



# Investing in Indonesia 2021

1 November 2021

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# 1 Introduction

The passing of Law No 11 Year 2020 on Job Creation (popularly known as the “Omnibus Law”) marks an important milestone in Indonesia’s effort to attract foreign investment to sustain future economic growth. The Omnibus Law revised 78 existing cross-sectoral laws to establish a coordinated framework in order to create more job opportunities across Indonesia. As of the publication of this report, 51 implementing regulations to the Omnibus Law have been issued. The impact of the Omnibus Law and its implementing regulations is discussed in various chapters of this publication. In our experience, it will likely take at least two years to see the positive impact of the Law.

While Indonesia is attractive to foreign investors because of its young workforce and large domestic market, its weak basic infrastructure relative to other comparable countries remains a major obstacle. During the period between 2014-2019, we have seen an unprecedented focus on infrastructure investments. Chapter 4 of this publication highlights the major infrastructure developments from 2014 to now.

In the last two years, like many countries, the Indonesian government was forced to reallocate significant resources to health care and the social safety net to tackle the negative impacts arising from the COVID-19 pandemic. Prior to COVID-19, the government was widely praised for its discipline in maintaining the fiscal deficit within the required limit of 3 percent. Since then, the deficit limit has been temporarily expanded to 5.82 percent in 2021 and 4.85 percent in 2022. The government’s ability to rebalance the fiscal deficit is a key indicator to watch, as Indonesia expects to return to the 3 percent limit by 2023.

This publication is intended as a general guide to investing and doing business in Indonesia, primarily for new foreign investors looking to enter the Indonesian market. It also serves as a useful reference document for established foreign and domestic investors. Practical insights and other intelligence from KPMG’s experience at the transaction “coalface” and from providing transaction, M&A and tax advisory services to foreign and local investors and lenders can also be found at appropriate junctures in this publication.

**Note :**

*This publication is not intended to be a substitute for formal legal, tax or other professional advice. To the best of our knowledge, laws and regulations referred to throughout the document reflect the position as of 1 November 2021, or later where specifically referenced.*



# 9 Labor and Employment

## Indonesian labor laws, regulations and landscape

The main employment law in Indonesia is contained in Law No.13/2003 on Labor (“Labor Law”). There is also Law No.2/2004 on Industrial Relations Dispute Settlement; Law No.21/2009 on Labor Unions and Law No.3/1992 on Workers Social Security, Law Number 40 of 2004 on National Social Security System, Law Number 24 of 2011 on Social Security Implementing Agency, as well as other subsequently issued employment laws, regulations and decrees or rules referred to in this chapter. These laws are designed to safeguard interests of employees. The main regulatory authority is the MOM.

Employers generally consider the Labor Law places onerous obligations on employers, particularly in respect of ability to terminate and the level of severance and termination benefits payable. For companies operating in highly labor-intensive industries, this can make wage and benefit levels uncompetitive compared to other neighboring countries. A lack of training, cultural background and difficulty in terminating non-performing workers often means that staff numbers can reach higher levels than an investor may initially anticipate. Attempts by governments in the past to make aspects of the law more friendly to employers has led to street demonstrations and is politically sensitive.

Notwithstanding recent increases in statutory minimum wages, Indonesia still considered to have one of the lowest average wage rates in Asia. The cost of labor is still lower than China, Thailand, and Malaysia. However, lower average wages available in Vietnam, India, and Bangladesh present real and more than emerging threats.

GOI recognizes the need to focus on creating regulatory framework that can support the labor force environment. With such objective in mind, in November 2020 the Government finally issued the Law No. 11/2020 concerning Job Creation (Omnibus Law), which addresses some important changes to the Indonesian labor law and regulations. These changes are expected to support the improvement of labor force productivity and competitiveness while also providing protections to employees.

## Resource pool of skilled Indonesian workers

As at August 2020, Indonesia’s working age population aged 15-64 has reached 203.97 million (2019: 197.91 million; 2018: 194.78 million; 2017: 192.08 million). Indonesia thus has a large pool of workers, even with a reported labor force of 138.22 million people in August 2020, and a labor force participation rate of 67.77 percent. These statistics exclude the self-employed in the informal sector. With the high birthrate in recent decades and the drift away from traditional village life, the number of economically active workforce has been growing at an average of 3.1 million per year over the last three years. Indonesian workforce mostly concentrated in Java and Bali, and workers continuously migrate from rural to urban areas in search of jobs.

