



Quick Start in Indonesia

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Did you know?

Indonesia counts for 42% of all
Southeast Asia GDP (2014).



START IN INDONESIA

Quick Start Indonesia by Cekindo Bisnis Grup

START WHAT?



Import goods

Do you want a local distributor?

Are you ok with being dependent on one only?



Business activities

Will you invest over USD 1m?

What is the field of business?



Short-term project

Is it a construction project?



Limited presence

Your plan is solely export, market research or promotion?

100% Local

Retail
Real Estate
Road Transportation
Film industry
Forestry
eCommerce
Other

Partly foreign

Construction
Distribution
Personnel and training*
Telecommunication*
Cargo / shipping
Tourism
Restaurant / bar / café

100% Foreign

Consulting
Trading (import/export)
Online portal

Find a local distributor
(page 10)

Find a license holder
(page 10)

Get a local PT/partner
(page 7)

Establish PMA with local(s)
(page 6)

Establish PMA
(page 6)

Establish a rep office
(page 8)

10 REASONS WHY TO DO BUSINESS IN INDONESIA

1. Indonesia is the 4th most populous country in the world, with more than 53% of the population living in urban areas
2. 15th-largest economy in the world, 5th-largest economy in Asia, and the largest economy in Southeast Asia
3. 70% of the population is under 39 years of age
4. 57% of the population is from the middle class, with 7 million being added each year
5. 6.4% CAGR expected growth in consumer spending between 2010-2020, faster than Malaysia, Turkey, Brazil and Russia
6. The Indonesia Investment Coordinating Board launched a One-Stop-Service for investment licenses and non-licensing services
7. Indonesia is the world's second largest mega center of biodiversity after Brazil
8. The labor force of approximately 122 million and a 69.21% labor force participation rate is more than the US (68%) and the global average (63.6%)
9. Fitch Ratings (November 15, 2013) put Indonesia's sovereign credit rating at BBB- level with a stable outlook
10. Indonesia's debt to GDP ratio has declined from 83% (2001) to 26% (2013), the lowest among ASEAN countries

Indonesia is "Asia's next big opportunity," thanks to a fast-growing economy (up 5.8% in 2013) and favorable demographics. Indonesia is among of the fastest growing countries in the G-20 (the industrially driven countries) and currently the 15th biggest economy in the world, the fifth in Asia after China, Japan, India and South Korea, and by far the biggest in Southeast Asia. Indonesia consists of 17,508 islands, with more than 240 million people, giving it the fourth largest population in the world. Over 60% of the population is between the ages of 20 and 65, giving the country a large bank of earners and not too many senior citizens for workers to support. In 2003, the middle class made up only 37.7% but in 2012, the total middle class was 56.5% of the total population.



Did you know?

Indonesian counts for 40% of all Southeast Asia population (2014).

The strongest values for Indonesians are group, hierarchy and own reputation ("the Face"). These are also reflected in how they act in interacting with others at work and meetings.

Business meetings

Business is personal in Indonesia so spend time through communication to build a strong relationship. Dealing with someone face-to-face is the only effective way of doing business.

A handshake is the most common greeting accompanied with the word "*Selamat*". Most Indonesians apply only very light pressure when shaking hands. Women's hands may be shaken as well if they initiate. If meeting more people, approach the eldest / **most senior first**.

The business cards should be treat with respect – give/accept using two hands or the right hand, examine the business card before putting it out of hand. For the best impression, the cards should show your title and also in Indonesian (to show respect).

Business attire is generally conservative. Women should ensure to be well covered from ankle to neck. Tight fitting clothes are best avoided. Remember it is hot, so cotton or at least light clothing is the best.

Voice Indonesians speak quietly and with a subdued tone. Loud people would come across as slightly aggressive.

Time the religious Muslims pray five times a day. If you conduct business with Indonesian Muslims, you should allocate some time for praying.

Working with locals

Decision making: While Indonesians expect decisions from the seniors and leaders, they are strong advocates of group discussion and consensus.

Criticizing and refusing: The avoidance of "loss of face" makes Indonesian very polite. It is difficult for Indonesian to criticize, to be criticized and to refuse. Bahasa Indonesia actually has 12 ways of saying "No" and also ways of saying "Yes" when the actual meaning is "No".



Did you know?

Indonesian has 12 ways of saying "No" and also ways of saying "Yes" when the actual meaning is "No".

