

Indonesia

Legal Provisions

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GENERAL REMARKS

The purpose of this document is to give an overview of trade-related legal provisions and regulations, particularly those relevant for small and medium sized Swiss companies operating from outside the target country. It outlines the current state of legislation and, to the extent possible, its practical application.

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CUSTOMS LAW AND DUTIES

Indonesian Customs Law

Indonesian Customs (ICL) is governed under Law Number 17 of 2006. The Indonesian Customs Territory is defined as the territory of Indonesia, covering the land and waters and the air space over them and specified localities in the exclusive economic zone (ZEE) and the continental shelf in which the ICL applies in full. The Indonesian ZEE is the outer strip bordering the Indonesian territorial sea as determined by the law applicable to the Indonesian waters, covering the seabed, the subsoil thereof, and the water above it with an outermost limit of two hundred (200) nautical miles, measured from the baseline of the Indonesian territorial sea. The Customs Area is an area with certain borders at a harbour, airport, or other place designated for flow of goods, which is fully under the monitoring of the Indonesian Directorate General of Customs and Excise (DGCE).

Customs valuation is a series of customs procedures that are applied to determine the customs value of the imported goods. The determination of customs value in the course of importation into the Indonesian customs territory is governed under Article 15 of the ICL, which states that the customs value of imported goods shall be the "transaction value". If the customs value cannot be determined based on the transaction value of the imported goods, then the customs value should be based on the transaction value of identical goods, the similar goods, deduction method, or computation method, or should be determined on the basis of data available in the customs territory, subject to certain limitations.

Importation of goods into Indonesia must be declared to the Customs Authority using Customs declaration Form (PIB). The Importer must prepare a Customs Declaration Form (PIB) upon the importation of goods. The customs declaration should be accompanied by supporting documents, i.e. commercial invoice, airway bill (AWB) or bill of lading (B/L), packing list (P/L), insurance letter, etc.

The revision of customs declaration can be done under certain circumstances. Revision can be made provided the imported goods have not been released from the temporary customs area, the error was not discovered by the customs officials, or no assessment has been issued. The type of customs declaration form depends on the purpose of import.

Customs Tariff

Indonesia is a member of the World Trade Organization and adopts the Harmonized System Code for Customs Tariff. Import duties generally vary between 0% and 100%. The tariffs are calculated based on the CFR or CIF value, net of the specific weight or volume-averages.

For customs duties, please refer to S-GE's modular database: <https://www.s-ge.com/en/customs-database-worldwide-customs-tariffs>.

IMPORT REGULATIONS / NON-TARIFF RESTRICTIONS

Tariff Classification and Import/Export Duties

Indonesian Tariff classifications are governed under Article 12 of the ICL. The Indonesian HS Code is determined based on the International Harmonized System, and the HS Code is now extended to eight (8) digits.

Customs duty tariff depends on the HS Code of the imported goods as classified in the Indonesian Customs Tariff Book (BTKI – latest year 2017). Knowing the correct classification is essential, since the HS Code is one of the factors that determine the rate of customs duties and taxes, as well as the import/export requirements for the product.

A preferential tariff rate is extended to partner countries that have signed Free Trade Agreements (FTA). The IE-CEPA of Indonesia – EFTA is planned to go into force November 1, 2021. Thereafter specific rules and regulation apply.

Import duties

Imports are also subject to VAT and levied at a standard rate of 10%, or at a reduced rate between 0% and 5% calculated on the sum of the CIF value and duty. The applicable import duties depend on the type of product to import to Indonesia.

Three main types of taxes apply when importing goods to Indonesia:

Tax type	Tax rate
Import Duty	Rates vary - depending on the HS Code of the goods
Value-Added Tax (VAT)	10%
Income Tax	2.5% or higher for specific products

The total tax of imported goods is known as the Declaration of Imported Goods (PIB). Committed to trade liberalisation, the Indonesian government has progressively cut import duty rates on most products. Most imported items attract duties in the range of 0% to 15%. The rates applicable vary with where the goods are originated, where certificate of origins need to be presented.

Import

Imported goods may be subject to import duty, sales tax, luxury and income tax. If imported products are considered luxury goods, they are also subject to Luxury Tax, which rate depends on the type of product. For example: luxury cars (150% – 200%), yachts (75%), luxury motorcycles (60%-125%), alcohol beverages (5%-20%), and branded shoes (40%).

Companies may only import with an import license issued by the Ministry of Trade. The import-licensing requirement is exempted for the import of products of which values do not exceed US\$ 100, and products from the "master list" of approved investments. These include goods that cannot be produced in Indonesia or expensive capital goods (machinery), equipment, raw materials and consumer goods. The import of products as gift items to the Indonesian government and recognized non-profit organizations, samples, advertising material, as well as imports of warehousing (bonded warehouses) are also exempted from the licensing requirement.

