

1. Legal Basis

Enactment of Law No. 3 of 2022 (the “**Capital City Law**”) on 15 February 2022 concluded the beginning process of capital city relocation from DKI Jakarta to Nusantara, East Kalimantan. Following the enactment of the Capital City Law, Indonesian Government has recently issued Government Regulation No. 12 of 2023 on the Provision of Business Licensing, Convenience of Business, And Investment Facility for Business Actors in the Capital City of Nusantara (“**GR12**”).

2. General Overview

- 2.1. The enactment of the Capital City Law paved the way for the relocation of the capital city to Nusantara, East Kalimantan. Following this, the Indonesian government issued GR12.
- 2.2. GR12 aims to provide certainty, opportunities, and greater participation for business actors in developing the Capital City of Nusantara (*Ibu Kota Negara* – “**IKN**”). It covers business licensing, investment facilities, incentives, foreign ownership limitations, and partnerships with micro, small, and medium enterprises (“**MSMEs**”).
- 2.3. Business licensing in IKN and partner regions is integrated through the Online Single Submission Risk-Based Approach system (“**OSS-RBA**”). It consists of basic requirements and sectoral business licensing across various sectors such as marine and fisheries, agriculture, environment and forestry, energy and mineral resources, industry, trade, transportation, and health, among others.
- 2.4. IKN Authority conducts verification of basic licensing and sectoral business licensing. Certified or accredited experts may be assigned for verification, and upon successful verification, business licensing approval is granted.
- 2.5. Business actors in IKN are provided with incentives, including land rights, the employment of foreign employees, and the development of housing and residential areas.
- 2.6. Investment facilities encompass fiscal and non-fiscal facilities. Some facilities fall under the authority of the Central Government, while others are under the authority of the IKN Authority. These facilities include tax incentives, customs exemptions, and provisions for land and infrastructure for investment activities in IKN.

3. Business Licensing

Business licensing in IKN and Partner Regions is integrated through the OSS-RBA. There are 2 (two) types of business licensing that business actors must fulfill in order to perform a business activity, which is:

- 3.1. basic requirements of business licensing, which consist of the suitability of space utilization activities, environmental approval, and building approval and certificate of worthiness; and/or
- 3.2. sectoral business licensing which consists of various sectors as follows:
- a. Marine and Fisheries;
 - b. Agriculture;
 - c. Environment and Forestry;
 - d. Energy and Mineral Resources;
 - e. Nuclear Power;
 - f. Industry;
 - g. Trade;
 - h. Public Works and Housing;
 - i. Transportation;
 - j. Health, Medication, and Food.
 - k. Education and culture;
 - l. Tourism;
 - m. Religion;
 - n. Postal services, telecommunications, broadcasting, as well as electronic systems and transactions;
 - o. Defense and security;
 - p. Employment;
 - q. Finance; and
 - r. Other sectors are designated as priorities by the IKN Authority.

4. Verification of Business Licensing

Verification is conducted by IKN Authority to verify basic licensing and sectoral business licensing with a certain risk. In this light, Head of Authority may assign an institution or a certified or accredited expert to perform verification.

Based on the result of verification, IKN Authority will issue business licensing approval to the business actor.

5. Incentives for Business Licensing

In performing business activity in IKN, business actors will be provided with incentives which consist of 3 (three) types of incentives as follows:

5.1. Land Rights

Following the GR12, the land within IKN can be legally designated with the following titles:

No.	Land Rights/Title	Validity Period (in years)	Remarks
1.	State-owned assets	-	Will be managed by IKN Authority in accordance with the applicable laws and regulations in Indonesia.

2.	assets under the control of IKN Authority (<i>Aset Dalam Penguasaan Otorita IKN – “ADP”</i>), can be allocated to business actors in a form of:		-
a.	right of cultivation (<i>hak guna usaha</i>)	Initial period: <35 Extension: <25 Renewal: <35	
b.	right to build (<i>hak guna bangunan</i>)	Initial period: <30 Extension: <20 Renewal: <30	
c.	right to use (<i>hak pakai</i>)	Initial period: <30 Extension: <20 Renewal: <30	

5.2. Foreign Employee

Business actors who perform business in IKN can employ foreign employees for certain positions as regulated by the laws. Upon hiring a foreign employee, the utilization plan of foreign employee (*rencana penggunaan tenaga kerja asing – “RPTKA”*) can be granted to the Company for 10 years and the period is extendable.

