



INDONESIA INVESTMENT UPDATE

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Indonesia & Taiwan **complimentary** each other, and should work together : start small, think big and move fast



Brief Information	Taiwan	Indonesia
Population	23.6 million	260 million
Size	± 36,000 km2	± 1.9 million km2
GDP / capita	USD 25,004	USD 3,846
Weakness	Limited land, ocean, workers & natural resources Small domestic market	Lack of technology, capital & access to the world market
Strength	Technology, capital, world market, brand	Huge land, ocean & domestic market Abundant workers & natural resources



considered as a Secure, Stable And Reformist



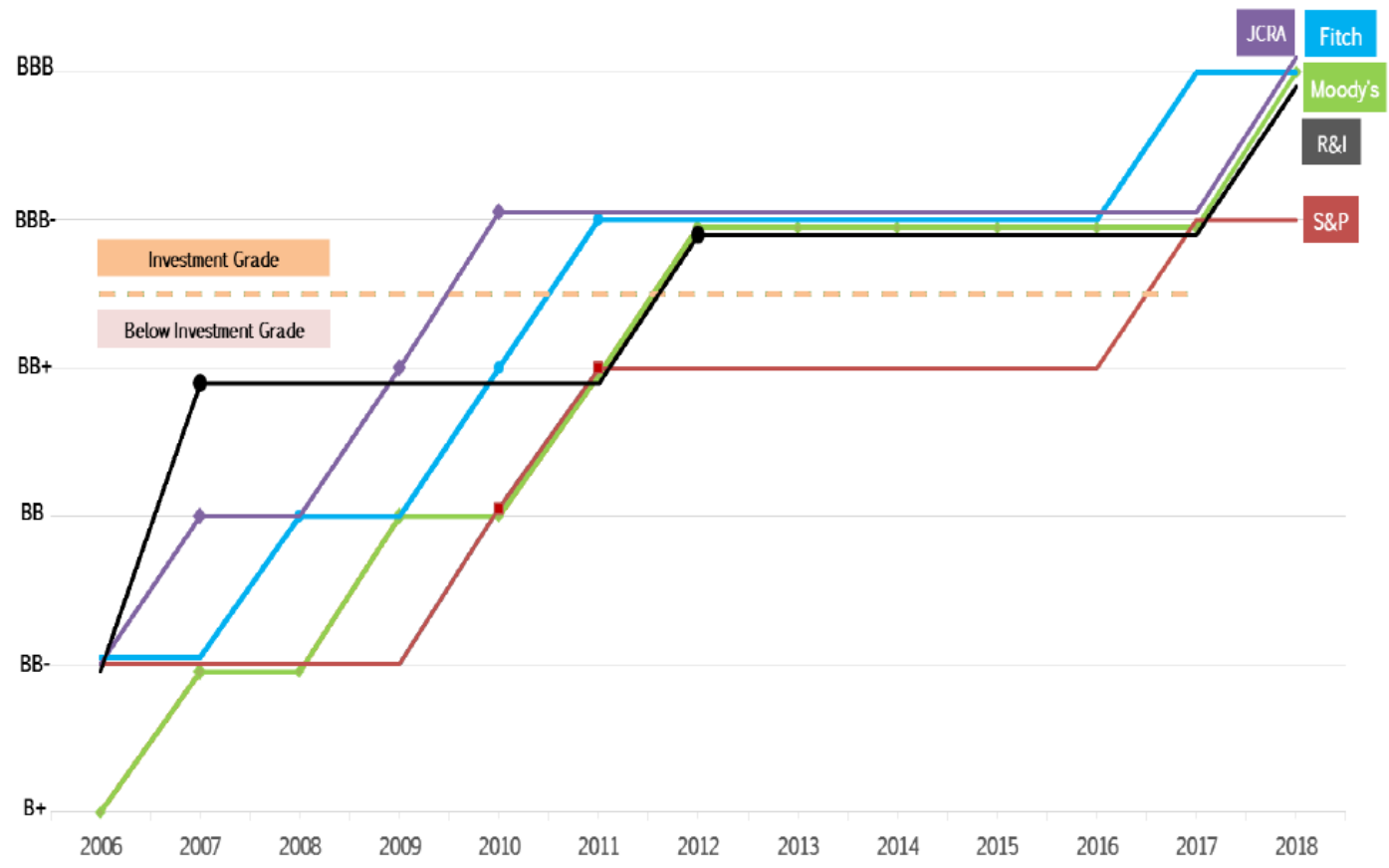
On 27 June 2018, Indonesia **has successfully** organized 171 regional elections (Pilkada Serentak) in order to choose executive heads in 17 provinces , 115 regencies, and 39 cities. The most talked-about regions is West Java, East Java, & Central Java.

