

# INTERNATIONAL TRADE WEEK

6-10 NOVEMBER



**UK-APAC Tech Forum Series: Realising Opportunities in Indonesia**





# Indonesia Investment Update

## Investment in The Digital Economy *UK-APAC Tech Forum Series*

London, 9<sup>th</sup> November 2023

**Gita Permatasari**

Senior Investment Analyst  
Indonesia Investment Promotion Centre London



# Outline

**1** **Indonesia in Perspective**

**2** **Indonesia's Digital Economy**

**3** **Foreign Direct Investment in Indonesia**

**4** **Promising Sectors:**

Thriving Digital Economy, E-Commerce, and Data Centre

**5** **Tech & Digital Economy as one of Indonesia's Priority Sectors:**

Investment incentives and facilities

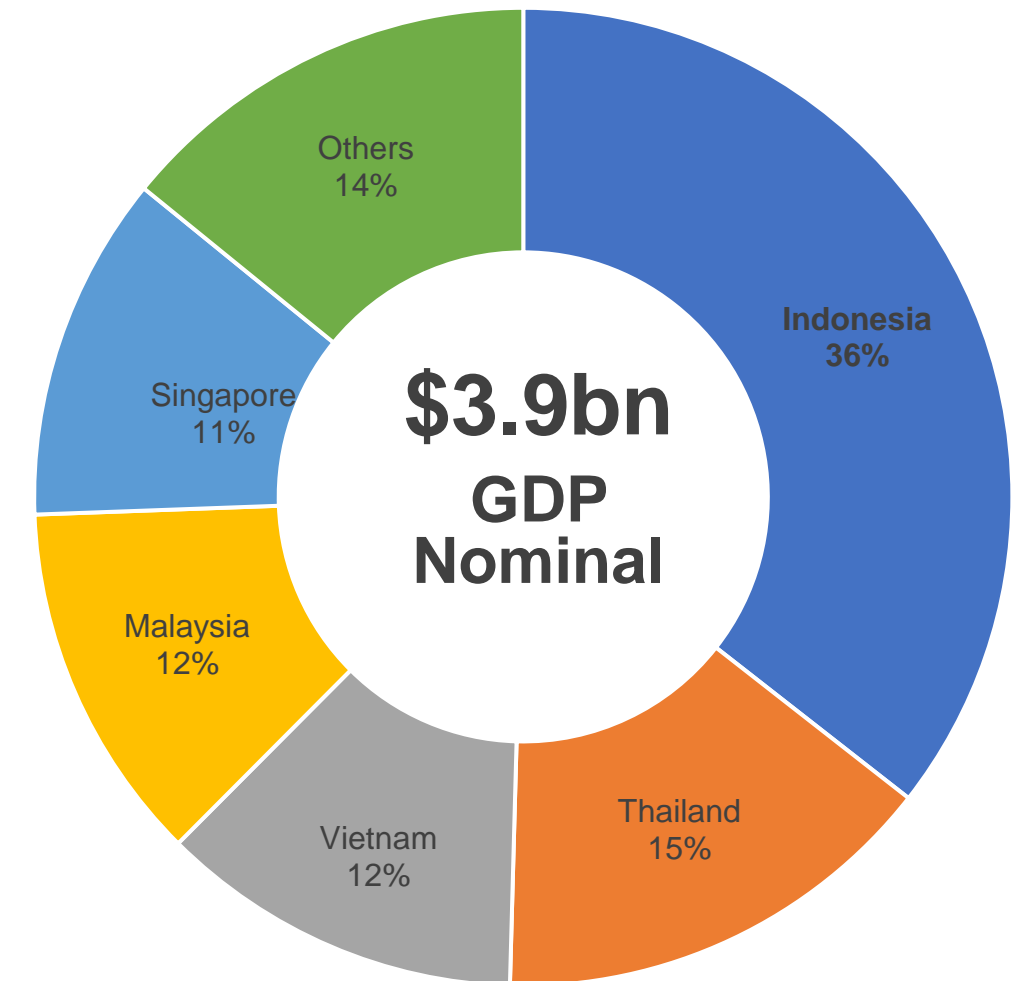
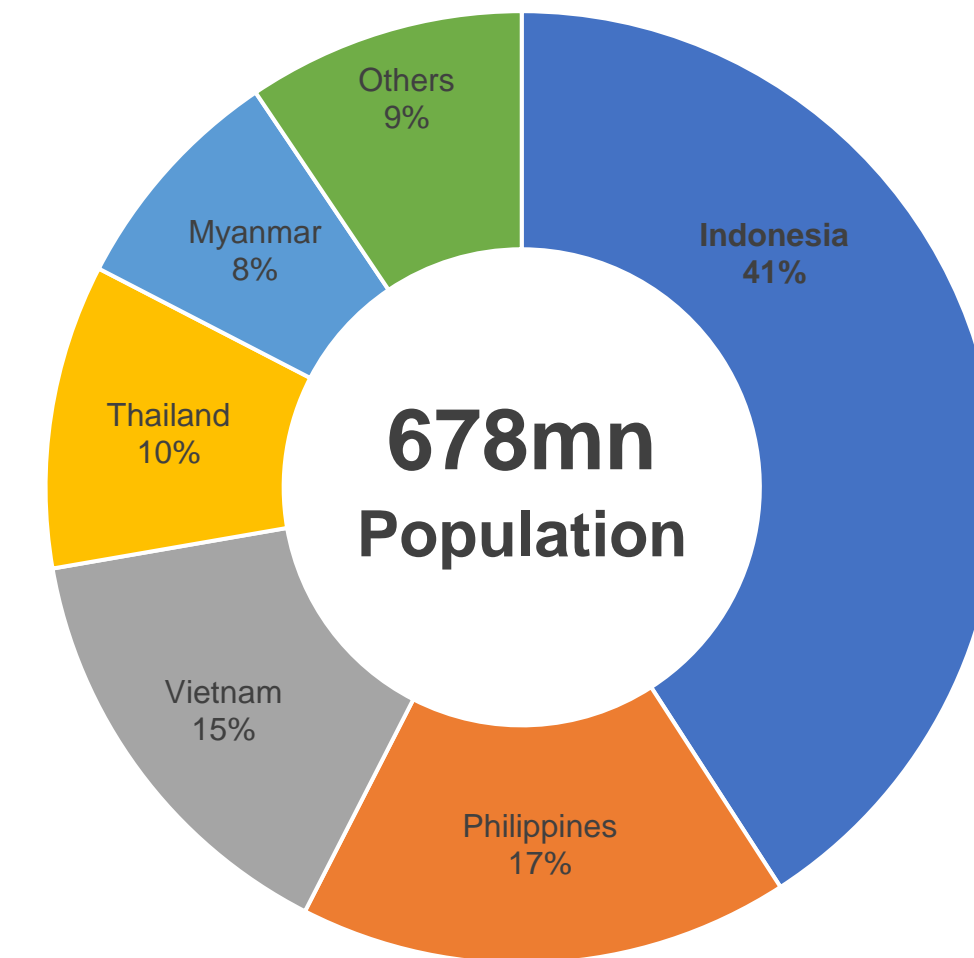
**Indonesia is a gateway to Southeast Asia as a single market.**  
Collectively, ASEAN\* offers 678 million of growing market and US\$3.9 billion of economy.

### ASEAN Member States



### ASEAN Population and GDP Nominal in 2022

At the heart of ASEAN,  
Indonesia represents **41%**  
**population** and **36%**  
**economy** of the region.



### ASEAN Single Market

The ASEAN Economic Community (AEC) envisions ASEAN as a **single market and production base** characterized by free flow of goods, services, and investments, as well as freer flow of capital and skills.  
**Tariff rates for over 96% of traded products among the ASEAN countries are zero.**

Image: ASEAN

\*) ASEAN: Association of Southeast Asian Nation. Source: IMF and ASEAN, 2022.

# Indonesia Matters

4<sup>th</sup>

Indonesia's economy is forecasted to be the world's 4th largest by 2050 (Goldman Sachs)

>\$1 TRILLION GDP

THE TRILLION DOLLAR ECONOMIES CLUB



The Largest Economy in ASEAN



Indonesia's Global Significance  
The only ASEAN Member in G20

4<sup>th</sup>

Indonesia is the world's fourth largest population



Population of over 275 million, ~151 million live in Urban areas, Constitute ~41% of ASEAN population

3x

The number of "Consuming Class" is 3 times bigger than the size of Australia's population (WEF)



dynamic

Young and dynamic people  
~70% of Indonesian population is in the Working-age bracket

~\$360 Billion

GMV in e-Commerce by 2030 (Temasek, Google, Bain)



97%

Population coverage by a mobile-cellular network, at least a 4G Network (ITU)



40%

The largest contributor to ASEAN's e-Economy



More Facebook and Twitter users than the population of Australia

87%

Households with internet at home (ITU)

~190M

Smartphone users in 2023 and keep growing



# Indonesia in Global Perspective

## Indonesia Sovereign Credit Rating

**FitchRatings**

BBB / Stable  
Sep 2023

**S&P Global**

BBB / Stable  
July 2023

**MOODY'S**

Baa2 / Stable  
August 2023

**R&I**

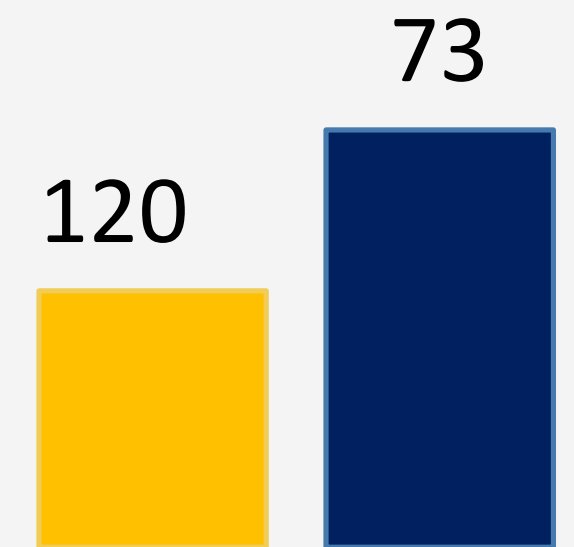
BBB+ / Stable  
July 2023

**JCR**

株式会社 日本格付研究所  
BBB+ / Stable  
July 2023

## Indonesia's EODB Rank

**EODB**



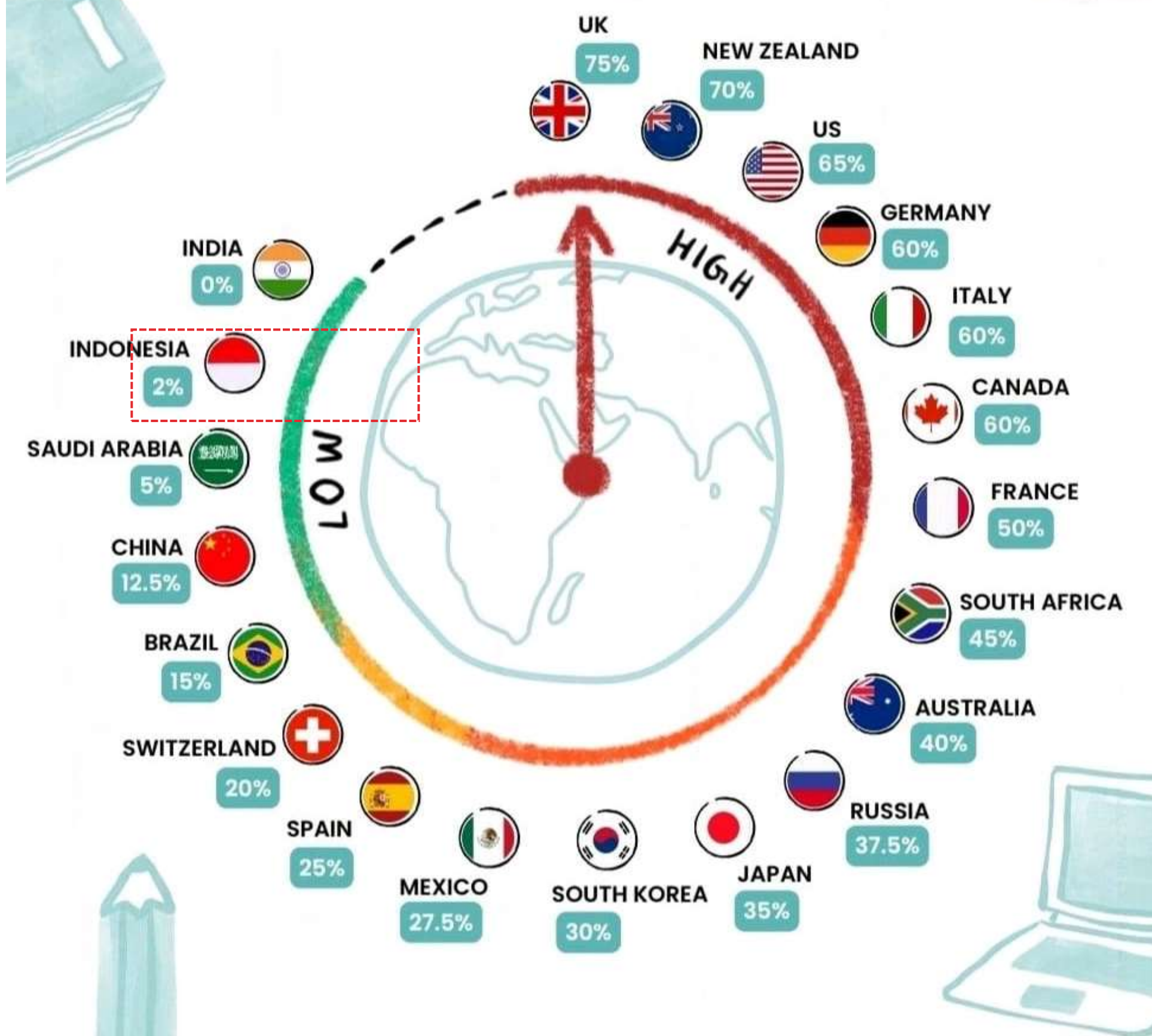
2015 2020

In the World Bank's Ease of Doing Business, **Indonesia structural reforms appear to improve the investment climate and continuously.** Making it one of the top reforming countries