Employer of the foreign employee engaging in a national strategic project in IKN will be exempted from the obligation to pay RPTKA compensation fund for a certain period of time which will be stipulated through a Head of Authority regulation.

5.3. Housing Area and Residential Area

- a. In the detailed spatial planning (*rencana detail tata ruang – “RDTR”*) of the IKN, zoning is established for the implementation of housing and residential areas in the IKN, which consist of the zoning of simple housing, medium housing, and luxury housing.
- b. It should be emphasized that Business Actors engaged in the housing and residential area sector are obligated to ensure the implementation of balanced occupancy (*hunian berimbang*). To expedite the development and provision of housing and residential areas for the community in the Nusantara Capital, Housing and Residential Area Businesses that are unable to fulfill this obligation in other regions may be carried out within the Nusantara Capital. This can be realized through the submission of an application to the Head of IKN with options as follows:
 - i. Implementing the development of balanced occupancy in the Nusantara Capital region; or
 - ii. Paying conversion funds to comply with balanced occupancy.

6. **Investment Facilities**

Investment Facilities consist of fiscal and non-fiscal facilities. Some facilities are under the authority of the Central Government whilst others are under the authority of the IKN Authority.

6.1. Investment facilities under the authority of Central Government:

- a. Income Tax (Pajak Penghasilan – “**PPh**”)
- b. Additional Value Tax (Pajak Pertambahan Nilai – “**PPN**”), and/or Sales Tax (Pajak Penjualan Barang Mewah – “**PPnBM**”), and/or Customs; and

6.2. Investment facilities under the authority of IKN Authority:

- a. IKN special tax and admission facilities (“**IKN Tax and Admission**”); and
- b. Facilitation, provision of land, infrastructures for implementation of investment activities at IKN (“**IKN Facilities**”).

6.3. Set out below are brief information on those facilities above based on GR12:

a. <u>PPh</u>	
i.	Reduction of corporate PPh for domestic corporate taxpayers;
ii.	PPh on financial sector activities at the Financial Center;
iii.	Reduction of corporate PPh on the establishment and/or transfer of head offices and/or regional offices;
iv.	Reduction of gross income for the implementation of work practice activities, internships, and / or learning in the context of coaching and developing human resources based on certain competencies;
v.	Reduction of gross income on certain research and development activities;
vi.	Reduction of gross income on donations and/or costs of building public facilities, social facilities, and/or other non-profit facilities;
vii.	PPh Article 21 is borne by the government and is final;
viii.	Final PPh of 0% (zero percent) on income from the gross circulation of certain businesses in micro, small, and medium enterprises; and
ix.	Reduction of income tax on the transfer of rights to land and/or buildings.

b. <u>PPN and/or PPnMB</u>	
i.	PPN is not collected; and
ii.	Exemption of PPnBM on the delivery of taxable goods.

c. <u>Customs</u>	
i.	Exemption of import duties and tax facilities in the context of imports of goods by the central government or local governments intended for the public interest in the IKN area and Partner Regions;

ii.	Exemption of import duties and tax facilities in the context of imports of capital goods for the development and development of industries in the IKN and Partner Regions; and
iii.	Exemption of import duties on imports of goods and materials for industrial development and development in IKN and/or Partner Regions.

d. <u>IKN Tax And Admission</u>	
i.	Incentives in the form of deductions, reliefs, or exemptions from special IKN taxes; and
ii.	Incentives in the form of reductions, waivers, or exemptions from special IKN admissions.

e. <u>IKN Facilities</u>	
i.	Provision of land or location for business actors;
ii.	Provision of infrastructures;
iii.	Providing investment comfort and security; and/or
iv.	Easy access to ready-made and skilled labor.



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