Temporary import

Indonesia is not a member of the ATA Convention. For temporary import of goods, the Indonesian importer must sign an undertaking with the competent customs office and provide a reclaimable guarantee equivalent to the amount of the good with customs and tax duties factored in. This is not necessary when participating in exhibitions because larger fair warehousing (bonded warehouse) would declare the goods.

A new import regulation, PMK 182/PMK.04/2016, was rolled out in Indonesia in 2017. The key changes introduced by the new regulation are as follows:

1. There are now three (3) clearance classifications, based on the value of the shipment:
 - a. Shipments with values not exceeding USD 100;
 - b. Shipments with values more than USD 100 but not exceeding USD 1,500; and
 - c. Shipments with values more than USD 1,500.
2. Limitation of the exemption value of goods will change from USD 50 to USD 100. If a shipment's value is greater than USD 100, duty tax will be applied to the full value of the shipment;
3. Shipments with a value more than USD 100 but not exceeding USD 1,500 can be processed using one of the following methods:
 - a. Consignment Note with flat 7.5% import duty (except for textbooks - a 0% import duty); or
 - b. Formal entry (PIB) for business entities or simplified formal entry (PIBK) for personal shipments.
4. Shipments with a value more than USD 1,500 can be processed using PIB for business entities or PIBK for personal shipments.

Export

Any release of goods from the Indonesian customs territory shall be treated as an Export. Export of taxable goods/products is subject to VAT at 0%, while exports of products/commodities are not subject to export duty.

The export of timber, certain fish species, certain varieties of rice, certain categories of rubber, and culturally valuable antiques are prohibited. Special licenses are required for the export of products such as gold, silver, certain categories of rubber, and certain types of fish, oil and natural gas.

E-commerce

Indonesia's internet economy experiences rapid growth with over 10 percent of Indonesia's 270 million population indulging in online shopping.

In late November 2019, Indonesia issued Government Regulation 80 of 2019 (GR 80, 2019) to improve the governance of internet-based and electronic trading activities in addition to ensuring tax compliance among e-commerce businesses. This would mean that online businesses classified as small or medium enterprises (SMEs) must pay 0.5 percent in income tax while large companies pay the 25 percent corporate tax rate. Additionally, individual taxpayers who are earning at least US\$342,000 from their online business must charge their customers value-added tax (VAT).

From January 2020, the government impose import taxes on consumer goods sold via e-commerce to just \$3 from the threshold was previously at US\$75, to control purchases of cheap foreign products and protect small domestic firms. Additionally, there will be different tariff rates for imported textiles, shoes, and bags. Textiles will be subject to 15-20 percent in import duties, as are bags, while shoes will be subject to a 25-30 percent rate. This is also before applying the 10 percent VAT and 7.5 percent in income tax. For other products, the import taxes will be lowered from 27.5%-37.5% of their value to 17.5%, as applicable to any goods worth \$3.

On non-tariff restrictions, please consult

https://www.wto.org/english/tratop_e/tp_r e/tp_rep_e.htm#bycountry

Covid-19 Situation

The President Joko Widodo issued Government Regulation Number 1 of 2020 on State Financial Policy and Financial System Stability in Relation to the Handling of Covid-19 Pandemic, which came into force on March 31, 2020. One of many substantial policies addressed in "Perppu 1/2020" was the taxation policy.

- E-Commerce Tax

With the issuance of this regulation, foreign online business practitioners with a significant economic presence in Indonesia can be treated as permanent establishments, which will be determined by their gross circulation of business group consolidation, sales and/or active users in Indonesia. They will be subject to Indonesian taxation regulations.

- Income Tax

The Indonesian government through the Ministry of Finance issued Regulation of Minister of Finance No. 44/PMK.03/2020 on Taxation Incentives for Taxpayers Affected by the COVID-19 Pandemic, which came into force on April 27, 2020. Under the PMK 44/2020, the Indonesian government grants the following tax incentives:

• Article 21 Income Tax Borne by the Government

With the issuance of PMK 44/2020, the list of business classifications code ("KLU code") that eligible to obtain Article 21 Income Tax borne by the government ("Article 21 Income Tax DTP") expands to 1.062 business fields, which previously only 440 business fields under PMK 23/2020. The Indonesian government will cover Article 21 Income Tax from employees which was originally cut from the employees' income.

• Exemption of Article 22 Income Tax on Import

With the issuance of this regulation, these are the criteria of taxpayers who can be exempted from the Article 22 Income Tax on import:

- Taxpayers that have a KLU code as listed in appendix I of PMK 44/2020;
- Taxpayers are determined as KITE companies based on the Decree of the Minister of Finance;
- Taxpayers that have obtained a Bonded Zone Operator permit, a Bonded Zone Entrepreneur permit.