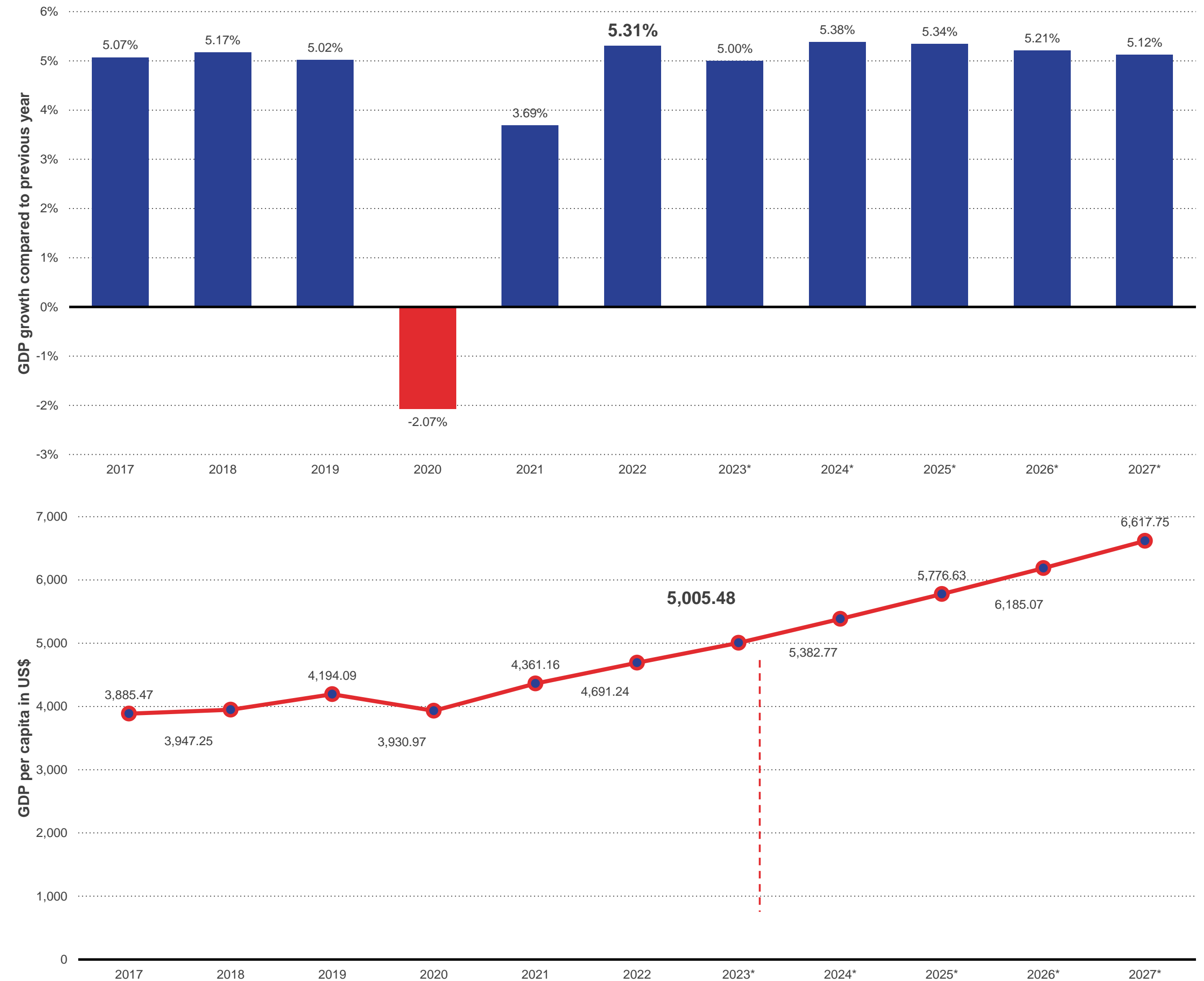
Source: EODB Survey, 2020

**A member of G20 with resilient and growing economy at >5% p.a.**  
US\$1,3 trillion of GDP (rank 16<sup>th</sup> globally), projected to be the 4<sup>th</sup> largest economy by 2050 (OECD)

## Recession Probabilities Worldwide 2023



Source: Bloomberg | April 2023




\*) Estimated. Source: IMF and Statista, 2022.



# The Development of Inbound FDI (Origin Countries)

2019 – Quarter III 2023 (USD billion)























2019

No.	Country	M USD
1	 Singapore	6,593.8
2	 China	4,744.5
3	 Japan	4,310.9
4	 Hong Kong	2,891
5	 Netherlands	2,596.8
6	 Malaysia	1,357,5
7	 South Korea	1,070.2
8	 USA	989.3
9	 BVI	744.6
10	 Australia	348.7
20	 UK	142.2



















2020

No.		Country	M USD
<div><div></div><div>1</div></div>	<div></div>	Singapore	9,802.5
<div><div></div><div>2</div></div>	<div></div>	China	4,842.4
<div><div></div><div>3</div></div>	<div></div>	Hong Kong	3,535.9
<div><div></div><div>4</div></div>	<div></div>	Japan	2,588.1
<div><div></div><div>5</div></div>	<div></div>	South Korea	1,842
<div><div></div><div>6</div></div>	<div></div>	Netherlands	1,422.4
<div><div></div><div>7</div></div>	<div></div>	Malaysia	1,048.6
<div><div></div><div>8</div></div>	<div></div>	USA	749.7
<div><div></div><div>9</div></div>	<div></div>	Taiwan	454.4
<div><div></div><div>10</div></div>	<div></div>	Australia	348.6
<div><div></div><div>13</div></div>	<div></div>	UK	192.8







2021

No.		Country	M USD
 1		Singapore	9,391
 2		Hong Kong	4,609.3
 3		China	3,160.4
 4		USA	2,537.2
 5		Japan	2,263.2
 6		Netherlands	1,761.6
 7		South Korea	1,640.2
 8		Malaysia	1,364.3
 9		Bermuda	674.4
 10		Switzerland	599.7
 13		UK	323.0

2022

No.		Country	M USD
 1		Singapore	13,281
 2		China	8,226.1
 3		Hong Kong	5,514.2
 4		Japan	3,562.8
 5		Malaysia	3,343.3
 6		USA	3,026.3
 7		South Korea	2,298
 8		Netherlands	1,220.2
 9		Bermuda	954.7
 10		<b>UK</b>	628.3

Quarter III-2023

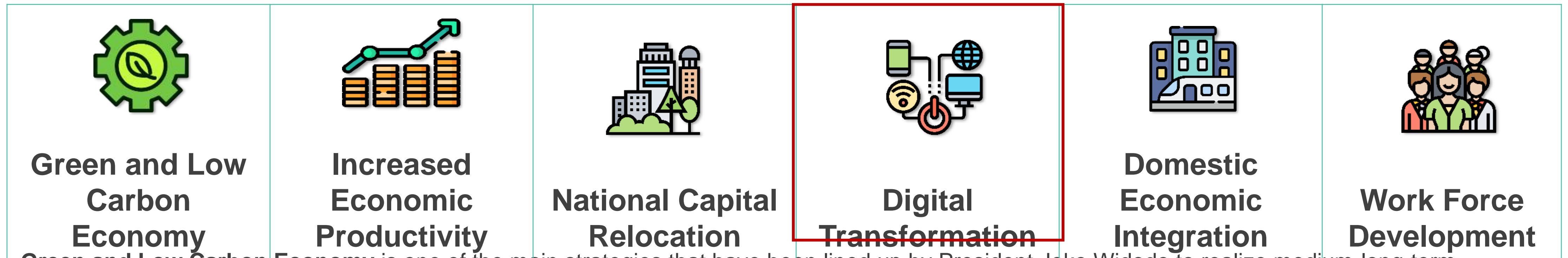
No.		Country	M USD
<div><div></div><div>1</div></div>		Singapore	12,141
<div><div></div><div>2</div></div>		China	5,587.8
<div><div></div><div>3</div></div>		Hong Kong	5,215.0
<div><div></div><div>4</div></div>		Japan	3,252.8
<div><div></div><div>5</div></div>		USA	2,447.1
<div><div></div><div>6</div></div>		Malaysia	2,410.2
<div><div></div><div>7</div></div>		South Korea	1,983.2
<div><div></div><div>8</div></div>		Netherlands	856.6
<div><div></div><div>9</div></div>		BVI	528.9
<div><div></div><div>10</div></div>		Australia	427.9
<div><div></div><div>11</div></div>		UK	290.4

Source: Ministry of Investment/BKPM. Data does not include financial, upstream oil and gas sectors.



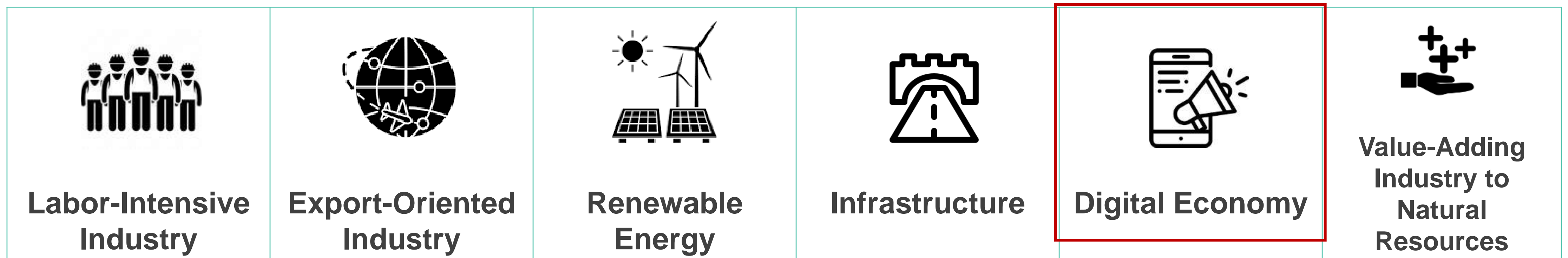
# Digital Transformation is part of the Main Strategies of Indonesia Economic Transformation