The previous simultaneous elections were in 2015 with 269 regions and in 2017 with 101 regions.

Indonesia's sovereign credit rating continues trending higher



Investment Grade Status from Rating Agencies



FitchRatings
BBB / Stable

S&P Global
BBB- / Stable

MOODY'S
Baa2 / Stable

R&I
BBB / Stable

JCR
 株式会社日本格付研究所
BBB / Stable

Indonesian Middle Income Class boost the Economic Growth

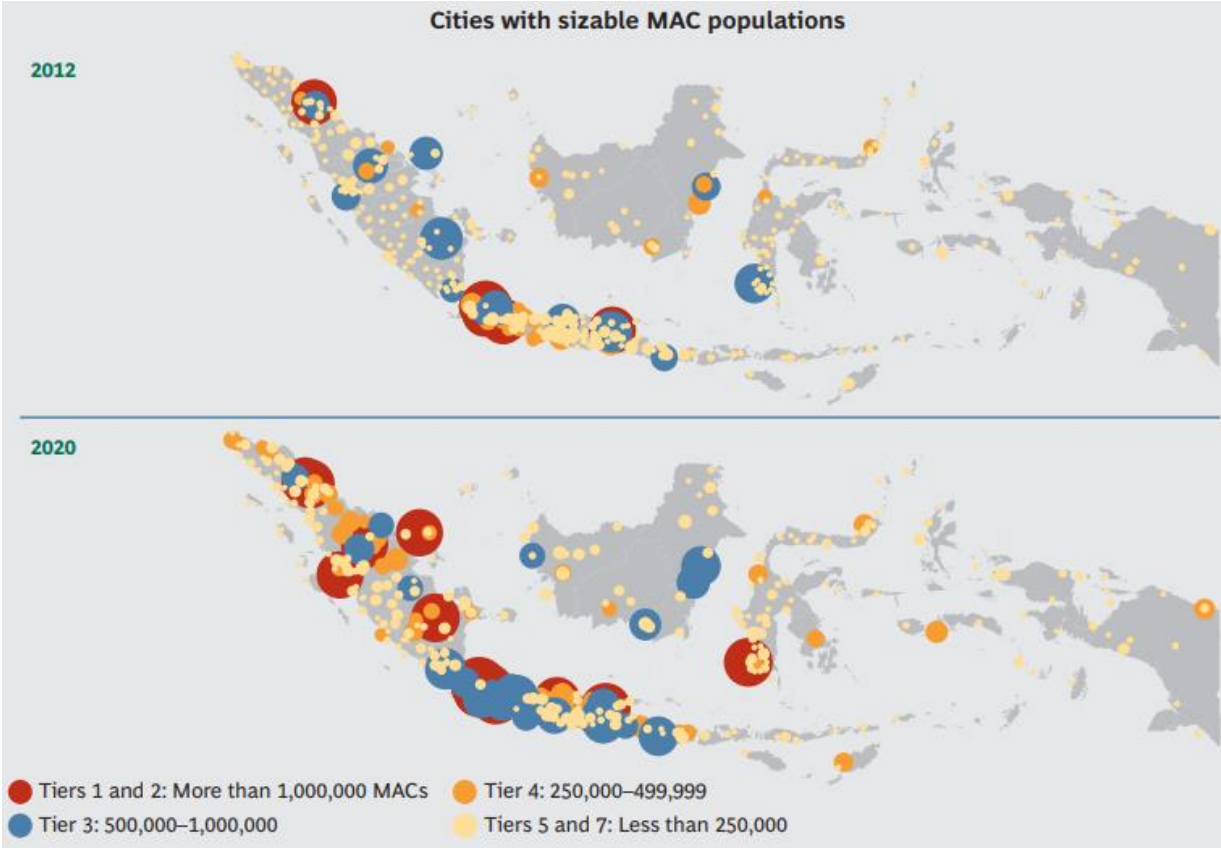
Demanding high quality products and services



8-9million new middle class citizens enter the population each year [Presidential Advisory Council RI, 2018]