PRODUCT REGISTRATION AND TECHNICAL STANDARDS

REGISTRATION PROCEDURE FOR PRODUCTS

Different products would require registration with different government agencies:

- Indonesia National Agency of Drugs and Food Controls (BPOM) issued registration numbers on pharmaceuticals, food and skincare products.
- Medical devices including its registration and distribution are under the domain of Ministry of Health (MOH).
- The Ministry of Trade (MOT), Indonesia National Agency of Drug and Food Control (BPOM), and National Agriculture Quarantine, Ministry of Agriculture (MOA) regulate dairy products.

It is mandatory that product registration to be done through local partners or counterpart in Indonesia.

STANDARDS, TECHNICAL RULES, LABELLING REGULATIONS

Standards

Indonesia is applying its own national standard called SNI (Standard National Indonesia) which applies for certain products that produced locally or imported. The National Standardization Agency of Indonesia (BSSN) issues the SNI.

Labelling

Labelling is required for Food and Non-Food Products:

- Food Law No.18/2012, Government Regulation No.69 of 1999 on Food Labelling and Advertisement, BPOM Regulation No. HK.00.05.52.4321 of 2003 on Guidelines of Labelling of food products require all producers, importers and/or distributors to attach labels on food products before entering Indonesia customs area.
- Minister of Trade regulation no. 22/2010 require producers and importers to attach labels written in Bahasa Indonesia on non-food products before entering Indonesia customs area.
- The recent regulation no.67/2013 describe the recent development on labelling that would need to be complied by domestic and foreign companies.

Pre-shipment inspection

Based on the Ministry of Trade Regulation no.61/2013, the companies need to check the list of seaports and airports for entrance of certain kind of products in the list of pre-shipment inspections.

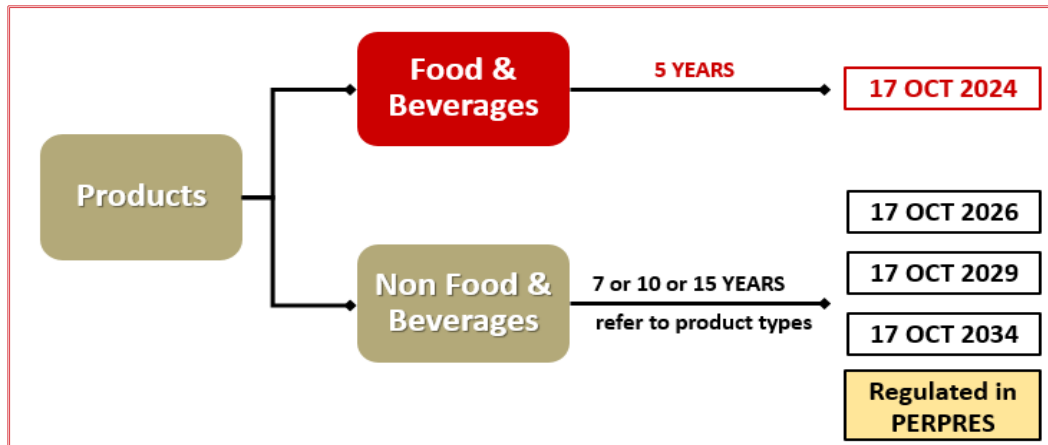
HALAL REGULATIONS

The Ministry of Religious Affairs (MoRA) has stipulated a new Implementation of Halal Product Assurance PMA No.26/2019, issued on 17th October 2019. Badan Penyelenggara Jaminan Produk Halal (BPJPH) under the Indonesia Ministry of Religious Affairs (MoRA) is the authorized institution to operationalize this Halal Product Guarantee law.

Since the enactment of Government Regulation, under a multi-stage implementation period starting from 2024, food and beverage, cosmetics, drugs, and other consumer products will be required to be labelled as Halal or non-Halal.

Highlighted articles of the new Halal Law

- **Products** are goods and/or services related to food, beverages, drug, cosmetic, chemical product, biological product, genetically engineered product, as well as consumer goods that are worn, used, or utilized by the public.
- Products that enter, circulate, and traded in the territory of Indonesia **must be halal certified**.
- Product that originated from haram material excluded from Halal Certification.
- **The obligation of halal certification come into force after 5 years** since the law enacted.



HALAL LABELLING

Based on BPJPH Decree No.40/2022, it defines the new halal logo to attach in the product (on either the packaging or certain part of the product). The halal logo must also include the certificate number or the product registration number. The decree is valid starting 1st March 2022.