## Indonesia's 6 Main Strategies of Economic Transformation



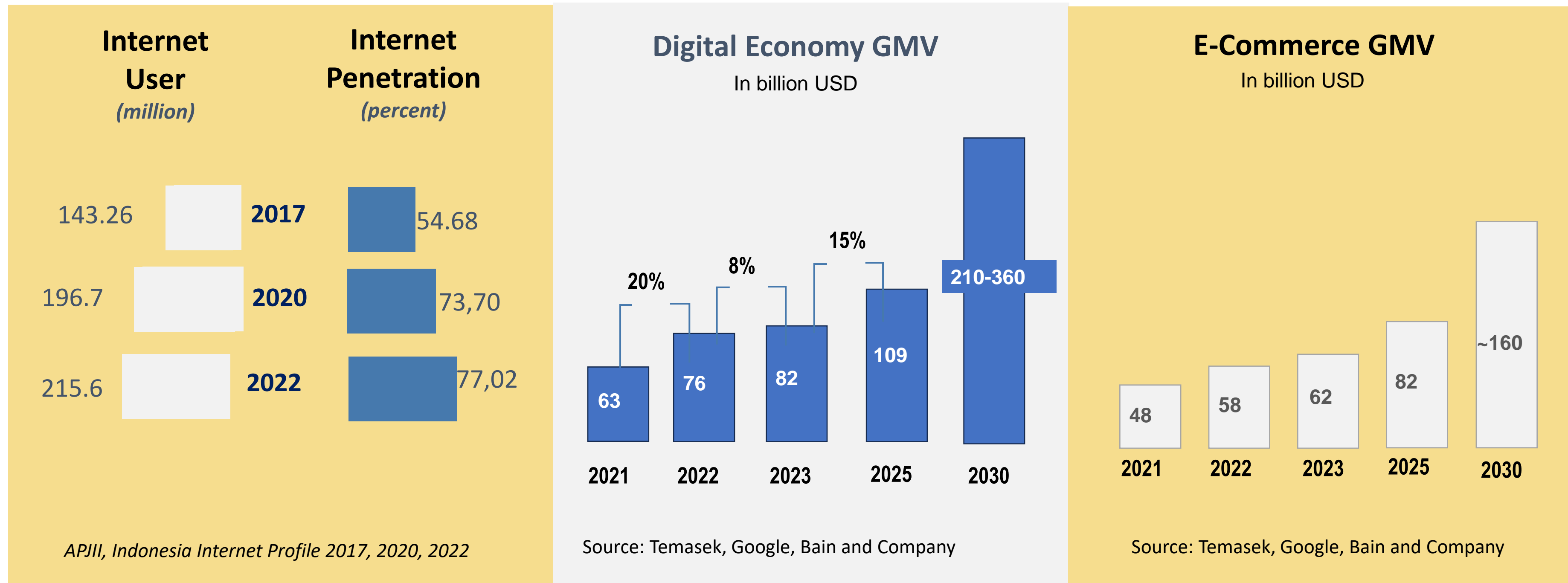
Green and Low Carbon Economy is one of the main strategies that have been lined up by President Joko Widodo to realize medium-long-term economic transformation, which is achieved through the Low Carbon Development framework.

## Investment Priority Sectors





# Thriving Indonesia's Digital Economy and Tech Sector



With **over 200 million** internet users, Indonesia is one of the biggest online markets worldwide

Supported by **the largest internet users in SEA**, Indonesia's digital economy growth is projected to continue to outpace GDP growth at 15% CAGR from 2023 - 2025

**Online-commerce sales is expected to quadruple between 2021 to 2030**

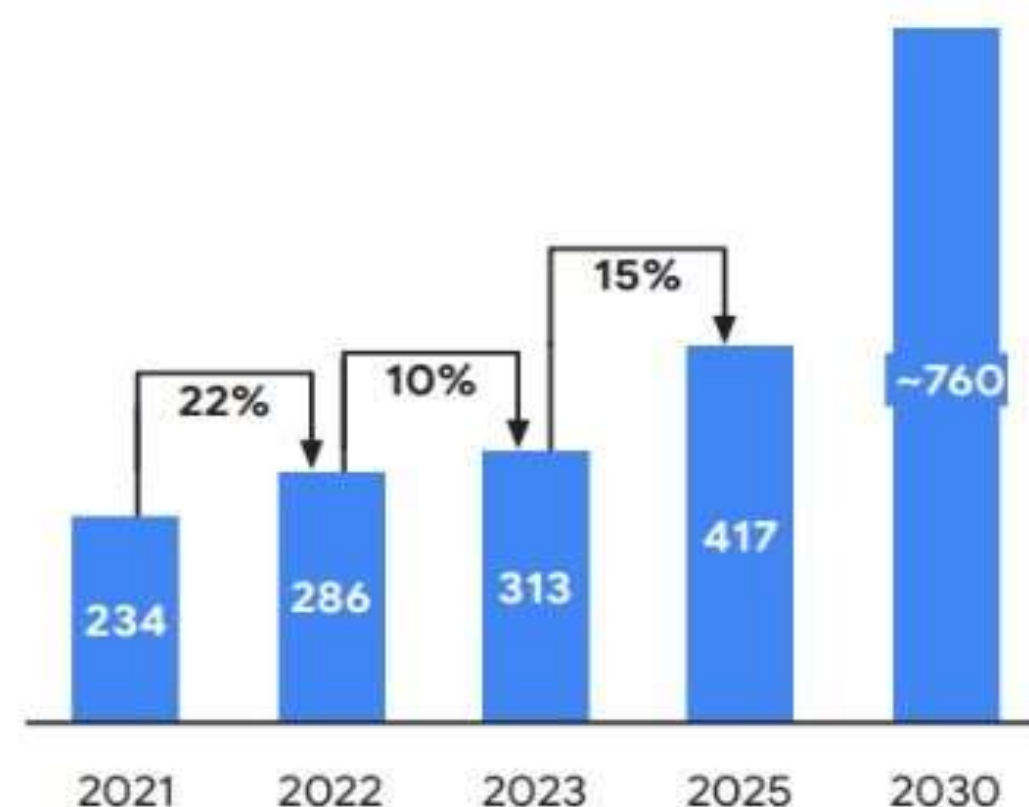


# Thriving Fintech Sector

## Gross Transaction Value (GTV)

### Digital payments

GTV<sup>1</sup> (\$B)

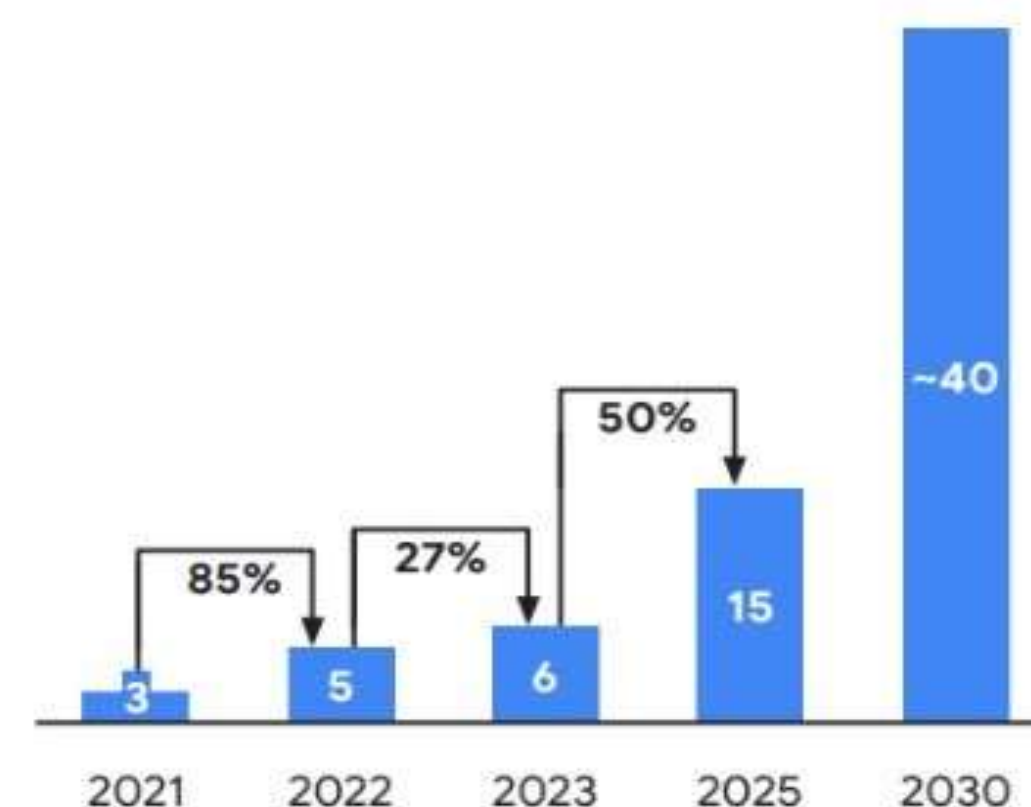


63M+ e-wallet users, CAGR 26% (2020)

## Gross Transaction Value (GTV)

### Digital lending

Loan book balance<sup>2</sup> (\$B)

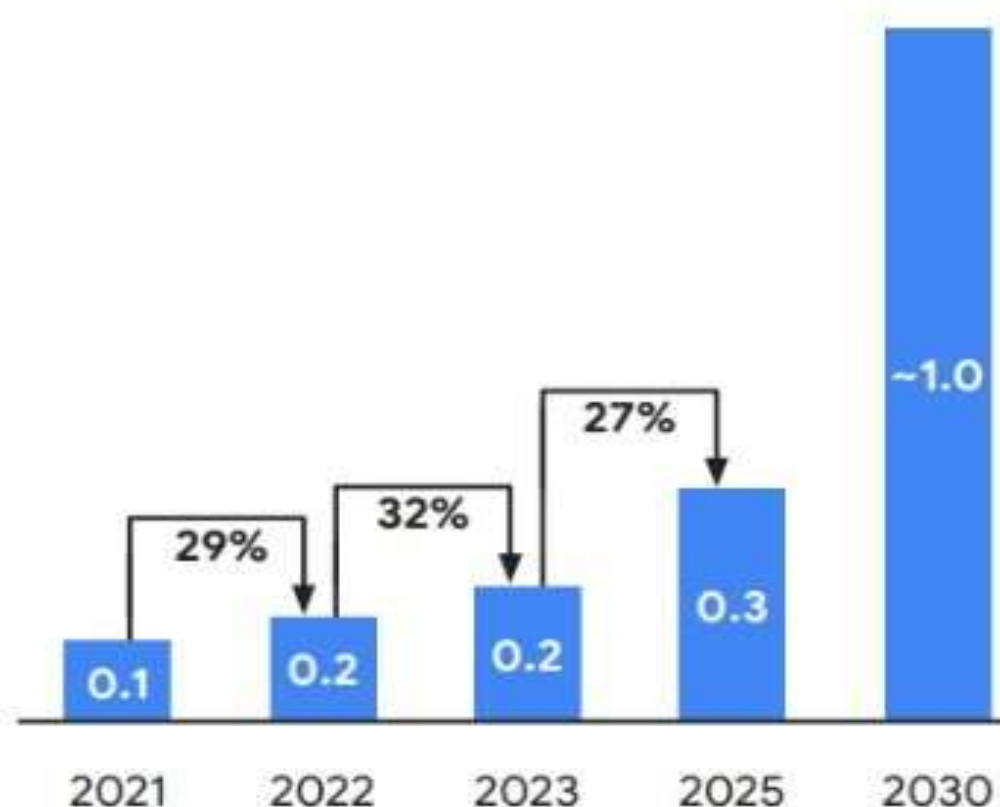


30M+ P2P Borrower  
50% CAGR of new user from 2018-2022  
\$17B+ Loans disbursed for 2022  
growing at 140% CAGR (2017-2022)

## Gross Transaction Value (GTV)

### Digital insurance

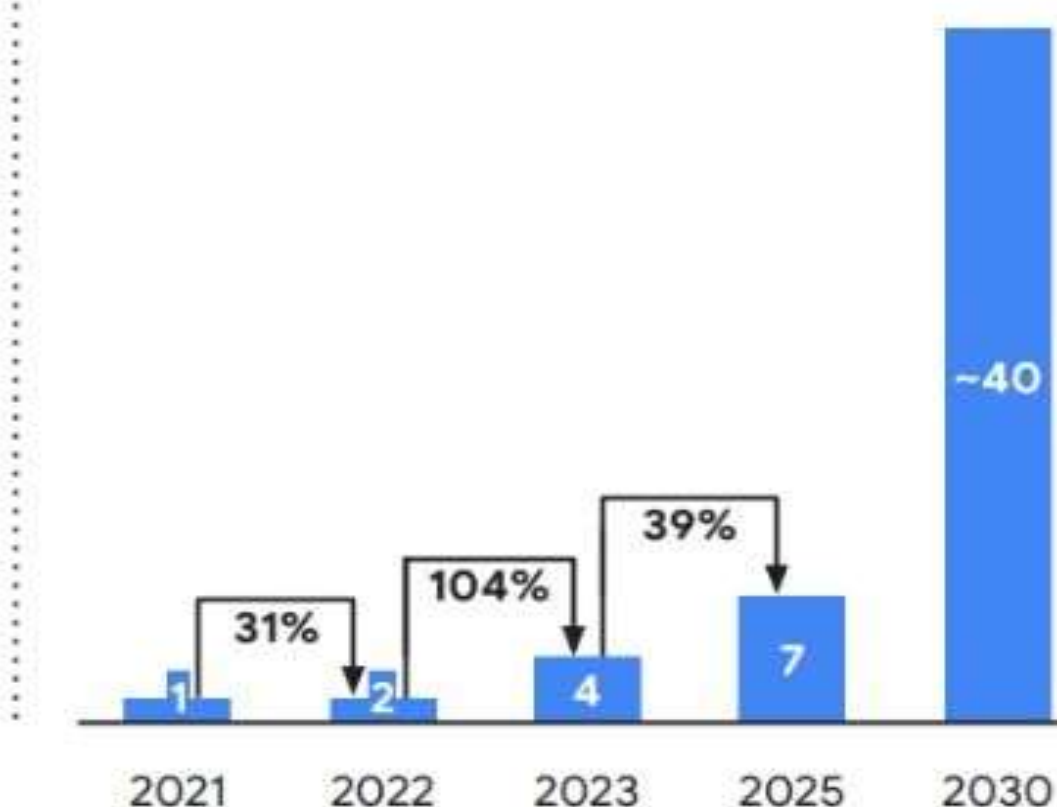
APE & GWP<sup>3</sup> (\$B)



## Gross Transaction Value (GTV)

### Digital wealth

AUM<sup>4</sup> (\$B)



9M+ retail investors as of 2022  
\$20B+ Wealth-tech & Digital Trading NAV 2021

The number of Fintech players in Indonesia increased six-fold over the last decade, rising from 51 active players in 2011 to 334 in 2022.