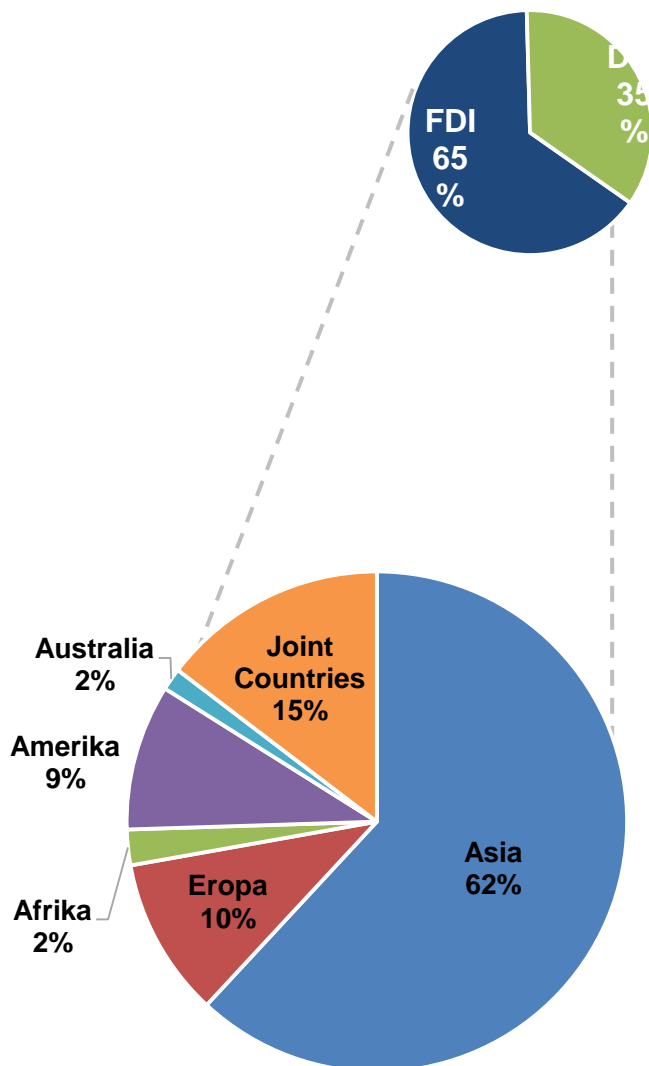
141million Middle and Affluent Class (MAC) in 2020, doubled from 74 million in 2013 [Presidential Advisory Council RI, 2018]

Middle and Affluent Class Penetration in Indonesia, A Comparison of 2012 and 2020
Source: BCG, 2013



In USD Million

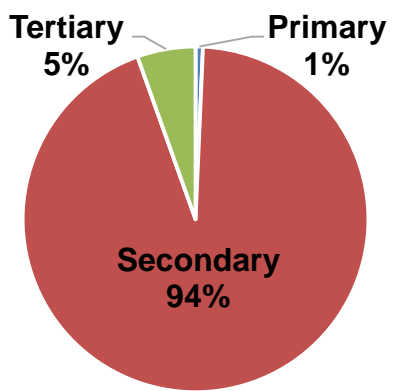
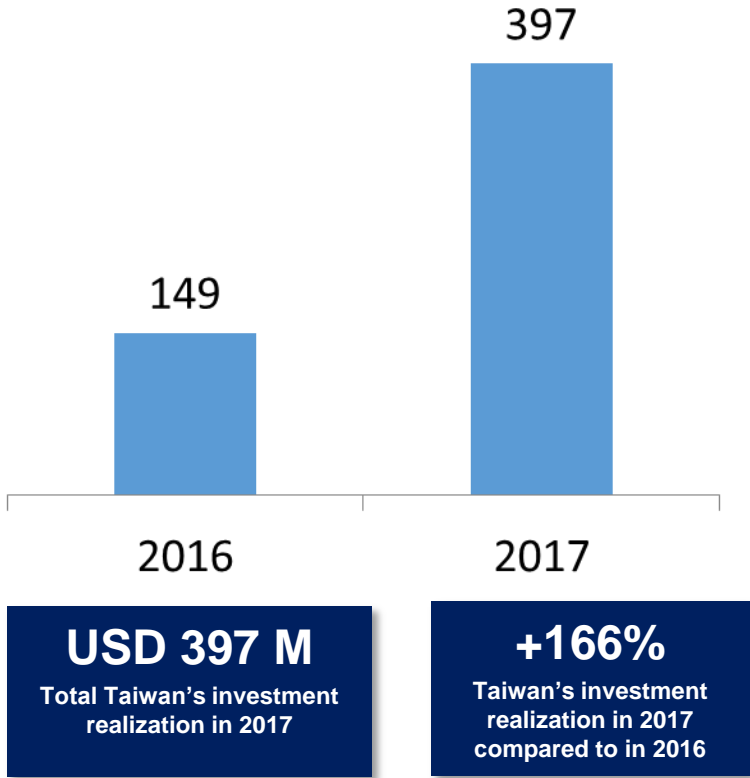
Taiwan is Indonesia's 15th Largest Source of Investment