CURRENCY REGULATIONS AND OTHER TRANSFER RESTRICTIONS

National currency in Indonesia is the Rupiah (IDR, Rp abbreviated). Bank Indonesia (BI) controls the regulation and the transfers. Bank Indonesia (BI) Regulation No. 18/19/PBI/2016 stipulates that Indonesian banks are restricted from carrying out overseas transfers of local currency (rupiah), which must be converted into a foreign currency.

The BI Regulation No. 18/10/PBI/2016 monitors Foreign Exchange Activities of Banks and Customers regulates foreign exchange flows. If the amount transferred overseas exceeds BI's thresholds, the customer must provide the supporting documents.

Bank Indonesia (BI) Regulation No. 18/18/PBI/2016 regarding Foreign Currency Transactions against Rupiah between Banks provides that Indonesian nationals, legal entities and residents purchase foreign currency in excess of US\$25,000 or its equivalent per month must provide information on the underlying transaction that meets the requirements of the bank.

The underlying transaction must relate to one or more of the following activities:

- Domestic and overseas trading of goods and services;
- Investment in the form of direct investment, portfolio investment, loan, capital and other investment, domestic and overseas;
- Extension of credit or financing by a bank in foreign currency or in rupiah for trading and investment activities, or both.

COMMERCIAL REGISTER AND OTHER SOURCES OF COMPANY INFORMATION

Company Registration

Foreign investment in Indonesia shall be conducted in the form of a limited liability company (foreign investment company or PT PMA).

1. The applicant needs to select a name for PT PMA before the Notary will check and reserve the **PT PMA's name on the Ministry of Law and Human Rights (MoLHR)'s system**. The applicant has to pay the administrative cost to obtain a bank perception for the use of such name. PT PMA's name shall be valid for 60 (sixty) days since the payment date until the company is established.

A company shall be established by 2 (two) or more shareholders (legal entity and/or individual) and shall have 3 (three) organs, which are:

- General Meeting of Shareholders ("GMS")– divided into Annual GMS and other GMS. Annual GMS has to be carried out at the latest 6 (six) months after the end of the financial year;
- Board of Directors ("BoD") – BoD carries out the purposes and objectives of the company in accordance with the limitation set by the Company Law and/or AoA. BoD consists of at least 1 (one) director or more, which is appointed by the GMS;
- Board of Commissioners ("BoC") – BoC supervises the management of the company and advises the BoD where necessary. BoC consists of at least 1 (one) commissioner or more, which is appointed by the GMS.

The company shall also have a Deed of Establishment ("DoE") that contains:

- Articles of Association ("AoA"), which consists of the following minimum information, among other: name and location of the company, purposes and objectives of the company, amount of the authorized capital, issued and paid-up capital, titles and the numbers of the BoD and BoC, and terms on the GMS; and
- Other related information, which consists of the following minimum information on the identity of the shareholders, BoD, and BoC and other related information.

Company will obtain its legality status after being registered to MoLHR and obtained registration proof.

2. **Tax Identification Number (Nomor Pokok Wajib Pajak or NPWP)** is the identification numbers given to taxpayers to exercise their taxation rights and obligations. NPWP will be issued in no later than 3 (three) working days after complete and correct documents submission.
3. **Processing and Obtaining Business Identification Number ("NIB") from OSS**. Based on the Government Regulation No. 5 of 2021 on Implementation of Risk-Based Business Licenses ("GR 5/2021"), NIB serves as (i) Investment Registration, (ii) a Company Registration Certificate (TDP), (iii) an Importer Identification Number (API), and (iv) a customs access right.
4. **Business License**
Under the GR 5/2021, there are 3 types of risk of business activities that related to the business license:
 - Low-Risk business activities: Most business activities classified as low risk only require NIB as license document.
 - Medium Risk business activities: The Company will also have to fill out Standard Certificate ("Certificate") in addition to NIB.
 - High-Risk business activities: The Company will require NIB and a License. The License will be issued after the applicant has met all the requirements for the relevant business activities (which may also include Environmental Impact Analysis – AMDAL), and therefore, may commence its operational and commercial activities.

For certain business activities (i.e. those located in an industrial estate, a special economic zone, free trade zone, or listed in a national strategic project), the issuance of the license may be expedited for a company to commence its preparation and operational activities.

Business Tax Rate

The Normal rate is 22% (and decrease to 20% in 2022). The Public company with >40% of its shares traded on the IDX and meets other conditions are 19% (and decrease to 20% in 2022).

Companies with a gross turnover below CHF 3,166,266* = 11% (50% discount from the normal rate), which is allowed on taxable income of the part of gross turnover up to IDR 4.8 billion / CHF 303,962*.