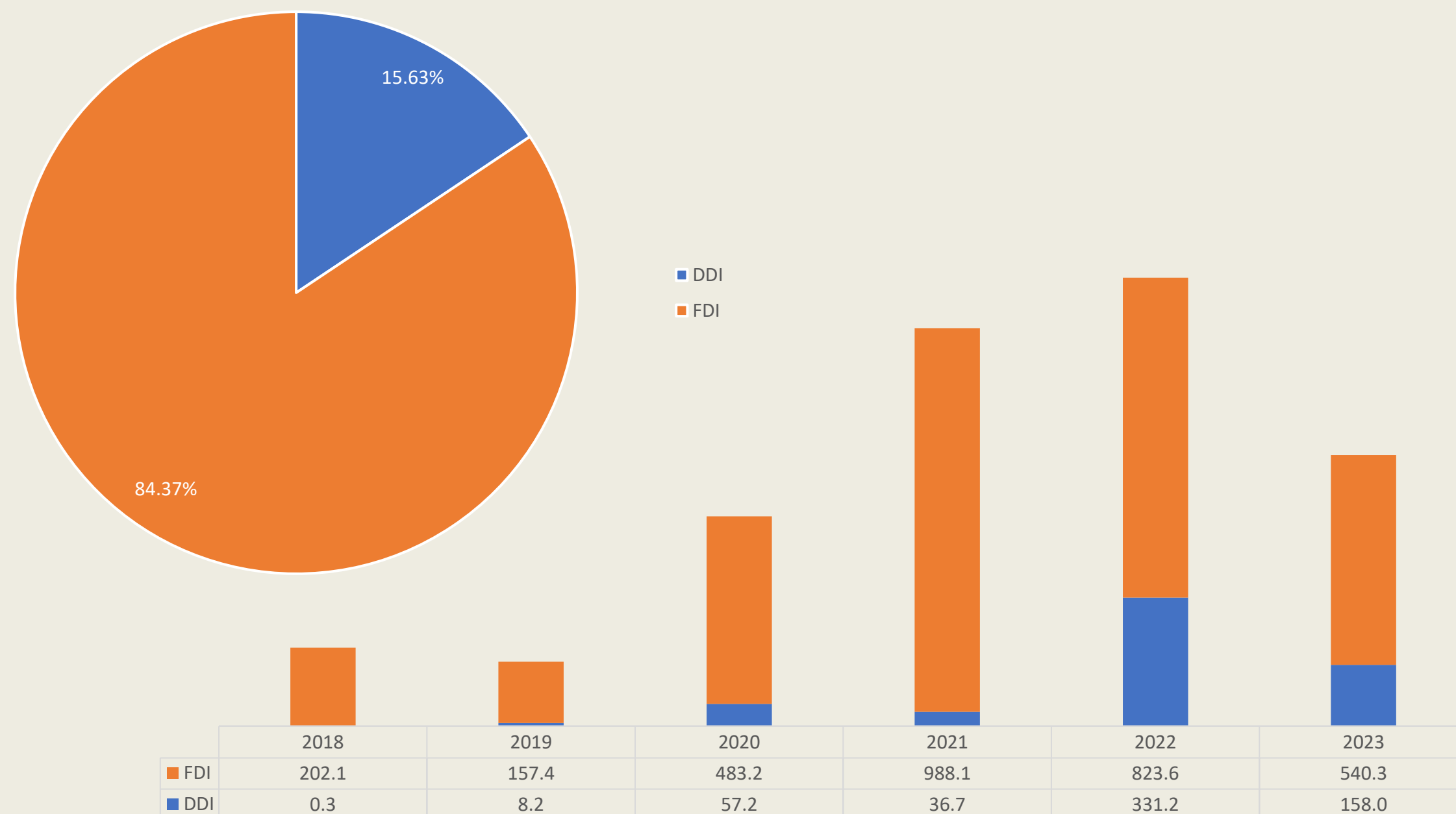
# Data Center Investment Realization

ISIC 62 & 63 (2018 – 2023 Q2)

## Investment Realization Trend

Total USD 3,751.4 M

(15.63% DDI; USD 591.7M and 84.37% FDI; USD 3,194.7M)



\*in million USD

62	Programming Activities, Computer Consulting, and Related Activities (Aktivitas Pemrograman, Konsultasi Komputer Dan Kegiatan YBDI)
63	Information Services Activities (Aktivitas Jasa Informasi)

## Top 5 FDI (Data Centre) Based on Location



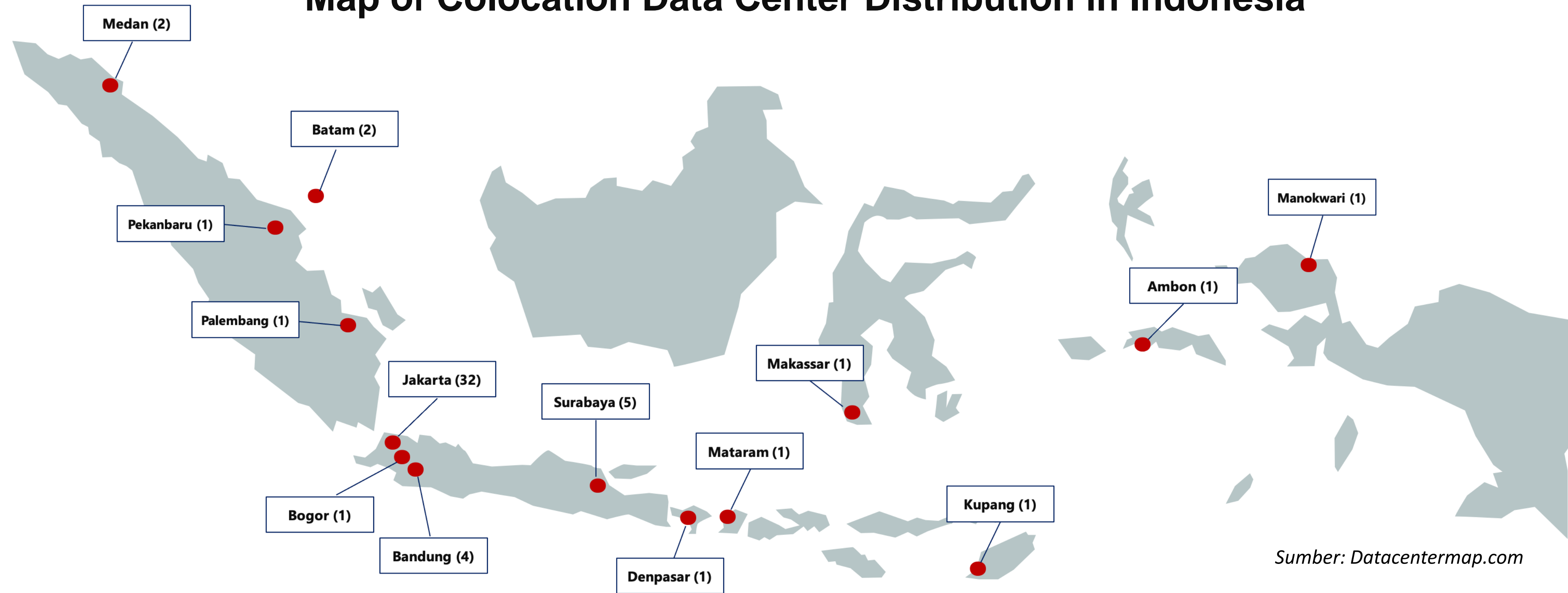
## Top 5 FDI (Data Centre) Based on Country

	<b>Singapore</b>	USD 1,372.52M; 42.99%
	<b>United States of America</b>	USD 935.71M; 29.29%
	<b>Hong Kong, PRC</b>	USD 201.33M; 6.30%
	<b>Japan</b>	USD 149.28M; 4.67%
	<b>Cayman Islands</b>	USD 94.72M; 2.96%



# Data Center in Indonesia

## Map of Colocation Data Center Distribution in Indonesia



- Indonesia's data center capacity reaches 90 MW with 200 MW still under construction (Cushman Wakefield, 2022)
- Jakarta's data center colocation market continues to increase during the pandemic **and is projected to be worth USD 336.6 million (2022). The sector is expected to grow steadily at a CAGR of 22.7% through 2027** (Structure Research, 2022).
- According to Structure Research, the rapid growth of Indonesia's data centers is driven by an **increase in people's online activities** and **the data center moratorium policy** that had been mandated by the **Singapore Government**.



# Global Companies That Have Invested In Data Center In Indonesia

A report by Mordor Intelligence stated that Indonesia's data center industry is expected to have a compound annual growth rate (CAGR) of 14 percent from US\$2.06 billion in 2023 to US\$3.98 billion in 2028. It is these growth prospects that encouraged multinational cloud service providers, such as Amazon Web Services, Google, Microsoft, and Alibaba, to establish data centers in the country; Indonesia already has over 90 data center providers.



**Alibaba Cloud**

**Alibaba - China**



**Amazon - USA**



**Google - USA**



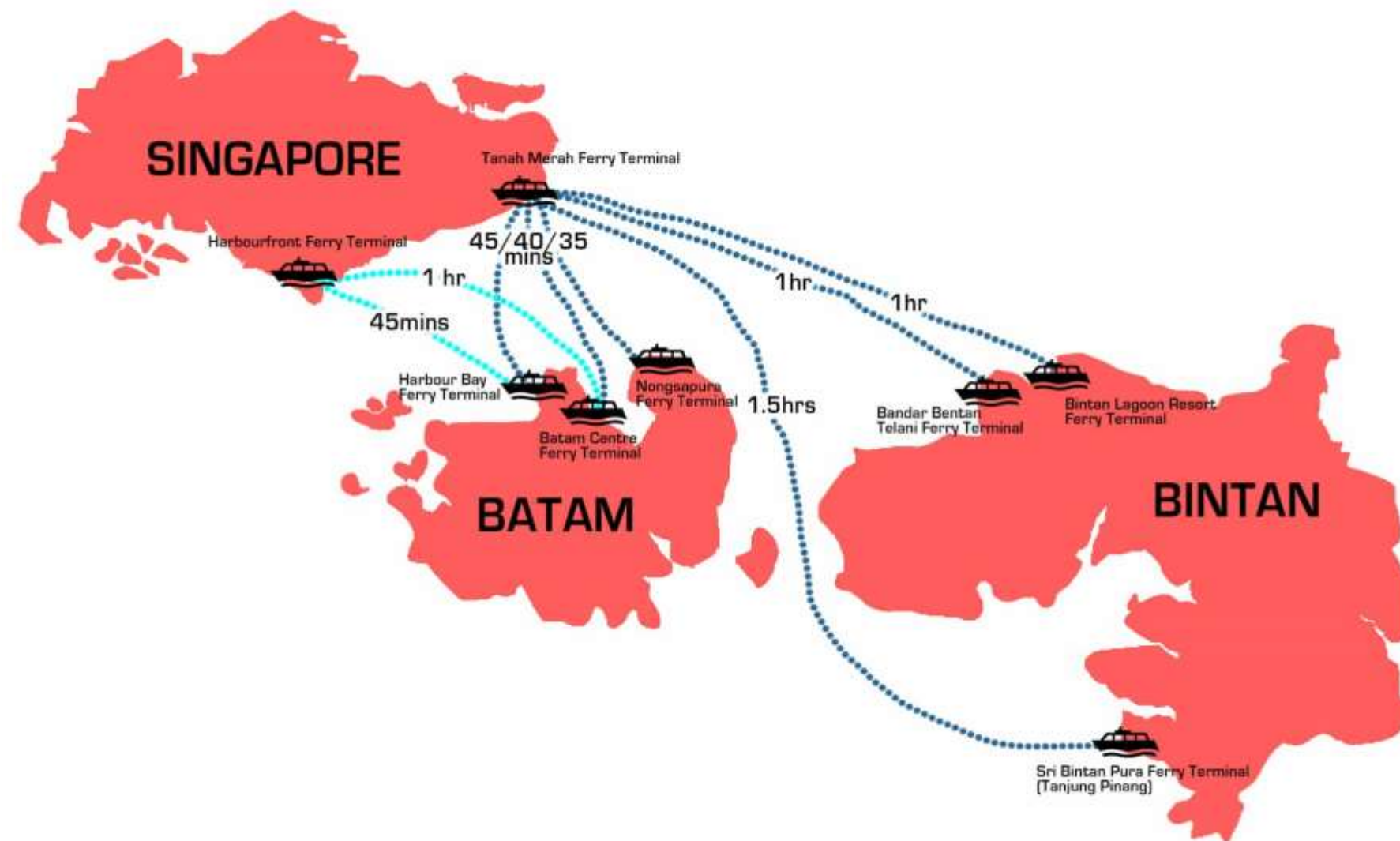
**Microsoft - USA**



# Potential Development of Data Center & Technology Companies in Indonesia

1

Batam is a strategic alternative potential locus to be developed into the next digital hub.