Foreigners who want to create or build a business in Indonesia tend to create a **PT PMA**. **What is a PT PMA?** PT PMA (*Penanaman Modal Asing*) or Foreign Investment Company, is the establishment of limited liability company for the purpose of doing business in the Republic of Indonesia by a foreign investor, by using foreign capital fully or in part with a domestic investor. Before an investor decides to register a **PT PMA in Indonesia**, he has to investigate his exact business activities regarding the **Negative Investment List**, which notes foreign ownership limits in certain business classifications. It is issued by the Investment Coordination Board, also called **BKPM**. *The minimum investment plan is IDR 10,000,000,000 or equal with USD 750,000* (as per September 2015), which is allocated in Indonesia for land, building, working capital, etc. *The minimum paid-up capital required is IDR 2,500,000,000 or equal with USD 187,500* (as per September 2015), which shall be deposited after the company is established and bank account is opened. After incorporation, the company is required to submit an Investment Activity Report (LKPM) and monthly tax reports, even if the company does not have any activities and owes no taxes.

The advantages of PT PMA in Indonesia:

- 1) PT PMA has same rights and responsibilities as local companies
- 2) Foreign investor legally owns 100% or less of the company as shareholder (can be individuals or legal entities)
- 3) Can have foreign President Director and Commissioner in the organizational structure
- 4) Facility of special customs and taxes grant
- 5) Can sponsor many foreign employees

However, a PT PMA in Indonesia also has disadvantages, such as:

- 1) PT PMA shall submit monthly and annual tax reports
- 2) The minimum investment plan is USD 750,000 and needs to realize all investment plan to obtain Permanent Business License (IUT)
- 3) PT PMA is required to submit Investment Activity Report (LKPM) to BKPM quarterly (before IUT) and bi-annually (after IUT) to monitor the company's development



Did you know?

To obtain a Permanent Business License for a Foreign-owned Company you need to have investment realizations for above USD 750,000 (as per September 2015)

One of the available legal entities in Indonesia is a limited liability company. Limited liability company, also called **PT**, is the most popular and widely used form of business entity in Indonesia for carrying out business activities in various fields. In addition to having a clear legal basis according to **law No. 40 year 2007** on limited liability company, PT is considered as one of preferred option for foreign investors who want to expand in a business that is closed to foreigners. PT is a company founded by a minimum of two local people as shareholders, limited from the debt of the company. The minimum organization structure is 1 Director and 1 Commissioner.

The advantages of the Indonesian PT are:

1. Shareholder liability is limited for the company's debt
2. Can easily get additional funds/capital, for example by issuing new shares
3. The viability of the company is more secure
4. The leadership body (Director and Commissioner) can be replaced at any time through a general meeting of shareholders
5. Company management has a clear responsibility to the owner or shareholders
6. The limited liability company binds and protects the company's activity
7. The company size is based on paid-up capital that are small IDR 50 – 500 million, medium IDR 501 million – 10 billion, large IDR more than 10 billion.
8. The company can have three business activities on business license.
9. Usually no limitations apply, and it can use all open government tenders.

However, the Indonesian PT also has disadvantages, such as:

1. It is a subject to a separate tax, and dividends received by shareholders will be taxed
2. The company's secrets are not secure, as all activities are reported to shareholders
3. The dissolution process, changes to articles of association, mergers and takeovers require time and cost as well as approval by a General Meeting of Shareholders (RUPS).
4. The company is 100% owned by local shareholders, thus foreigners must apply to local shareholders for a reliable nominee agreement.



Did you know?

There are three business sizes for a local PT that are large, medium, and small, according to the amount of paid-up capital.

The Representative Office is usually the first step for a foreign company in building its business in Indonesia. It is commonly used as feasibility assessment before establishing a PT/PMA. After the market expectations prove to be sensible, the foreign companies can create a PT PMA or foreign capital investment limited liability company.

The activities a Representative Office can undertake are limited. These include:

1. Supervise, connect, coordinate and take care of company interests in Indonesia.
2. Perform market research based on company requirements.
3. Sales monitoring for the company's marketing activities.
4. The representative office in Indonesia is **not allowed to generate income**.

Although the revenue restrictions seem like a major disadvantage, you can still arrange many activities through the mother company and local agents.

There are 4 options to consider:

1. Foreign Representative office
2. Foreign Trade Representative office
3. Foreign Construction Representative office
4. Foreign Bank Representative office

While the first two options are used by vast majority of the companies, the Foreign Construction Representative Office can be useful in delivery of rather short term construction projects. The Foreign Bank Representative Office is a very rarely selected option.

You can learn more about the different types of Representative Offices [here](#).



Did you know?

While the standard Foreign Representative Office can operate for maximum 5 years, the Foreign Trade Representative Office license can be repeatedly renewed.

