 - Regional infrastructure or supporting infrastructure in area surrounding SEZ (road, port, airport, railway, electricity, water supply, gas, etc)



Note:

Investment projection total Rp. 719.82 trillion or US \$50 Billion (according to each SEZ's masterplan)

About the Indonesia Investment Coordinating Board (BKPM)



Who We Are

Primary interface between business and the government to boost both foreign and domestic investment through the creation of conducive investment climate. Chairman of BKPM is reporting directly to the President of the Republic of Indonesia, while the investment agency's goal is not only to seek more domestic and foreign investment but also seek quality investments to drive the Indonesian economy and creating more jobs for the local.

Our Services