2

## Potential Market

- ☐ Indonesia's population is 270 million people
- ☐ Growth of new economic zones
- ☐ Internet of Things
- ☐ The New National Capital City "Ibu Kota Nusantara" Development
- ☐ Digitalization of financial services and other sectors of the economy & Indonesia 4.0 Roadmap

3

The entry of top brand data centers into Indonesia indicates a good investment climate for data centers

4

The National plan to build 4 National Data Centers by the Ministry of Communication and Information for government data center needs will certainly be supported by a qualified digital infrastructure plan

- ☐ Batam
- ☐ Jawa Barat
- ☐ Labuan Bajo
- ☐ Balikpapan

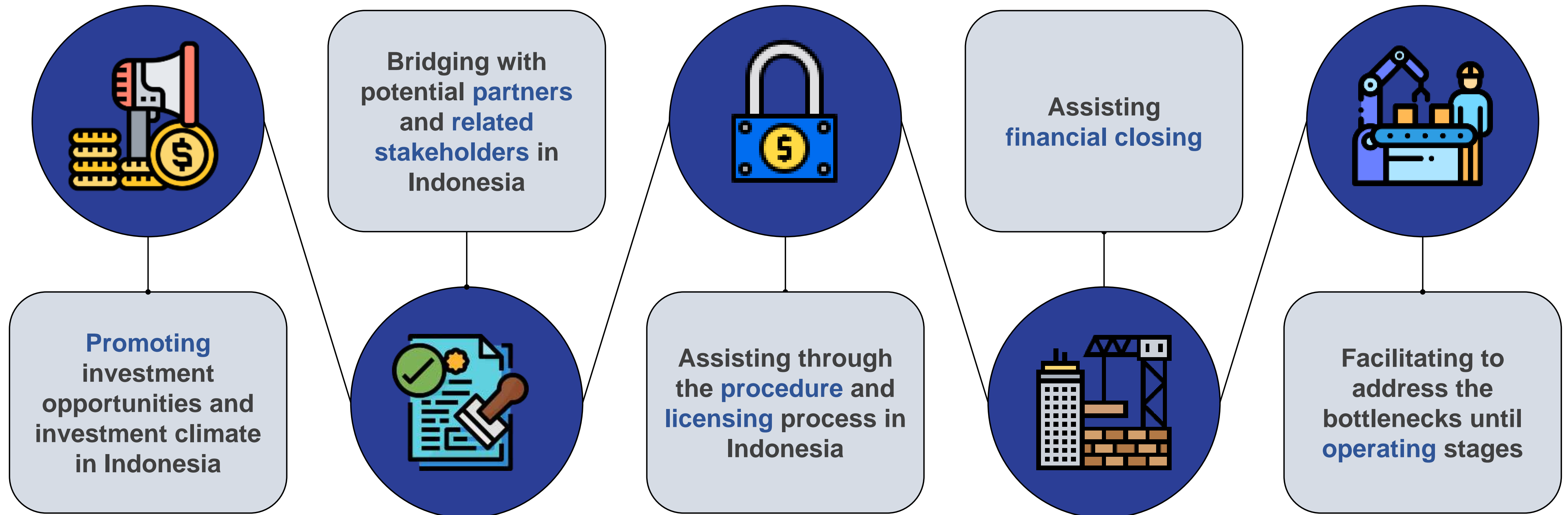
5

The Nongsa SEZ (Nongsa Digital Park) has been established with its main activities, digital IT and tourism which have the potential to be used as data center investment locations.



# Ministry of Investment/BKPM provides end-to-end services

From promotion to production, started in investors' home country (provided by IIPC\*)



\*) **IIPC is the Indonesia Investment Promotion Center**, representative offices of Ministry of Investment/BKPM in 9 global major cities. London, New York, Abu Dhabi, Tokyo, Seoul, Beijing, Singapore, Sydney, Taipei. IIPCs works closely and under coordination of Indonesian Embassies/Consulate Generals.

# Improved Investment Regime, Strengthened Coordination

More open policies and supports from all stakeholders.

Harmonization and simplification of regulations,  
also improvement of legal certainty



**79 laws have been revised**  
Through a single law (Omnibus Law  
UU 6/2023) which regulates various  
sector (11 clusters)



Centralized investment authority



MINISTRY OF INVESTMENT/  
INDONESIA INVESTMENT COORDINATING BOARD

The authority to issue business  
licenses is delegated to the  
**Ministry of Investment/ BKPM**  
and the issuance is through OSS\*  
System, consist of 16 sectors.

Open for 100% foreign ownership

All business fields are **open 100%** for both FDI and DDI,  
except mentioned in Presidential Regulation No.49/2021  
on Business Fields for Investment.

Low minimum paid-up capital for FDI

Minimum paid-up capital of **IDR10 billion (~US\$650,000)**  
for Foreign Direct Investment (FDI).

Investment licenses with risk-based approach

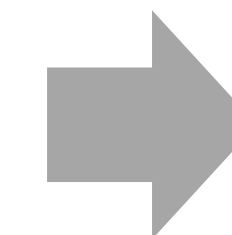
**Not “one size fits all”**: Simpler licenses for business  
activities with lower risk, processed through online single  
submission system (OSS) for investment.

Lower Corporate Income Tax

**22% CIT** for companies non-listed or **19% CIT** for  
companies listed in Indonesia Stock Exchange (IDX).

Before 2020

**25%**



2020 onwards

**22%**



# Indonesia offers more competitive & transparent investment incentives

Ministry of Investment also provides end-to-end investment services, from Europe to Indonesia

## Tax Holiday (PP 12 /2020, PMK 130/PMK.010/2020, PerBKPM 7/2020)

**100%** **Corporate income tax reduction** by 100% for investment valued at IDR500 billion or more for period of **5-20 years**.  
50% additional reduction of CIT for 2 years.  
Eligible for **pioneer industries** or meeting pioneer industry criteria.

**50%** **Mini Tax Holiday: CIT reduction** by 50% for investment valued at IDR100 billion or more for period of **5 years**. 25% additional reduction of CIT for 2 years.

## Tax Allowance (PP 78/2019, PMK 96/PMK.010/2020, PerMenperin 47/2019)

**30%** **Reduction of gross income subject to income tax** by 30% of initial fixed asset (5% per year for 6 years) for certain business fields and/or in certain regions.

**Accelerated depreciation and amortization** on tangible assets or intangible assets.

**Income tax on dividend at 10%** or applicable lower tax treaty rate.

**Extension of loss carry forward period** for 5-10 years.

## Import Duty Exemption

 **Import duty exemption** for imports of machinery, goods, and materials for industry and service industries.  
**2 years** import duty exemption or **4 years** for companies using locally-produced machines (minimum 30%).

(PMK 176/PMK.011/2009 & 188/PMK.010/2015)

## Super Tax Deduction (PP 45/2019)

**200%** **Reduction of gross income subject to income tax** up to 200% of the cost of educational activities.

**60%** **Reduction of net income tax** by 60% of total investment (new business or expansion) in fixed assets for labor-intensive industries.

**300%** **Reduction of gross income subject to income tax** up to 300% of the cost of R&D activities.

# Tax Incentives (1/2)

## TAX HOLIDAY

Tax Holiday and Mini Tax Holiday is a facility for the exemption (and deduction) of corporate income tax (PPh Badan), for a certain period of time

- ✓ MoF Regulation (PMK) No. 35/2018
- ✓ BKPM Regulation No. 1/2019

**5-20** years  
Tax holiday

**IDR 500** billion  
Minimum of investment

**Max 100 %**  
Income tax deduction

### MINI TAX HOLIDAY

**5** years  
Tax Holiday

**IDR 100 s.d 500** billion

Minimum of investment

**Max 50 %**  
Income tax deduction

### 18 PIONEER INDUSTRIES:

1. Upstream base metal industry
2. Refining industry oil and gas development
3. Oil and gas or coal-based petrochemical industry
4. Organic basic chemical industry
5. Inorganic basic chemical industry
6. Pharmaceutical raw material industry
7. Medical device industry
8. Electronics/telematics component industry
9. Machinery industry
10. Robotics component industry
11. Power generation component industry
12. Automotive and component industries
13. Ship component industry
14. Railway component industry
15. Aircraft components industry
16. Pulp industry
17. Economic infrastructure
18. **Digital economy**

## CUSTOMS FACILITIES

- ✓ Minister of Finance (MoF) Regulation (PMK) No.176 / 2009 jo. PMK No. 188/2015
- ✓ MoF Regulation (PMK) No. 66/2015
- ✓ BKPM Regulation No. 13/2017

Import duties on machinery and equipment, goods and raw materials for production  
Exemption of import duties on machinery and equipment:

- There are the exemption of import duties on raw materials for 2 years.
- There will be an additional 2 years of import duties exemption for raw materials if the company uses the local production machines and equipment (min 30%)

### MOF Regulation No. 66/PMK.010/2015

Import Duty of Capital Goods for the Development and Expansion of the Power Generation Industry for General Purposes



**The telecommunications industry is included**



# Tax Incentives in Special Economic Zones (2/2)

(Government Rules No. 12/2020, PMK 237/PMK.011/2020)

## Business Entity

Legal entities in the form of State-Owned Enterprises (BUMN), Regional Owned Enterprises (BUMD), cooperatives, private sectors, and joint ventures to organize SEZ business activities.

**TAX  
HOLIDAY**

### Requirement:

1. Domestic corporate taxpayer
2. Conducting business activities in SEZ
3. Has never been issued a Certificate of other Income Tax facilities (TH and TA, old regime SEZ, DAN KI)
4. Minimum investment value of IDR 100 billion
5. Committed to realize an investment of at least 100 billion for the 4 years after SMB (Saat Mulai Beroperasi)

### Facilities:

1. Reduction in corporate income tax by 100%, for 10 years
2. Reduction in corporate income tax by 50% for 2 years

## Business Actors

companies in the form of legal entities, not legal entities, or the business of individuals who conduct business activities in SEZ

Main Activities:  
**TAX HOLIDAY or  
TAX ALLOWANCE**

Other Activities:  
**TAX ALLOWANCE**

### Requirement:

1. Domestic corporate taxpayer
2. Conducting business activities in SEZ
3. Has never been issued a Certificate of other Income Tax facilities (TH and TA, old regime SEZ, DAN KI)
4. Minimum investment value of IDR 100 billion
5. Committed to realize an investment of at least 100 billion for the 4 years after SMB (Saat Mulai Beroperasi)
6. Committed to realizing a max investment of 5 years since the issuance of the decree for the provision of facilities (especially SEZ in Java Island)

### Facilities (for Main Activities):

- Reduction of corporate income tax by 100%, as long as:
- 10 years for an investment value of 100 billion to < 500 billion
  - 15 years for an investment value of 500 billion to < 1 trillion
  - 20 years for investment value > 1 trillion
  - Reduction in corporate income tax by 50% for 2 years

### Facilities (for Other Activities, investment value below 100 billion): Tax Allowance

\*) Business actors can only get one of the facilities: Tax Holiday or Tax Allowance



# Thank you.



**Ministry of Investment/BKPM**

Jalan Jenderal Gatot Subroto No. 44, Jakarta 12190 - Indonesia  
T: +62 21 525 2008 | F: +62 21 525 4945 | E: [info@bkpm.go.id](mailto:info@bkpm.go.id)  
[bkpm.go.id](http://bkpm.go.id) | [investindonesia.go.id](http://investindonesia.go.id)



# More benefits for investments offered in 20 Special Economic Zones (SEZs)

Also, no customs duties & taxes for importing, processing, & exporting of goods in 4 FTZs\*

INDONESIA  
SEZ

## Fiscal Facilities

- Tax holiday/ allowance;
- VAT exemption;
- Customs and excise;
- Luxury good tax;
- Suspension of import duty;
- Local tax;
- Goods traffic.