Sectors with limited foreign capital

Through **Foreign Investment Coordinating Board (BKPM)**, Indonesian government revises the **Negative Investment List**. It outlines the sectors that are closed to foreign investment and those that have restrictions on foreign investment. All the fields not specifically noted in the Negative Investment List are in general open to investment along with 100% overseas control. The list is revised every three years.

Based on the latest **Negative Investment List (2014)**, the limited sectors are following:



#1 Sectors closed to all investors: businesses which generate, process, or develop any of the following: marijuana, sponges, harmful chemical products, weapons, alcoholic drinks, casinos, air traffic systems.



#2 Sectors closed to foreign investors: small-scale retail trade; taxi/bus transport and small-scale water transport services; property and real estate agent; print media, advertisement, TV, radio, film and cinema, including distribution and exhibition, forest concessions; lumbering contractors.



#3 Industries with restricted ownership limits for foreigners: distribution trade; restaurants; shipping; drinking water; certain medical services; airport/seaport construction and operation; electricity production, transmission and distribution; atomic power plants; railway service.



#4 Other sectors which are reserved for domestic small-scale enterprises, or large or medium-scale foreign companies.

To learn more, see the full [Negative Investment List](#).



Did you know?

Using local partners, middlemen and nominees can be extremely handy in Indonesia as it opens you huge possibilities in industries closed for foreigners.

Learn more [here](#).

Import Using Own Company

Only limited liability company that holds import license can import to Indonesia. Import is possible for PMA and local PT companies, however PMA shall have fulfilled investment realizations for IDR 10,000,000,000 and obtain Permanent Business License in order to obtain import license for trading. That is why most of the foreign investors need to find local distributor to start the business activities in Indonesia.

Exclusive Distributor

To import consumer products, such as food, cosmetics, food supplements, and pharmaceutical, firstly the products shall be registered at the Food and Drug Association (BPOM); whereas medical devices shall be registered at the Ministry of Health. Products without proper registration can not enter Indonesian market legally. The registration is exclusive only for one local company for 3-5 years (depending on the product type). If you do not have a local company, your distributor will register the products under its name. It is necessary to select the distributor properly for long term partnership. Look on the distributors size, products they sell (should not be direct competition), and its reputability and results. It is advised to hire a local agency to help you to preselect the distributors.

Undername Importer & Licence Holder

The 3-5 year exclusive registration period can be risky as some distributors may lock up the market for the manufacturer or they can prove to be underperforming. If such situation occurs, the manufacturer will be forced to convince distributor to withdraw the product registration (this might get very challenging and costly) or wait 3-5 years until expiry date. To avoid the risk, you can make an agreement with an agency that can serve as undername importer and license holder. With this arrangement, you can have cooperation with more than one distributors to ensure flexible. Also trustworthy agency should withdraw its product registration upon request of manufacturer. Undername importer will also take care after the customs clearance process as and when necessary.



Did you know?

For many products, the registration is exclusive for one distributor only. By selecting incorrect distributor, you might get in long lasting troubles.

Personal Income Tax

Personal Income Tax in Indonesia has progressive rate below:

Taxable income (in 000,000 IDR)	tax rate
1 - 50	5%
50 - 250	15%
250 - 500	25%
over 500	30%

All tax residents should register for National Tax Payer Identity Card (NPWP), otherwise they will be subject to **20% flat rate** on their personal income tax.

Social Security and Health Insurance

Companies with more than ten employees are required to pay social security benefits for their workers. In the event of old age, disability, work injuries and sicknesses, and maternity leave, the Indonesian social security system will generally cover the costs for local workers and employees. This program is being extended to all employees in smaller businesses, informal-sector workers, and people working in rural cooperatives.

Search Employees

For middle-up positions, it is advised to use headhunting agency, as it is required specific qualifications and we have access to pool of targeted talent. Besides headhunters, it is also effective to use online job portals. Some options below:

- id.jobstreet.com
- id.jobsdb.com
- Karir.com

In general, currently the employees' loyalty to the company is relatively hard to be built, as many can change the job for non-dramatic pay increase in other company or after a conflict with their demanding foreign boss.



Did you know?

Besides salary and social security, employers have to provide to the employees an allowance (13th salary) paid prior the major religious events such as Idul Fitri and Christmas.

Working Visa (KITAS)

KITAS guarantee the local resident status, they are, however, difficult to get and unless the person is listed as the Director in company AKTA (official documents), they can be pursued for 6 months only. Director can obtain 12 months visa.