Rank	Country	2014	2015	2016	2017	2018	Total
1	Singapore	5,832.1	5,901.2	9,178.7	8,441.6	9,193.2	38,546.7
2	Japan	2,705.1	2,877.0	5,400.9	4,996.2	4,952.8	20,931.9
3	China	800.0	628.3	2,665.3	3,361.2	2,376.5	9,831.4
4	Malaysia	1,776.3	3,077.0	1,115.6	1,213.6	1,774.9	8,957.4
5	Hong Kong, PRC	657.3	937.2	2,248.3	2,116.5	2,011.4	7,970.7
6	South Korea	1,126.6	1,213.5	1,065.8	2,024.6	1,604.7	7,035.2
7	Netherland	1,726.3	1,307.8	1,475.2	1,489.4	943.9	6,941.9
8	USA	1,299.5	893.2	1,161.9	1,992.8	1,212.6	6,656.1
9	British Virgin Islands	624.0	730.5	1,157.3	844.8	1,043.3	4,399.9
10	United Kingdom	1,588.0	503.2	307.3	774.8	271.1	3,444.4
Total (Top 10 Countries)		18.135,3	18.068,8	25.776,3	27.255,6	25,388.7	114,624.6
15	Taiwan	114.7	107.9	149.1	397.0	210.2	978.9
TOTAL (144 countries)		28,529.7	29,275.9	28,964.1	32,239.8	29,307.9	148,317.3

Source: BKPM, November 2018

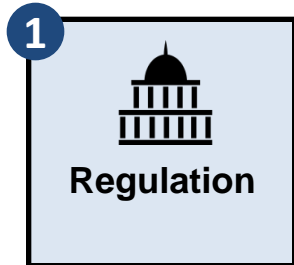
Investment from Taiwan mostly realized in Secondary Sector



In USD Million

Rank	Business Field	2014	2015	2016	2017	2018	Total
1	Rubber and Plastic Industry	11.0	52.3	76.8	242.5	18.6	404.5
2	Textile Industry	38.9	5.4	8.4	32.6	7.3	94.7
3	Basic Metal, Metal, and Non-Machinery and Equipment Industry	0.7	0.8	9.7	12.8	58.4	84.6
4	Chemical and Pharmaceutical Industry	21.4	9.1	14.1	20.3	15.0	82.5
5	Machinery Industry	4.3	0.9	13.2	17.9	15.8	52.1
	Other sectors	38.4	39.4	26.9	70.9	95.1	260.5
	Total	114.7	107.9	149.1	397.0	210.2	978.9

5 Common Challenges faced by Investor on Doing Business in Indonesia

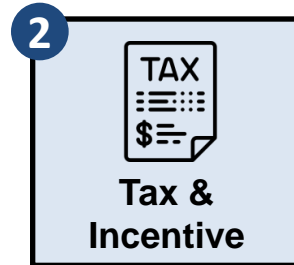


Issues:

- Uncertain regulation,
- Licensing is considered complicated,
- Lack of coordination among Ministries and Central-Local Government

Government Efforts:

- In the Economic Package 16th launched on September 2017, the Government released a **Presidential Regulation No. 91 Year 2017 regarding to Acceleration of Doing Business.**
- **Single submission system** that implying the investors will only have to go one place to obtain all required licenses. The IT and database system will be connected

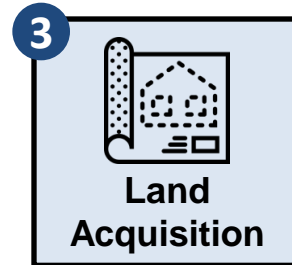


Issues:

- Complicated tax collection, slow service of tax collection
- Fiscal incentive is not attractive to investors

Government Efforts:

- Ministry of Finance on 21 Feb launched **tax data integration system** to improve taxpayer data transparency
- Ministry of Finance **will revise tax incentives regulation** for more wide range of business sectors. At least 20 business sectors to be added from existing 145 business field in Tax Allowance. The regulation also will give simpler mechanism on applying Tax Allowance/Tax Holiday
- Ministry of Finance has issued regulation No. 35/2018 on Tax Holiday



Issues:

- Land acquisition is the biggest challenge for foreign investors. The process may take years, and could cause substantial delay and uncertainty.
- Speculative rising price of land

Government Efforts:

- Issuance of **Government Regulation No. 13 year 2017 on RTRW (spatial plans)**. The Minister of Agrarian could issue a recommendation of space utilization to speed up project permissions.
- The Ministry of Industry to **set a price ceiling for industrial land**, intended to maintain price stability and enhance the attractiveness of industrial land

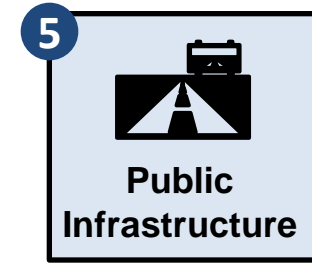


Issues:

- Limited number of skilled labor
- Complicated procedure to obtain Foreign Worker Permit

Government Efforts:

- The Government is preparing **incentives formulation for industry that supporting vocational and training program**
- The Government is preparing Government Regulation that process of obtaining **Foreign worker Permit will be delegated to BKPM (one roof)**
- Government Regulation No. 22 of 2018 has released to ease foreign worker.



Issues:

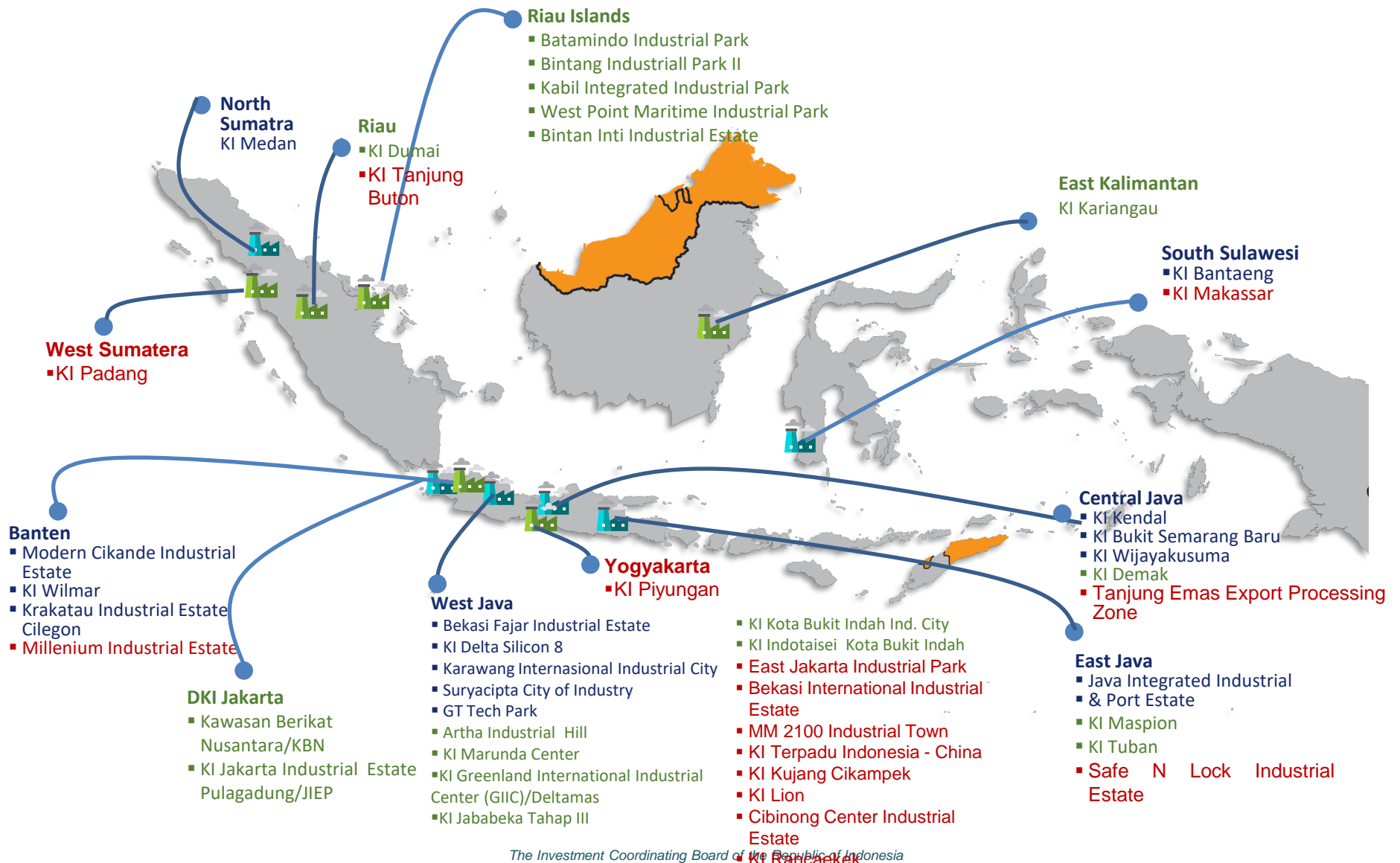
- Slow dwelling time on the port
- Lack of infrastructure caused by lack of funding