## Non-Fiscal Facilities

- Ease of licensing;
- Special labor regulations;
- Immigration;
- Land and spatial planning;
- Infrastructure

## Other facilities

1. KEK Arun Lhokseumawe  
Aceh Utara & Lhokseumawe, Aceh  
(PP No. 5/2017 - Februari 2017)  
Beroperasi Desember 2018  
Kegiatan Utama:  
- Industri Energi  
- Industri Petrokimia dan Kimia Lainnya  
- Industri Pengolahan Kelapa Sawit  
- Industri Pengolahan Kayu  
- Logistik

2. KEK Sei Mangkei  
Kab. Simalungun, Sumatera Utara  
(PP No. 29/2012 - Februari 2012)  
Beroperasi Januari 2015  
Kegiatan Utama:  
- Industri Pengolahan Kelapa Sawit  
- Industri Pengolahan Karet  
- Pariwisata  
- Logistik

3. KEK Batam Aero Technic  
Kota Batam, Kepulauan Riau  
(PP No. 67/2021 - Juni 2021)  
Kegiatan Utama:  
- Industri MRO (Maintenance, Repair, Overhaul) Pesawat

4. KEK Nongsa  
Kota Batam, Kepulauan Riau  
(PP No. 68/2021 - Juni 2021)  
Kegiatan Utama:  
- IT-digital  
- Pariwisata

5. KEK Galang Batang  
Kab. Bintan, Kepulauan Riau  
(PP No. 42/2017 - Oktober 2017)  
Beroperasi Desember 2018  
Kegiatan Utama:  
- Industri Pengolahan Bauksit  
- Logistik

11. KEK Singhasari  
Kab. Malang, Jawa Timur  
(PP No. 68/2019 - September 2019)  
Kegiatan Utama:  
- Pariwisata  
- Pengembangan Teknologi

12. KEK Sanur  
Denpasar, Bali  
(PP No. 41/2022 - November 2022)  
Kegiatan Utama:  
- Kesehatan  
- Pariwisata

13. KEK Kura-Kura Bali  
Denpasar, Bali  
(PP No. 23/2023 - April 2023)  
Kegiatan Utama:  
- Pariwisata  
- Industri Kreatif

14. KEK Mandalika  
Kab. Lombok Tengah, NTB  
(PP No. 52/2014 - Juni 2014)  
Beroperasi Oktober 2017  
Kegiatan Utama:  
Pariwisata

15. KEK MBTK  
Kab. Kutai Timur, Kalimantan Timur  
(PP No. 85/2014 - Oktober 2014)  
Beroperasi April 2019  
Kegiatan Utama:  
- Industri Pengolahan Kelapa Sawit  
- Industri Energi  
- Logistik

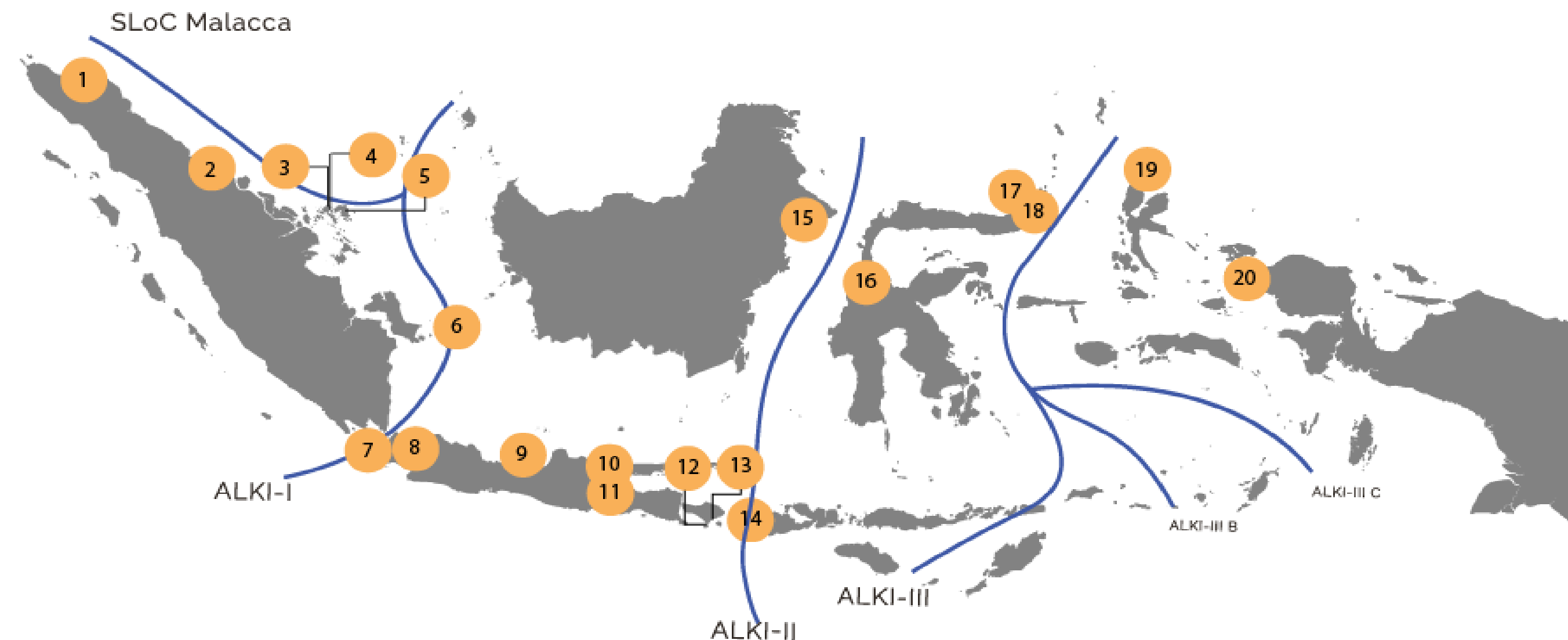
16. KEK Palu  
Kota Palu, Sulawesi Tengah  
(PP No. 31/2014 - Mei 2014)  
Beroperasi September 2017  
Kegiatan Utama:  
- Industri Logam Dasar  
- Logistik

17. KEK Likupang  
Kab. Minahasa Utara, Sulawesi Utara  
(PP No. 84/2019 - Desember 2019)  
Kegiatan Utama:  
Pariwisata

18. KEK Bitung  
Kota Bitung, Sulawesi Utara  
(PP No. 32/2014 - Mei 2014)  
Beroperasi April 2019  
Kegiatan Utama:  
- Industri Pengolahan Kelapa  
- Industri Pengolahan Perikanan  
- Logistik

19. KEK Morotai  
Kab. Pulau Morotai, Maluku Utara  
(PP No. 50/2014 - Juni 2014)  
Beroperasi April 2019  
Kegiatan Utama:  
- Industri Pengolahan Perikanan  
- Pariwisata  
- Logistik

20. KEK Sorong  
Sorong, Papua Barat  
(PP No. 31/2016 - Agustus 2016)  
Beroperasi Oktober 2019  
Kegiatan Utama:  
- Industri Pengolahan Nikel  
- Industri Pengolahan Kelapa Sawit  
- Industri Hasil Hutan dan Perkebunan (Sagu)  
- Logistik



# 69 sustainable investment projects with total value of ~US\$12.8 bn

Covering six priority sectors and located throughout Indonesian archipelago

\*) IDR 192.44 trillion (US\$1 = IDR15,000)