Withholding Tax Rate

Dividends received from an Indonesian company, cooperative, or state-owned company, are exempted from income tax withholding if the following conditions are met.

For resident recipients:

- Domestic dividends received or obtained by the individual taxpayer as long as the dividend is invested in Indonesia within a certain period of time, and corporate tax payer;
- Dividends and income after corporate tax abroad, received by corporate and individual taxpayers, as long as they are investing or supporting other activities in Indonesia within a certain period of time, with the following requirements:
- The dividends and after-tax income invested are at least 30% (thirty percent) of the profit after tax; or
- The dividends obtained from overseas business entities whose shares are not traded on the stock exchange are invested in Indonesia.

A-20 percentage final withholding tax is due on dividends paid to a non-resident recipient.

**The currency rate as of 29 July 2021*

LEGAL FORMS OF COMPANIES

PT PMA Establishment

There are several key matters that foreign investor has to be well aware of prior to establishing PT PMA:

1. Indonesian Standard Business Field Classification (“KBLI”)

Business sectors/activities in Indonesia are classified into different categorizations as regulated under the Head of Centre Statistic Body Regulation No. 2 of 2020 on the Indonesian Standard Business Field Classification (Klasifikasi Baku Lapangan Usaha Indonesia or KBLI).

Foreign investor has to be specific in its business sectors/activities, since the details of business sectors/activities will be reflected in the KBLI code, and will further be used to determine investment limitations, establish PT PMA, and obtain licenses.

2. Capital Investment

Investment in Indonesia is regulated under the Presidential Regulation No. 10 of 2021 on Investment Business Activities as amended with the Presidential Regulation No. 49 of 2021.

According to the Investment Coordinating Board Regulation No. 4 of 2021 on Guidelines and Procedures for Risk Based Business Licensing and Investment Facilities, the minimum issued and paid-up capital for PT PMA is 10,000,000,000 IDR / 635,000 CHF, while the investment value has to be more than IDR 10,000,000,000 / 635,000 CHF excluding land and building.

This is because a PT PMA is classified as conducting large-scale activity, and foreign investment is only allowed to engage in large-scale activities. Please note that the amount of investment value to be submitted will depend on the numbers of business activities or KBLI code to be applied

Minimum Capital Requirement	Minimum Investment Value Requirement
IDR 10,000,000,000 (CHF 650,475)*	More than IDR 10,000,000,000, excluding Land & Building (CHF 650,472)*

**The currency rate as of March 2022*

REGULATIONS GOVERNING SALES AGENTS AND COMMERCIAL REPRESENTATIVES

Entry conditions

Although holders of national passport issued by 169 countries or special regions as listed below do not require visa for traveling to Indonesia and to stay for not more than 30 days, in practice, Indonesia immigration officers still require a visa on arrival (VOA) or business visa undertake the following business activities under a:

- Perform government duties
- Have business meetings
- Attend seminars
- Follow an international exhibition
- Attend a meeting held in headquarters or with representatives in Indonesia
- Be crew members of vessels located in Indonesian waters.

A Visa on arrival (VOA) is available for residents of 67 countries under MLHR Regulation No. 21 of 2015. A foreigner can apply for a VOA directly at the airport when entering Indonesia before passing through immigration. The VOA is valid for up to 30 days and can be extended once for a maximum period of 30 days.

Business visitors who come to Indonesia on a single-entry business visa (SEBV) or a multiple entry business visa (MEBV) must have a local Indonesian company to sponsor their business visa.

All countries can apply for a SEBV under Government Regulation No. 26 of 2016. A SEBV is valid for 60 days and can be extended up to four times for a maximum of 30 days per extension. To secure an extension, the business visitors must attend an interview and a biometric session at the local immigration office. The same application for a MEBV under Government Regulation No. 26 of 2016. The MEBV is valid for between one to five years. However, business visitors must leave Indonesia once they have stayed for a continuous period of 60 days. After the foreigner leaves Indonesia, they can re-enter again for another 60 continuous days. This process can be repeated until the MEBV expires.

The Process of Getting a Work Permit in Indonesia

Based on the Indonesian Ministry of Law and Human Rights (MOLHR) Regulation Number 16 of 2018, there are two types of employment visas available for foreign workers planning to work and live in Indonesia:

- ITAS (Izin Tinggal Terbatas), a limited stay permit, issued by the Indonesian Immigration Directorate General through the local immigration office
- KITAP (Kartu Izin Tinggal Tetap), a permanent stay permit that is available for application to only those foreign workers who have held ITAS for a minimum of three consecutive years.