Business Visa

Can be handy for the ones who want to do business in Indonesia and come often to meet partners or visit local team. It is fast, cost-effective, and allows multiple entry. However, it is strongly not advised to be used for people working in Indonesia.

Quotas

It is not easy to employ foreigners as the government needs to give permission for each person. Companies have limited number of foreigners to employ according to their company size, number of local employees, and the specific projects. In the event you require to hire more foreigners, some local agencies may represent your company in the project to allow them to support you to with more foreigners.

Income Tax for Foreign Employees

As mentioned on the page Hiring Employees, tax residents not registered for National Tax Payer Identity Card (NPWP) are subject to **20% flat rate** on your monthly income tax. After 6 months, it is mandatory for foreigner to apply for NPWP. Indonesia has double taxation treaties with 65 countries, among them are Australia, Canada, China, Germany, India, New Zealand, Singapore, the United Kingdom, the USA, etc.



Did you know?

Companies can only employ a limited number of foreigners. The number typically depends on their company size and the evaluation of the specific reason of employment done by the government officer.

Corporate Income Tax

The corporate tax rate in general is between 12.5% - 25% (according to the total income in the year), but special conditions may apply. If your company is listed and meets certain conditions, you are obliged for 5% reduction. The best benefits are applicable to small businesses with a gross turnover < IDR 50 billion, which entitles them 50% off the standard tax rate. Based on government regulation number 46 of 2013, the company income tax rate will be as follows based on the company revenues. For a few selected industries there is a tax no matter on the size.

Gross Income (IDR)	Tax
up to 4.8bn	1% turnover
4.8bn - 50bn	12.5% - 25% of profit
Over 50bn	25% of profit

Company field	Income tax	Turnover tax
Petroleum	30 - 45%	
General mining	30 - 45%	
Geothermal	34%	
Construction - developers		2%
Construction - design, consultancy		4%
Foreign drilling		6%
Non-resident shipping, airlines		3%



Timeline for Tax Obligations

In Indonesia, payment for both corporate and individual tax liabilities are typically made to the State Treasury through a designated tax payment bank. Afterward, you must submit tax report to the tax office.

Type of Tax	Monthly Payment Deadline (day of the following month)	Monthly Filing Deadline (day of the following month)	Annual Filing Deadline
Corporate Income Tax	10 th	20 th	End of the 4 th month after the tax year end
Individual Income Tax	10 th	20 th	End of the 3 rd month after the tax year end
Employee Withholding Tax	10 th	20 th	N/A
Other Withholding Tax	10 th	20 th	N/A
VAT & LGST	End of the following month	End of the following month	N/A

Did you know?

Every company shall prepare and submit monthly and annual tax report, although the company has no income and zero profit.

Opening a Bank Account

Companies in Indonesia which have a foreign shareholder are required to maintain a bank account. The account must be established with a bank which is licensed to handle foreign currencies (known as Foreign-Exchange Bank or Bank Devisa). Indonesian law requires every bank to maintain information about the account owners. ***While in practice, the information required by banks can vary, here are the minimum requirements:***

For a private person:

- Copy of identity card or passport
- For foreigners, copy of staying permit in Indonesia/temporary resident permit

For a corporate entity:

- Memorandum and/or Articles of Association;
- Business licenses (for Indonesian companies)
- Taxpayer identification number (for Indonesian companies).
- There are no specific restrictions on the use of a bank account by its holder, with the exception of its use for money laundering, terrorism funding.

Corporate Bank Account

The most efficient way if you only need a corporate bank account is to establish a Representative Office in Indonesia. Keep in mind, however, that the Representative Office is not allowed to generate any revenue and therefore you should not be receiving other payments to this account than from your mother company.

Types of bank accounts and their benefits:

Checking Account	Saving Account	Deposit Account
<ul style="list-style-type: none">• Ability to make a payment using a check or giro (demand deposit)• Ability to delay payment by check retroactively	<ul style="list-style-type: none">• Can be used as a tool for transfers and debits• Can be for ATM access• Is a tool for amassing assets	<ul style="list-style-type: none">• Interest higher than a savings account• Can be transferable (certificates of deposit)



Did you know?

For opening local bank account you either need to have a business entity or local working permit.