**Tourism**  
12 Projects  
~US\$ 385 M  
(IDR 5.78 T)



**Manufacturing Industry**  
26 Projects  
~US\$ 5.60 B  
(IDR 83.96 T)



**Economic Zones**  
14 Projects  
~US\$ 3.22 B  
(IDR 48.25 T)



**Infrastructure**  
6 Projects  
~US\$ 3.28 B  
(IDR 49.17 T)



**Food & Agriculture**  
9 Projects  
~US\$ 295 M  
(IDR 4.42 T)

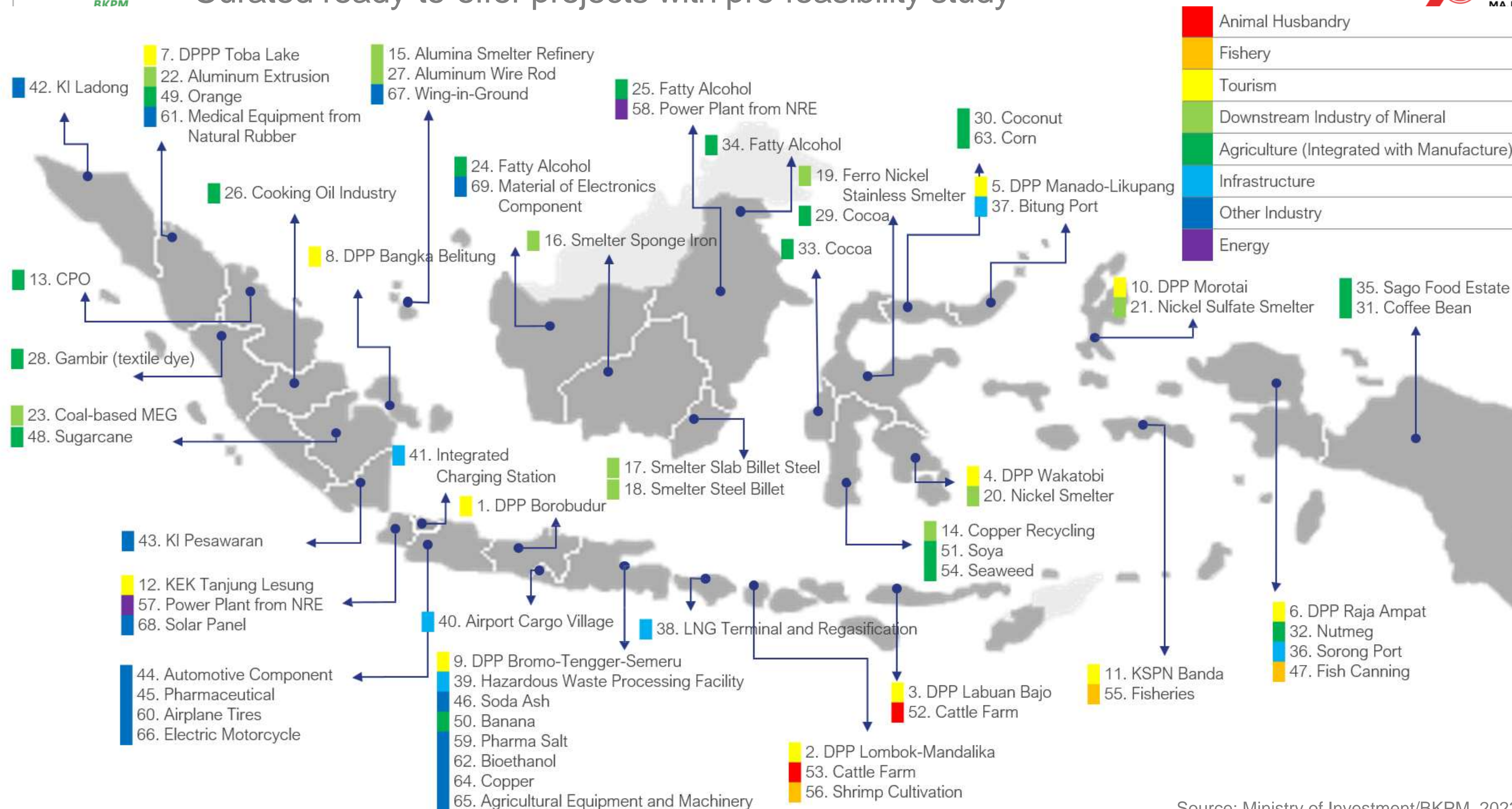


**Renewable Energy**  
2 Projects  
~US\$ 57 M  
(IDR 860 B)



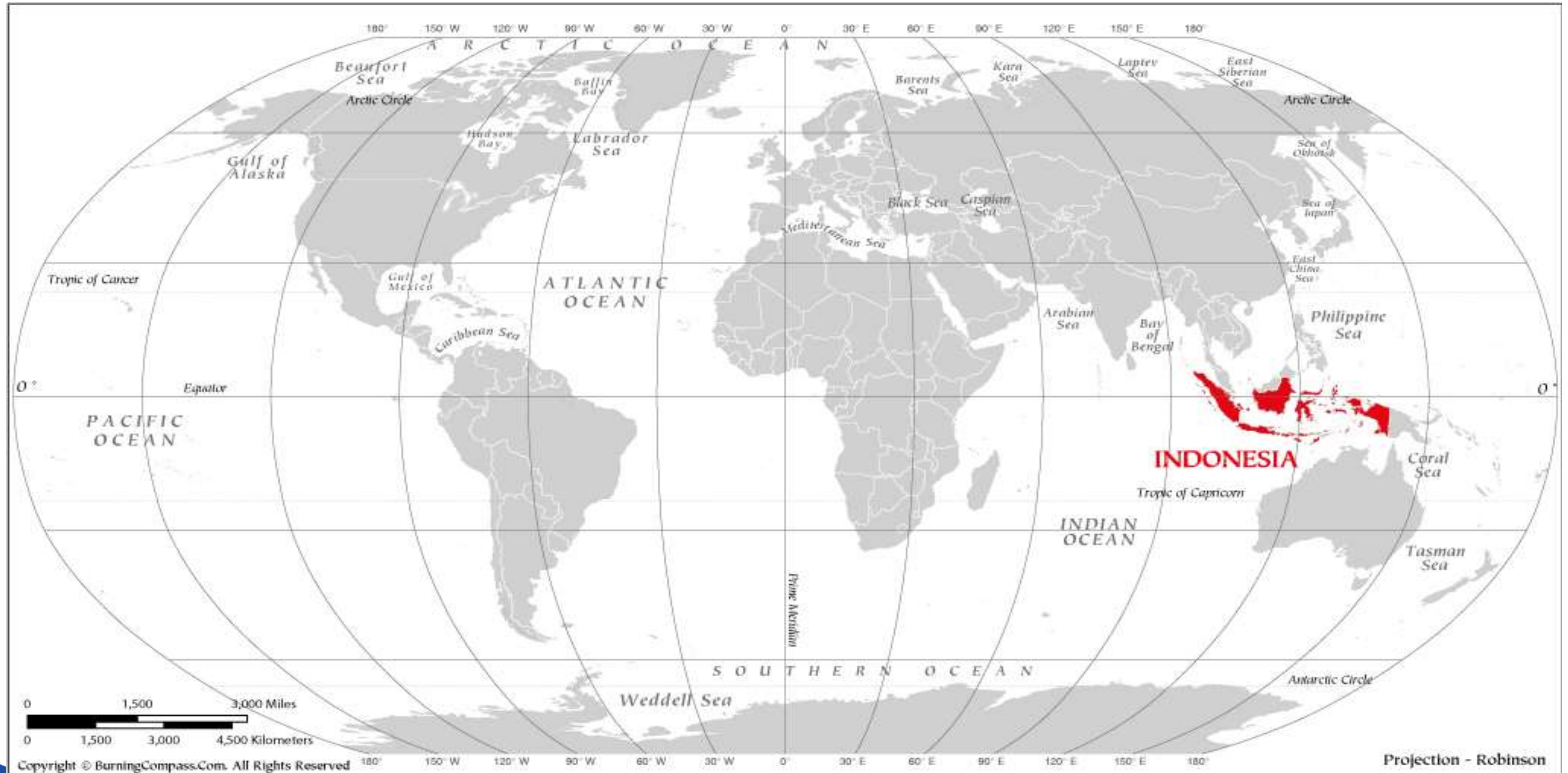
# Investment project profiles available at [regionalinvestment.bkpm.go.id](https://regionalinvestment.bkpm.go.id)

Curated ready-to-offer projects with pre-feasibility study





# Discover Magnificent Indonesia





# Southeast Asia Tech Expansion

By  
Winnie Seow Mei, Asia Market Lead,  
Hawksford

*Prepared for TechUK*

*9 November 2023*



# About Hawksford

**Hawksford is an international provider of Corporate, Private Client and Fund services.**

- We are trusted to deliver efficient administration services to private and publicly listed companies, multinationals and SMEs, entrepreneurs and HNW individuals, global banks and intermediaries.
- Our clients are at the centre of everything we do. We help families take care of their wealth, entrepreneurs to succeed, multinational companies to operate and transact, and funds to maximise returns.
- As a trusted partner, we deliver outsourced administration, company secretarial, accounting, financial reporting, trustee, governance and compliance services to an international client base.



**17**

Present in 17 locations  
across Europe, Middle East  
and Africa (EMEA), Asia  
and the Americas



**4k**

More than  
4,000  
clients globally



**500**

More than  
500 people  
employed globally



**20**

Fluent in  
more than  
20 languages



# Our Presence





# About ASEAN



# The Association of Southeast Asia Nations (ASEAN)

ASEAN's GDP is set to exceed **US\$4tn by 2025**, and currently **exports a total US\$1.3tn**, with forecasts predicting **exports to rise to US\$2.8tn by 2025**, making ASEAN the world's fastest-growing trade bloc.

## ASEAN Member States



Brunei Darussalam  
Commencement Date:  
7 January 1984



Cambodia  
Commencement Date:  
30 April 1999



Indonesia  
Commencement Date:  
8 August 1967



Myanmar  
Commencement Date:  
23 July 1997



Lao PDR  
Commencement Date:  
23 July 1997



Malaysia  
Commencement Date:  
8 August 1967



Philippines  
Commencement Date:  
8 August 1967



Singapore  
Commencement Date:  
8 August 1967



Thailand  
Commencement Date:  
8 August 1967



Viet Nam  
Commencement Date:  
28 July 1995

# Key Trends for Tech Sector in ASEAN

Digital Growth	“Unicorns”	Super Apps
<ul style="list-style-type: none"><li>• ASEAN is the largest digitally enabled population in the world with its eCommerce forecasted to grow to <b>US\$88 billion</b> by 2025.</li><li>• From 2016 to 2021, the total value of e-commerce sales grew fivefold, or <b>40%, annually</b>.</li><li>• In 2020 alone, 40 million people in Southeast Asia came online for the first time. Across the subcontinent, <b>more people are buying a wider array of products online across more diversified channels.</b></li></ul>	<ul style="list-style-type: none"><li>• ASEAN has given origin to <b>more than 40 “unicorns”</b> – start-ups valued at more than US\$1 billion.</li><li>• VC investments in ASEAN remain primarily concentrated in <b>Singapore, ASEAN’s leading innovation hub</b>, and <b>Indonesia, ASEAN’s biggest market.</b></li></ul>	<ul style="list-style-type: none"><li>• It is forecast that super apps in ASEAN would be worth about <b>US\$23 billion in revenue by 2025.</b></li><li>• Over the 2016-19 period, <b>US\$43 billion has been invested</b> in Super App across ASEAN, making it approximately US\$75 of investment per person.</li><li>• Driven by five key revenue drivers: <b>ridesharing, food delivery, fintech, digital banking and e-commerce.</b></li></ul>



# Singapore –Tech Hub for ASEAN





## Singapore advantages at a glance



Largest investment  
treaty network



Attracts foreign  
investment and skilled  
foreign talent



Political and  
economic stability



Tax and investment  
incentives



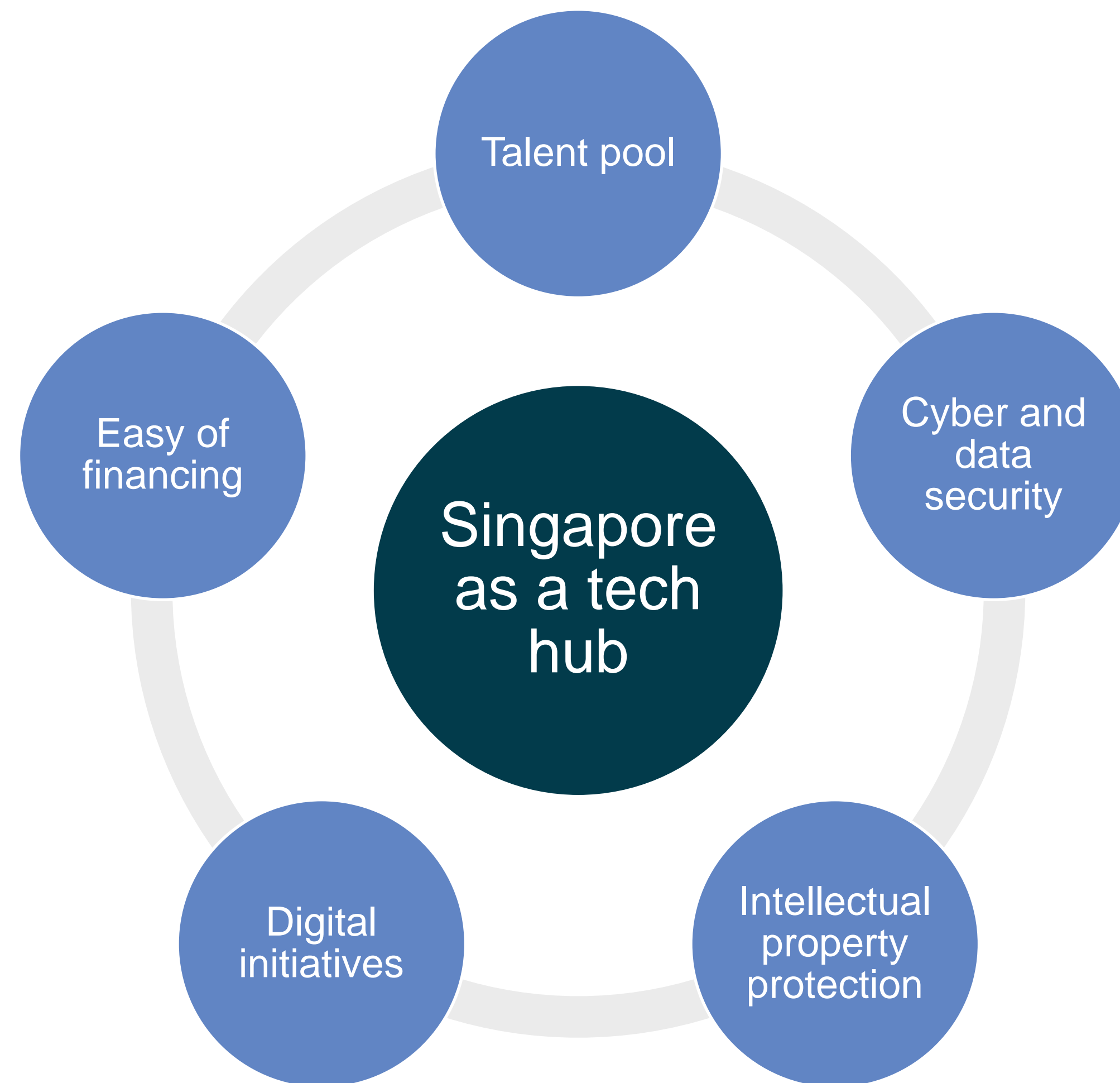
No capital gains tax,  
no dividend tax and  
estate duty



Double tax treaties with  
more than  
70 countries



## Singapore – Regional Tech Hub for ASEAN



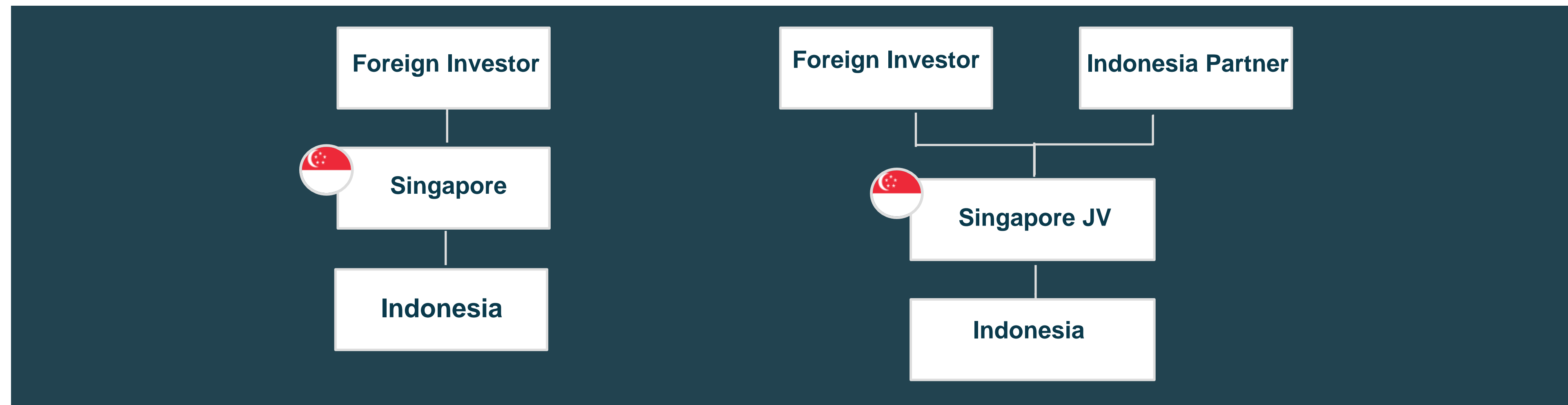


# Singapore Holding Company





# Accessing Indonesia via Singapore



- Buffer between headquarter ASEAN investments
- Streamlined process for incorporation in ASEAN or other jurisdiction
- Facilitates disposal of assets
- Benefit from double taxation agreements
- Regulate the JV agreement in a common law jurisdiction