While ITAS is a limited stay permit, VITAS (Visa Izin Tinggal Terbatas) is the limited stay permit visa, a prerequisite to the issuance of the ITAS. The application for Work Visa ITAS is carried out by the employer on behalf of their foreign employee and involves the following procedures:

1. Foreign Manpower Employment Plan approval (RPTKA)	A document approving your company's proposal to use foreign employee for the issuance of limited stay permit (ITAS), issued by the Indonesian Ministry of Manpower. [Update: <i>Presidential Regulation No. 20/2018</i>] RPTKA is not required for companies applying for the working permit approval. As well as for shareholders who are also the Director and Commissioner of the Company.
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2. Pre-IMTA/Pre-working permit	<p>Once the RPTKA approved, companies must submit an application for IMTA and foreign candidate's data information.</p> <p>Under the new regulations, the relevant official or minister will process the foreign worker's information and approve IMTA for a maximum period of one year. It may, however, be extended in accordance with the validity period of the RPTKA, each for the period of maximum two years.</p>
3. Payment of the monthly development funds to the Indonesian Ministry of Manpower (DKP-TKA)	The amount your company should pay comes from your length of stay. You receive notification about it during the previous procedure.
4. Working permit (IMTA)	You can now legally work in Indonesia.
5. Limited stay permit (VITAS)	<p>Your IMTA will be the basis of the Indonesian Immigration to issue you the Limited stay permit/ VITAS. The validity of your VITAS will adjust to the maximum duration of stay granted for your position.</p> <p>Calculation starts from the day you enter Indonesia. VITAS approval takes place at the immigration in Indonesia. Also, note that the issuance of VITAS itself takes place abroad. You must visit an Indonesian embassy.</p>
6. Limited stay permit (ITAS)	<p>As soon as you enter Indonesia with a VITAS, you must convert it into KITAS, valid for as long as your VITAS is. During this process you will also have to go to the Immigration office to record your biometric data.</p> <p>Under the new regulations, an applicant may simultaneously apply for the ITAS through a common application for both VITAS and ITAS at an Indonesian embassy or consulate.</p>
7. Permanent stay permit (KITAS)	After ITAS obtained, foreigners can apply for a KITAS. KITAS grant permit for a stay up to two years and can be extended for up to two years each time with a maximum stay of six years.

Covid-19 situation

The Minister of Law and Human Rights issued regulation number 11 of 2020 on Temporary Suspension on Foreigners from Entering the Territory of the Republic of Indonesia ("Permenkumham 11/2020"), then the Ministry of Manpower issued Circular of the Minister of Manpower No. M/4/HK.04/IV/2020 concerning Services for the Utilization of Foreign Workers in Relation to the Prevention of COVID-19 ("Circular 4/2020"), which came into force on April 8, 2020 until the COVID-19 pandemic is declared over by the Indonesian government.

Foreigners who intend to enter the territory of the Republic of Indonesia for the purpose of family reunification may be granted an Emergency Stay Permit to Entry (Izin Tinggal Keadaan Terpaksa Masuk – "ITKT Masuk"). It should be noted that granting an "ITKT Masuk" to foreigners who meet the criteria does not automatically extend their ITAS.

The provisions for the use of foreign workers in light of current Covid-19 conditions have been updated with the issuance of Government Regulation 34/2021 on the Utilization of Foreign Workers.

The notable points are as follows:

- Employers of foreign workers can submit a request for Approval for the Plan to Use Foreign Workers (RPTKA) for:
 1. National Strategic Projects and National Vital Objects Activities based on recommendations from the ministry that covers the coordination, synchronization, and governance of maritime and investment sectors; or
 2. Specific and urgent reasons based on the recommendation of relevant institution or ministry.
- The approval of RPTKA will not be granted to prospective foreign workers coming from countries with high levels of Covid-19 cases. The classification of countries based on Covid-19 transmission levels will be determined by the ministry which is responsible for law and human rights
- Employers of foreign workers can submit a request for RPTKA approval for foreign workers still residing in Indonesian territory.

As the processes and requirements for the Indonesian work visa continue to evolve and revised regulations are issued from time to time, it is advisable to seek professional advice before applying for the employment permits.

ENTRY CONDITIONS FOR STAFF PERFORMING MAINTENANCE OR REPAIR SERVICES

According to the Ministry of Law and Human Rights (MOLHR) Regulation No. 24/2016, regarding technical procedures for applying for and granting visas, including working VITAS intended for foreign citizens who intend to reside in Indonesia for a limited period of time.

The application and issuance of working VITAS has then referred to MOLHR Regulation No. 16/2018, regarding procedures for granting visas and stay permits for expatriate manpower. Based on the regulation, the validity period for a working VITAS depends on the employment period stated in the employment contract, but shall not exceed two years.