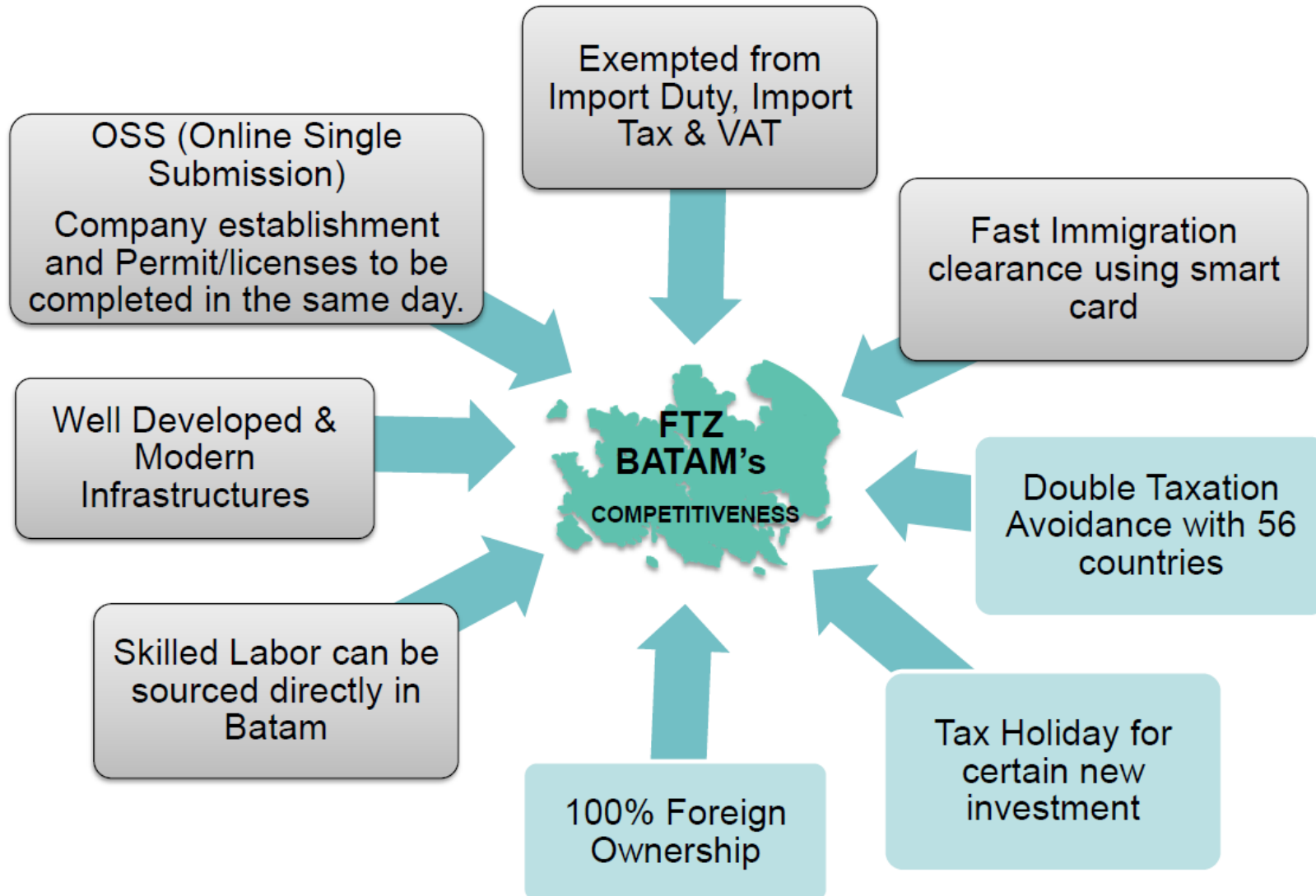
Government Efforts:

- Starting on Feb 1, the Government implement **“post-border” system**, in which the physical checking of some restricted goods will be done outside the customs area of the port, in order to reduce the length of time goods remain in the port
- Indonesian Government offer **several alternative financing i.e. PINA (Non State Budget Financing)** through various financial instrument (perpetual bonds, securitization, etc.)

Where to invest?

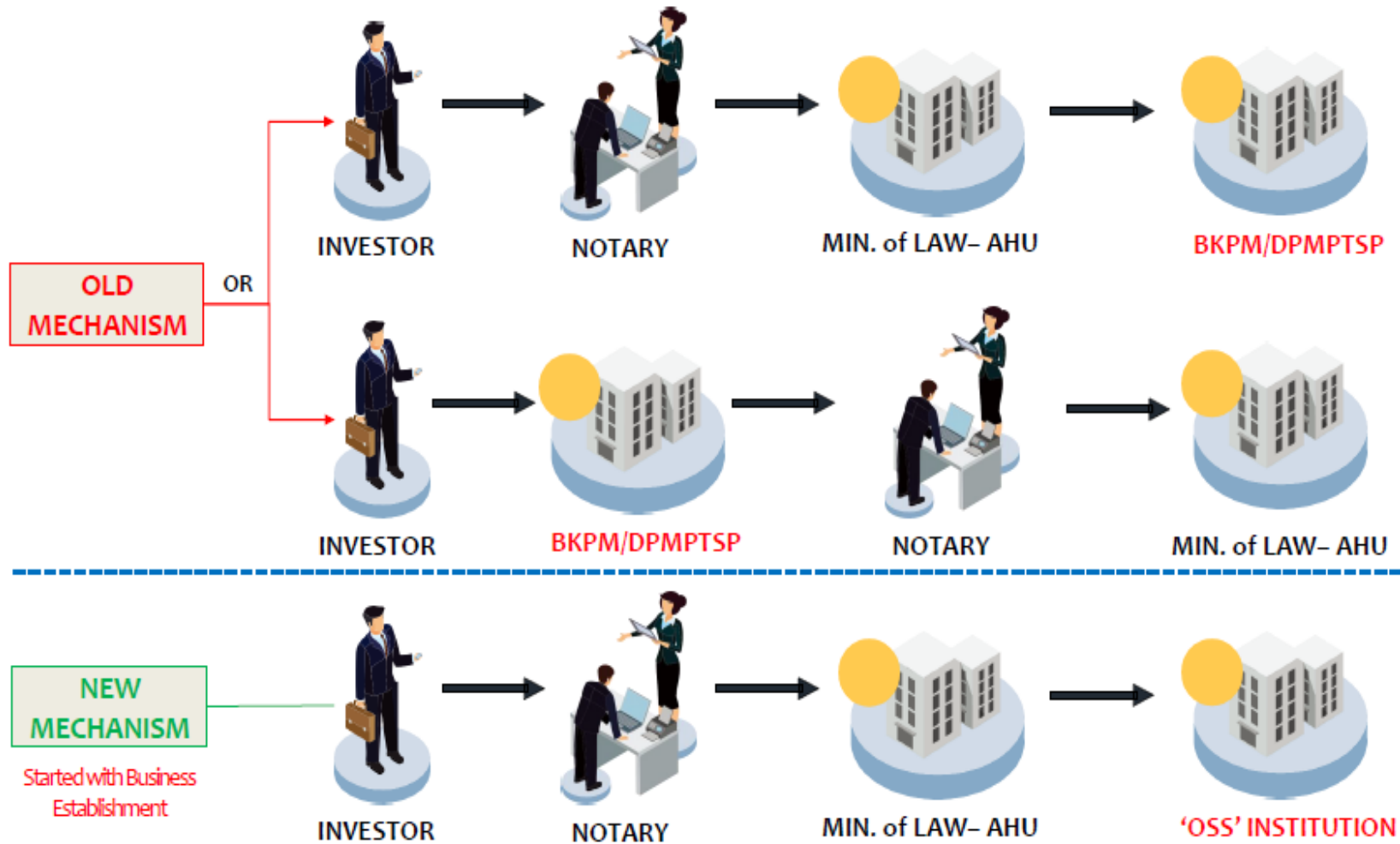
47 Industrial Estates with Direct Constructions (KLIK) Facility