# Key Requirements for Setting Up Singapore Holding Company

- Minimum paid-up capital of SGD1
- One local director residing in Singapore (Singaporean, PR or EP holder)
- One company secretary residing in Singapore
- A local registered physical address
- At least one individual or company shareholder (shareholders enjoy limited liability)
- Corporate bank account





## Key Compliance and Maintenance



- Corporate tax and GST registration
- First board meeting within 30 days after incorporation
- Filing of annual returns
- Filing of financial statements
- Annual general meeting
- Appointment of auditor and statutory audit of accounts (if required)



# Case Study





# Hawksford assisted GPS with incorporating its business in Singapore

**Jurisdiction** Singapore

**Client profile**

Global Processing Services (GPS) is a UK payments-issuing processing platform that offers fintech solutions globally.

**Services provided**

- Company formation
- Domiciliation, employment passes for a staff member
- Ongoing corporate secretarial services

**Our solution**

With our specialised expertise, we assisted GPS in incorporating and domiciling its business in Singapore. Our responsive assistance with an employment pass application and company secretarial services also provided a seamless experience, allowing GPS to continue focusing on its growth and expansion into Asia.

With an established presence in Asia, we were carefully able to ensure that GPS met, and will continue to meet, its ongoing tax and compliance requirements.

We also actively introduced GPS to key local institutions and agencies in Singapore, so it could connect with the right contacts in a new market.

*"Hawksford's advice and support has been absolutely invaluable since we started our expansion into APAC with our first office in Singapore. Each of the team that we have worked with has been knowledgeable and helpful and all the communication has clearly laid out the options available and recommendations. I feel that our Singapore operation is in safe hands and that we are meeting all local regulatory requirements."*

Joanne Dewar, CEO, Global Processing Services

# Contact us



**Dario Acconci**  
Head of Corporate Asia  
Corporate Services  
T: +65 6922 7688  
E: [dario.acconci@hawksford.com](mailto:dario.acconci@hawksford.com)



**Fabio Stella**  
Commercial Director  
Corporate Services  
T: +86 21 6313 9223  
E: [fabio.stella@hawksford.com](mailto:fabio.stella@hawksford.com)



**Winnie Seow Mei**  
Asia Market Lead  
Corporate Services  
T: +44 20 3855 5701  
E: [winnie.seowmei@hawksford.com](mailto:winnie.seowmei@hawksford.com)



# Thinking beyond tomorrow

 [www.hawksford.com](http://www.hawksford.com)

*Any assumptions, opinions and estimates expressed in the Information contained in this content constitute the judgment of Hawksford UK and/or its associated businesses as of the date thereof and are subject to change without notice. This Information does not constitute advice and professional advice should be taken before acting on any information herein. No liability for any direct, consequential, or other loss arising from reliance on the Information is accepted by Hawksford UK, or any of its associated businesses.*

 [facebook.com/hawksfordgroup](https://www.facebook.com/hawksfordgroup)

 [www.linkedin.com/company/hawksford](https://www.linkedin.com/company/hawksford)

 [www.twitter.com/hawksfordgroup](https://www.twitter.com/hawksfordgroup) 

# A Legal Perspective

## Considerations When Expanding to Indonesia

By Sarah Lau  
Head of China  
Irwin Mitchell LLP





# Introduction to Irwin Mitchell

Irwin Mitchell provides high quality legal and financial services to business and individuals

- Ranked no.1 for overall client service in top 25 by Legal 500
- Unrivalled strength in breadth in UK legal sector (>32 tier one rankings in Legal 500)
- High brand awareness (40% prompted awareness)
- Excellent internal colleague satisfaction (Great Place to Work 15th Best Workplace in UK)
- Recognised for excellence in diversity and inclusion with an ambition to be a leading Responsible Business (Ranked top for ethnic diversity and gender by Legal Week)



## Our locations





# Our services

Banking &  
Finance

Commercial

Corporate  
Advisory

Employment &  
Immigration

Family Law

Funding

Intellectual  
Property

International  
Personal  
Injury

International  
Wealth  
Structuring

Investment  
Management

Litigation &  
Arbitration

Medical  
Negligence

Mergers &  
Acquisitions /  
Equity Capital  
Markets

Pensions

Product  
Liability

Public Law &  
Human Rights

Real Estate

Regulatory  
Criminal  
Investigation

Residential  
Property

Restructuring  
& Insolvency

Serious  
Injury

Tax &  
Trusts

Wills &  
Estates

Workplace  
Injuries &  
Diseases



# Our global reach

Although we're based in the UK, we offer a truly global reach. We've helped businesses and individuals in over 200 countries worldwide.

We use our wide network of trusted, independent law firms. Our relationship with these best-friend firms allows us to effectively and efficiently project manage across multiple jurisdictions. This saves you considerable time, hassle and expense.





# The Indonesia Market

- **Largest population** in SE Asia: 276 million population, growing 4.5 million a year
- **Largest economy** in SE Asia: GDP of USD 1 trillion
- **Growing middle class** 52 million - more than twice the entire population of Australia
- Technological progress is expected to impact various sectors, including manufacturing, energy, and housing



# Legal Considerations for Expanding to Indonesia



1. Entity Type
2. Employment
3. Immigration
4. Intellectual Property
5. Contract considerations
6. International Arbitration

# 1. Entity Type

There are various ways to operate a business in Indonesia, including:

- **PT PMA - Foreign owned company**
- **Joint Venture**
- **Representative Office**



# PT PMA

- A 100% or majority foreign owned Limited Liability company (PT)
- PT PMA can be owned by foreign individual or foreign company
- Licence valid for **30 years**
- The minimum paid up share capital of the subsidiary PT PMA is **10 Billion Indonesian Rupiah or £520,000** excluding land and buildings



## Advantages:

1. Full control as opposed to Joint Venture
2. No need to reveal your company's technology



# Joint Venture

- Contractual or corporate Joint Venture
- Corporate JV involves creating a separate company which is jointly owned between the JV partners
- Contractual does not involve creation of separate legal vehicle
- Shareholders agreement needed to regulate the relationship eg board composition and role, shareholder role
- Any ownership split, e.g. many have 50/50 split, others have 60/40, 70/30 etc

# Joint Venture



## Advantages:

1. JVs gives each party access to the resources of the other parties
2. Each company can maintain its own identity
3. JVs also provide the benefit of shared risk



# Representative Office

- Can only conduct market research, promotional activities and act as buying or selling agents for the foreign parent company.
- Must not produce any profit in Indonesia, and all commercial transactions must be managed by the foreign parent company.
- The license will expire after **two years** and needs to be renewed in order to carry on activities in Indonesia.

# Representative Office



## Advantages:

1. There is no minimum capital required
2. Suitable for foreign companies that want to explore the Indonesian market before investing large amounts of capital
3. Allow the employment of both local and foreign employees.



## 2. Employment

### Some considerations:

- **Types of Employees** - Permanent, Temporary, Contractor - they will have different rights
- Minimum wage varies according to region
- Restrictions on working hours
- Directors can be foreigners, but the **Director of Personnel** must be Indonesian.
- List of jobs that needs to be filled by Indonesian

# Employment

- **Choice of governing law:** Indonesian law will apply to a foreign employment contract regardless of a choice of law in that contract, particularly if foreign nationals were **hired by Indonesian companies** in Indonesia.
- Indonesian law can be avoided if foreign nationals intending to work in Indonesia are **engaged by foreign entities** which will assign the foreign national to an Indonesian company through the secondment scheme.



# 3. Immigration

## Employing foreign workers

### Requirements:

- Approval from Ministry of Manpower
- Foreign Manpower Utilisation Plan (RPTKA)
- Payment of USD100 per month for each position held by a foreign worker
- Employ an Indonesian employee for every foreign employee to train

**Exemption:** The RPTKA Approval is exempted for **3 months** for foreigners who are engaged for **Indonesian tech-based startups**.

# 4. Intellectual Property

## WHY

- Intellectual Property Rights (IPR) can protect your innovation from competitors
- A source of revenue through licensing deals or selling intellectual property
- IPR infringement can lead to loss of business, revenue, reputation and competitive advantage
- Brand recognition



# Intellectual Property

## WHEN

- When expanding to Indonesia, it is essential to register your rights in Indonesia as soon as possible in order to be able to defend and enforce them.
- Indonesia, like UK, works under a **first-to-file system**, meaning the first person to file an IP right there will own that right when granted.

# Intellectual Property

## WHERE

- IP rights are **territorial** in nature which means that registrations in the UK or another country's jurisdiction are not automatically enforceable in others
- The **Directorate General of Intellectual Property Rights of the Indonesian Ministry of Law and Human Rights** is responsible for administering IPR in Indonesia.
- Indonesia is a World Trade Organization (WTO) member and has comprehensive intellectual property protection regulation. (Eg. World Intellectual Property Organisation WIPO)



# Intellectual Property

## UK

## INDONESIA

### Trademark

Indefinitely, renewed every 10 years

Indefinitely, renewed every 10 years

### Designs

5 years, renewable up to 25 years.

10 years and cannot be extended

### Copyright

70 years from the year of author's death

70 years from year of author's death

### Patents

5 years, renewable up to 20 years

20 years

# 5. Contract considerations

## Joint ventures:

- **Cost and profit sharing**
- **Responsibilities of the parties**
- **Liability**
- **Dispute resolution mechanism**
- **Confidentiality undertakings**
- **Non-competition clause**
- **Intellectual property clause**
- **Term and exit clause**
- **Termination**

## Commercial contracts:

- **What is the product/services supplied**
- **Payment**
- **Representation and warranties**
- **Dispute resolution**
- **Event of default**
- **Limitation of Liability**
- **Termination**



# Contract considerations

## Issues to consider for International Agreements:

- Governing law - will the courts apply it?
- Local Mandatory laws irrespective of governing law, eg language/currency
- Jurisdiction
- Enforceability

**NOTE:** Foreign court decisions are **unenforceable** in Indonesia.  
This makes **International arbitration** an attractive method of dispute resolution

# 6. International Arbitration

## Dispute resolution outside general courts

**Parties can agree to use Arbitration as an alternative to the general courts by:**

1. An arbitration clause in a specific agreement before the dispute, or
2. A separate arbitration agreement made by the parties after the dispute occurs

If there is an arbitration agreement/clause the Indonesian Court will have no jurisdiction to hear the case.



# International Arbitration



## Advantages:

1. Allow parties to **nominate arbitrators** who are specialised in the subject matter of the case.
2. Arbitration awards are **final and binding**, grounds of appeal very limited
3. The proceedings are **relatively short**, compared to court processes to obtain final and binding judgments. The examination of a case is expected to be completed **180 days** after the arbitration tribunal is formed.
4. Arbitration proceedings are **confidential**, unlike court proceedings.

# International Arbitration - Enforcement

## Enforcement in Indonesia

- Both **UK** and **Indonesia** are signatories to the **New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards**.
- Any international arbitration award made in **another New York Convention country** can be enforced in Indonesia.
- There is a clear preference among foreign joint venture parties and parties to supply/sale of goods contract for international arbitration as the method of dispute resolution.



# Thank you

## Getting in Touch



**Sarah Lau**

[sarah.lau@irwinmitchell.com](mailto:sarah.lau@irwinmitchell.com)

Head of China, Irwin Mitchell LLP



0370 1500 100



[irwinmitchell.com](http://irwinmitchell.com)

Irwin Mitchell LLP is authorised and regulated by the Solicitors Regulation Authority.