Types of Sponsored Employment Visas

There are four types of work and stay permits in Indonesia:

- One month/emergency work permit and limited stay permit
- Short term work permit and limited stay permit
- Long term work permit and limited stay permit
- Long term work permit and permanent stay permit.

The one month/emergency work permit and limited stay permit must be sponsored by a company. It is valid for maximum of 30 days and is non-renewable. On expiry, the foreign worker must leave Indonesia. For this type of work permit, no separate cancellation initiated.

This type of permit used for jobs with an urgent or temporary nature, such as installation, repair or maintenance jobs on machines. The application process is relatively fast compared to other work and stay permits.

The short term work permit and limited stay permit must be sponsored by a company and is valid for between two and six months. This permit is non-renewable. On expiry, the foreign worker must cancel the permits and leave Indonesia. This type of work and stay permit is generally used for short-term projects where foreign workers enter Indonesia to work for a few months.

PROTECTION OF INTELLECTUAL PROPERTY

Patent

Patent protection is obtained on registration with the Directorate of Patents, Layout Design of Integrated Circuits and Trade Secrets at the Directorate General of Intellectual Property (DGIP) of the Ministry of Law and Human Rights (MoLHR).

The Law No. 11 of 2020 on Job Creation (Job Creation Law) governs the amendments to Law No. 13/2016 on Patents. The following patent can be protected:

- Patent product: creating, importing or licensing the patented product;
- Patent process: creating, licensing or importing products that results from a patented process;
- Patent methods: system and usage that covers the creation, importation or licences from products resulting from patented methods, system and usage.

To maintain the registration of a patent, the patent holder must pay annuity fees. The fees must be paid from the year of the application to the current year, as well as for the following year. Failure to make this payment will result in the relevant patent rights being revoked.

Patent protection lasts for 20 years from the national filing date (NFD) and no extension is allowed. It is therefore essential to have a renewal system in place to ensure all applicable deadlines are properly met.

Trade Mark

Trademark protection in Indonesia is obtained on registration with the Directorate of Trade Marks and Geographical Indications at the Directorate General of Intellectual Property (DGIP). Trademark protection is provided for two-dimensional marks in the form of image, name, phrase, sentence, letter, number, colour configuration (or a combination of any of these) that are distinctive and applied in the trade of the respective goods and/or services.

Trademark registration is renewable every ten years. The trademark owner must avoid non-use for three consecutive years (*Article 74, Trade Mark Law*). Any third party may submit a cancellation action through the Commercial Court if the trade mark is not used within three consecutive years from the registration date (NFD), or if it has been used with goods or services other than those covered by the registration.

The facilities are available to conduct IP searches and obtain IP information on registered IP rights:

www.wipo.int/branddb/en/index.jsp, www.asean-tmview.org and <http://pdki-indonesia.dgip.go.id>.

Indonesia's 2016 Patent Law continues to raise concerns and the enforcement consider still insufficient.

PROCEDURES FOR COLLECTING PAYMENT

In Indonesia, non-residents are normally subject to a 20% withholding tax on the remittance of interest, dividends, royalties and other payments outside the country. Double tax treaties offer a lower withholding tax rate, usually 10% to 15%.

In addition, most treaties provide for an exemption from withholding tax, where interest is paid to the government or other specified authorities in other countries. The treaties also provide a "time test" for determining when a permanent establishment is deemed to exist. Indonesia and Switzerland has a tax treaty signed in 1990: http://www.treatypro.com/treaty_tables/switzerland.asp

ENFORCING COMMERCIAL CONTRACTS AND RESOLVING DISPUTES

The Indonesian Civil Code governs international contracts. Enforcing contracts in Indonesia can be a long and difficult process. Indonesian people are not rush decision makers thus business negotiations can be very slow. Business relationships in Indonesia must be allowed to grow over time. Since commercial agreements are well discussed about before the formalisation, the incidence of disputes is low.

Indonesian law includes several options for the resolution of commercial disputes:

- **Court litigation.** Commercial disputes are private in nature and therefore fall within the jurisdiction of the general court system;
- **Arbitration.** Indonesian Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution (Arbitration and ADR Law) expressly provides that arbitration in Indonesia can only be used either in cases that are commercial in nature; and if the parties have agreed in writing to resolve their disputes through arbitration;
- **Mediation;** and
- **Adjudication.** Adjudication is often used, especially in construction disputes, but there is currently no formal adjudication mechanism.

Indonesia is a civil law jurisdiction. Therefore, the judicial system is largely inquisitorial. Judges play an active role in court hearings, have broad powers to manage the litigation process, and are not bound by precedent. The inquisitorial approach is also often adopted in domestic arbitrations, at least those administered by some of the local arbitral institutions.