New Regime: One Single Submission (OSS)

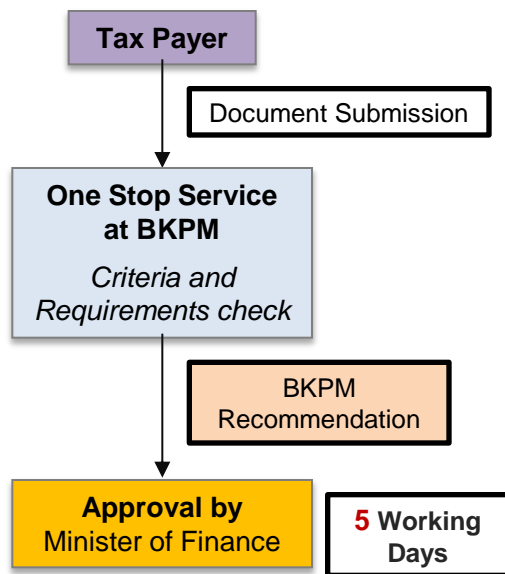
#2 One Stage of Processing



Investment Incentive - New Tax Holiday Policy

New Scheme of Tax Holiday

Based on Ministry of Finance Regulation No. 35 Year 2018



Note:

- New scheme is faster than previous procedure with 45 working days
- Must be submitted before commercial phase. Not only for new company.
- Tax Holiday application can be submitted simultaneously at investment registration or at least 1 (one) year after the investment registration issued

Equitable and Non discriminatory treatment against country of origin

PROVISIONS	AFTER (MoF Regulation No. 35 of 2018)																		
Subject	New Investment with minimum value of 500bn Rupiah																		
Industry Groups	Applied to 17 industry group																		
Reduction rate	100% (single rate)																		
Concession Period	<table border="1"> <thead> <tr> <th>No.</th> <th>Time Period</th> <th>Investment Value</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>5 years</td> <td>IDR 500 billion up to less than IDR 1 trillion</td> </tr> <tr> <td>2.</td> <td>7 years</td> <td>IDR 1 trillion up to less than IDR 5 trillion</td> </tr> <tr> <td>3.</td> <td>10 years</td> <td>IDR 5 trillion up to less than IDR 15 trillion</td> </tr> <tr> <td>4.</td> <td>15 years</td> <td>IDR 15 trillion up to less than IDR 30 trillion</td> </tr> <tr> <td>5.</td> <td>20 years</td> <td>Minimum IDR 30 trillion</td> </tr> </tbody> </table>	No.	Time Period	Investment Value	1.	5 years	IDR 500 billion up to less than IDR 1 trillion	2.	7 years	IDR 1 trillion up to less than IDR 5 trillion	3.	10 years	IDR 5 trillion up to less than IDR 15 trillion	4.	15 years	IDR 15 trillion up to less than IDR 30 trillion	5.	20 years	Minimum IDR 30 trillion
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Transition time	50% reduction for the next 2 years																		
After Tax Holiday	Tax allowance for business expansion can be provided with T&C applied.																		

TAX ALLOWANCE

Government Regulation No.9/2016

- 30% reduction of Corporate Income Tax (for 6 years, 5% each year)
- 145 Eligible business fields

IMPORT DUTY FACILITY

MoF Regulation
No.176/PMK.011/2009 jo. MoF
Regulation No. 76/PMK.011/2012 jo.
MoF Regulation 188/PMK.010/2015

- Exemption of import duty on machineries and equipment
- 2 years exemption of import duty on raw materials
- Additional 2 years import duty exemption for raw materials if using locally-produced machineries and equipment (min 30%)

GREEN LANE FACILITY

- Facility for custom clearance at ports in Indonesia for capital goods, machinery or raw material
- For new companies under construction phase
- Require BKPM recommendation and LKPM obligation fulfilled

謝謝
Thank You
Terima Kasih

**Badan Koordinasi
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