Business License (IU)

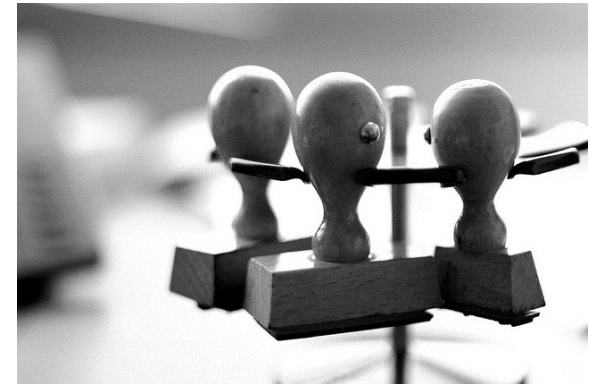
A **Business License (Izin Usaha)**, previously known as a Permanent Business License (Izin Usaha Tetap), is issued by the Indonesian Investment Coordinating Board (BKPM) or Regional Investment Coordinating Board (BKPMD) to the company that was established in the framework of a foreign investment company (PMA), given as an **Operating Permit** to conduct commercial business activities in the field of Trade in Goods/Services.

Classification of Business Licenses:

- A company engaged in general trading, goods or other services should have a [business license](#).
- A company engaged in the manufacturing industry outside of oil, gas and geothermal energy, should have an **industrial business license**.
- A company engaged in other industries, such as construction, should have construction business license.

Medical Distribution Licenses

Foreign and local companies that intend to sell medical devices in Indonesia are required to obtain two licenses: an Indonesian medical distribution license and a medical devices registration. For an Indonesian medical distribution license, you must set up your own local entity in Indonesia or utilize a distributor with a medical device Distributor's License issued by the Ministry of the Health. (Here you can read about [how to set up a company in Indonesia](#)) We can help you [establish your own company](#), [find a suitable local distributor](#), or provide you with [registration through Cekindo](#). A distributor's license in general is valid for **5 years** period of time.



Did you know?

While local PTs are automatically granted with business license, foreign owned companies need to first provide audited proof of investment realizations for IDR 10,000,000,000.

Import Licenses in Indonesia

Obtaining an Indonesian import license is an important requirement for importing goods to the Indonesian market. **Licenses are limited to a particular industry and do not permit importation of goods not related to that sector of business.** Based on a regulation issued by the Ministry of Trade, as of 2011, **companies may only have one type of import license.**

In order to import your goods to Indonesia, you need an **Indonesian Importer Identification Number**, also known as **Angka Pengenal Importir (API)**. There are several types of Indonesian Importer Identification Numbers:

A General Import License, also known as API Umum (API-U)

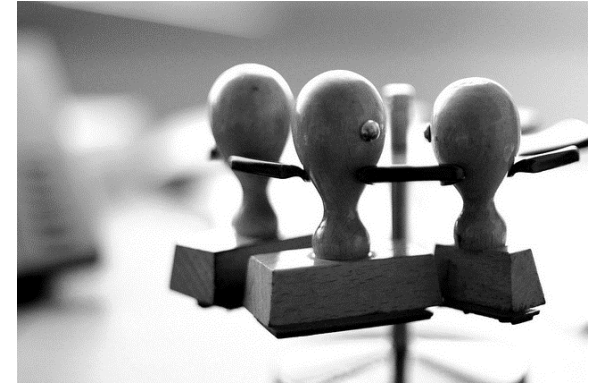
This Indonesian license may be used to import finished products or to trade goods with a third party. Applications for an API Umum take around 2 months.

A Producer Import License, also known as API Produsen (API-P)

This particular license is used to import raw materials and unfinished products and goods for production processes. Ministry of Trade Regulation No. 39/2010 allows API-P license holders to import several types of finished products, mostly connected with production processes.

A Limited Import License, also known as API Terbatas (API-T)

This license may be used as a limited importer identification number and is obtained through the Indonesian Investment Coordinating Board (BKPM). Goods imported under an APIT are subject to a reduced withholding tax of 2.5 % compared to the normal rate of 7.5 %.



Did you know?

Indonesia completely prohibits import of any used products including specialized medical and other devices.

PT. Cekindo Bisnis Grup is a market entry consulting firm, providing one-stop services to assist foreign companies from various industries in expanding to Indonesia and beyond

Our **main services**, include Business Set Up, Business Process Outsourcing, and Local Representation; more info on www.cekindo.com

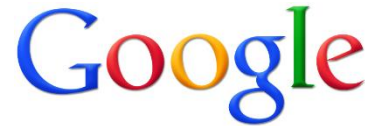
Our **dynamic multinational team** based in Jakarta to understand the local market and utilize our extensive network to support our client's business and operation in Indonesia



Did you know?

Cekindo is supplier of choice of Fortune 500 companies.

Selected clients



PT. Cekindo Bisnis Grup

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