The arbitration expenses are often borne by both parties, but can be entirely charged to the unsuccessful party in some situations. While Indonesian courts are largely impartial, litigations including the appeals process can take up to 5 years to conclude.

Law on Job Creation

Law 11/2020 on Job Creation is considered as a strategic policy to address the hyper-regulation and provide legal certainty, boost the competitiveness, and improve the ease of doing business. The Law complements Government Regulation *in lieu* of Law 1/2020¹, which provides the legal basis for the government, banking, and financial authorities to take extraordinary steps to save the national economy and ensure financial stability.

Business Licensing	<ul style="list-style-type: none"> • Establishing a risk-based business licensing (low, medium-low, medium-high, and high risk) based on the assessments of the level of danger relating to health, safety, environment, and the resources utilization.
Investment	<ul style="list-style-type: none"> • Introduction of 'Positive Investment List', which opens all business fields for investment, with the exception of 6 sectors², as stipulated under Law 25/2007 on Investment • Establishing the first Sovereign Wealth Fund (SWF), Indonesia Investment Authority (INA), as an alternative source of economic development financing.
Ease of Doing Business	<ul style="list-style-type: none"> • Amendment of Article 20 of Patent Law 13/2016 on local manufacturing requirement, which stipulates multiple ways to implement Patent, including import and license the patented products.
Labor	<ul style="list-style-type: none"> • Simplification of foreign workers permit to only the Manpower Utilization Plan (RPTKA), with RPTKA's exemptions applied to Directors/Commissioners owning shares in an Indonesian entity and expatriates working for start-up companies. • Only provincial minimum wages shall be applied with considerations on the minimum living wages (municipal and sectoral minimum wages are no longer applied).

¹ Government Regulation in lieu of Law 1/2020 on State Financial and the Stability of Financial System Policies for Covid-19 Mitigation

² The six sectors are: Class-I narcotics cultivation and industries, all forms of gambling and/or casino activities, illegal fishing of endangered fish species, utilization of coral or natural reefs, chemical weapons manufacturing industries, and industrial chemicals and industrial depleting-ozone industries.

Environment	<ul style="list-style-type: none"> • The Environmental Impact Assessment shall involve the “directly-impacted communities”. Civil society organizations can only be involved if they are part of the directly impacted communities, or have previously engaged in the advocacy works within the community. • Removal of the provision of minimum forest area, and give the responsibility to the Ministry of Environment and Forestry to stipulate minimum forest area according to the physical and geographical conditions.
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The government expects the Law on Job Creation to encourage employments and facilitate new business openings, while recovering from post-pandemic recovery.

Covid-19 situation

On June 11, 2020, the Ministry of Investment Coordinating Board (the “BKPM” during the period) issued the Announcement Number 8 of 2020 on Letter of Support for the Visit of Foreign Investment Limited Liability Company (“PT PMA”) Representatives and/or Foreign Experts during the COVID-19 (“BKPM Announcement 8/2020”). Based on this announcement, a PT PMA in Indonesia can submit an application to BKPM in the event of a visit from a representative of the company and/or foreign experts from abroad.

OVERVIEW OF PUBLIC PROCUREMENT SYSTEM

The Presidential Regulation regulates Indonesia Public Procurement System. The National Public Procurement Agency (NPPA) otherwise known in the Indonesian acronym of LKPP is a non-ministerial government agency responsible for preparation and formulation of strategies in the area of public procurement, as well as determining policy and procedure standards.

NPPA has a reporting duty directly to the President of the Republic of Indonesia. In conducting its function and duties, the NPPA is under the coordination of the State Minister for the National Development Planning/Head of the National Development Planning Agency (BAPPENAS).

The Presidential Regulation no. 16 of 2018 currently serves as the primary regulation on public procurement and some important regulations are:

- NPPA Regulation No. 11 of 2018 concerning Electronic Catalogs
- NPPA Regulation No. 9 of 2018 concerning Guidelines for Procurement of Goods/Services through Providers
- NPPA Regulation No. 2 of 2018 concerning Amendments to NPPA Regulation No. 6 of 2016 concerning Electronic Catalogs and ePurchasing

Public Procurement in Indonesia is carried out in a decentralized manner. Each government institution, both at the central and regional levels, has a special unit tasked with organizing procurement, both electronically and manually.

The process of electronic procurement starts with the demand of the users in each ministry, organization, and local government to each Procurement Service Unit (ULP) to procure a certain good, service or work. The ULP then will input the data related with the good/service procurement to the Electronic Bidding System (SPSE), which integrated with the Electronic Procurement Services Hosts (LPSE) in each ministry, organization, and local government (province/regency/city). For providers of goods and services who want to take part in the bidding, they need to register as provider in a special portal (LPSE) provided by each government institution.

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