Despite the large population, the country's resource pool is being "stretched thin" with corporate demand for skilled and experienced Indonesian professionals and technicians across various disciplines outstripping supply. This is considered to be a function not only of rapid economic growth post GFC but deficiencies in the education system. Remedying deficiencies is a long-term, challenging exercise.

A commonly communicated concern expressed by industry leaders and more recently acknowledged and embraced by the government is the preparedness of Indonesian university graduates to enter the labor market. Whilst there is a plentiful supply of graduates, many fail to meet employer expectations in terms of talent and future employability. The report findings included a lack of practical day-to-day business skills (communication, problem solving, critical thinking and people management) and a lack of ability to work in teams. English language skills were also found to be deficient.

### *English language proficiency*

Based on a 2019 Education First English Proficiency Index ("EPI"), Indonesia's scored 74<sup>th</sup> on a worldwide ranking of 100 countries (2019: 61<sup>st</sup>). In terms of Southeast Asian countries, Indonesia ranks 5<sup>th</sup>, behind Singapore, Philippines, Malaysia and Vietnam; but scoring higher than Thailand, Myanmar, and Cambodia.

The EPI is a global English language skills ranking index which analyses relationships between a country's English learning trends and proficiency and economic competitiveness. Media articles regularly report the concerns of economic and education commentators who have sounded warnings on the ability of Indonesia's people to compete with those of other ASEAN countries. Criticism has been leveled at a lack of change and development in the country's national education system and language curriculum. Remedial actions have been looked at, but no visible progress yet to be made.

English language and education commentators have called for the retraining and upskilling of English teachers at junior high school level where the relative decline in students English language proficiency starts.

## **Levels of wages and benefits: overview**

Basic salary and wage levels can vary considerably across geographic regions and industries.

Previously, under Article 89 of the Labor Law, each province/city is given the power to frame its own provincial minimum wage or "UMP" which is reviewed and set annually under basis of agreement between corporates, organizations and labor unions as finally determined by the governor of each province.

Regulation of the minimum wage is stipulated in Articles 88, 89, and 90:

- a. Provincial or district/city-based minimum wage
- b. Provincial or district/city-based sectoral minimum wage.

Historically, once a year each provincial government has adjusted the UMP based on a governor decree on minimum wage. A Remuneration Council, a non-structural tripartite organization which consists of government, entrepreneur associations and labor union or organization representatives (as stipulated under Presidential Decree No.107/2004) made recommendations on UMP based on a "decent living needs survey". With regional autonomy fully implemented at provincial level, there is a regency minimum wage ("UMK") for each city in every province based on recommendations from the Regent Mayor and a Remuneration Council.

Every year, the average UMP increases. Historical average UMP ranges are:

- 2017: IDR1.3 million to IDR3.4 million
- 2018: IDR1.5 million to IDR3.6 million
- 2019: IDR1.6 million to IDR3.9 million
- 2020: IDR1.7 million to IDR4.3 million
- 2021: IDR1.8 million to IDR4.4 million

Jakarta's UMP is the highest in Indonesia, increased from IDR3.9 million in 2019 to IDR4.3 million in 2020 (10 percent) and further to IDR4.4 million in 2021 (2 percent)

The confederation of Indonesian labor unions ("KSPI") monitors compliance with UMP.

Under the Omnibus Law, only the governor can determine the provincial and municipal minimum wage. The municipal minimum wage must be higher than the provincial minimum wage. The minimum wage requirement shall be exempted for micro and small enterprises. The wage in micro and small enterprises shall be stipulated based on an agreement between the employer and the worker. The minimum wage only applies to employees working for less than one year. The Omnibus Law no longer specifies the ability for employer to postpone the payment of minimum wage.

Under the Labor Law, employer shall formulate the structure and scale of wages by considering the level, position, work period, education and competence of the worker. Currently the Omnibus Law requires employer to consider the company's ability and productivity in formulating the structure and scale of wage. In the event of company liquidation, the Omnibus Law prioritizes the payment of workers' wages and other rights over the payment of debts to the employers' other creditors

#### ***Fourth Economic Stimulus: Employment***

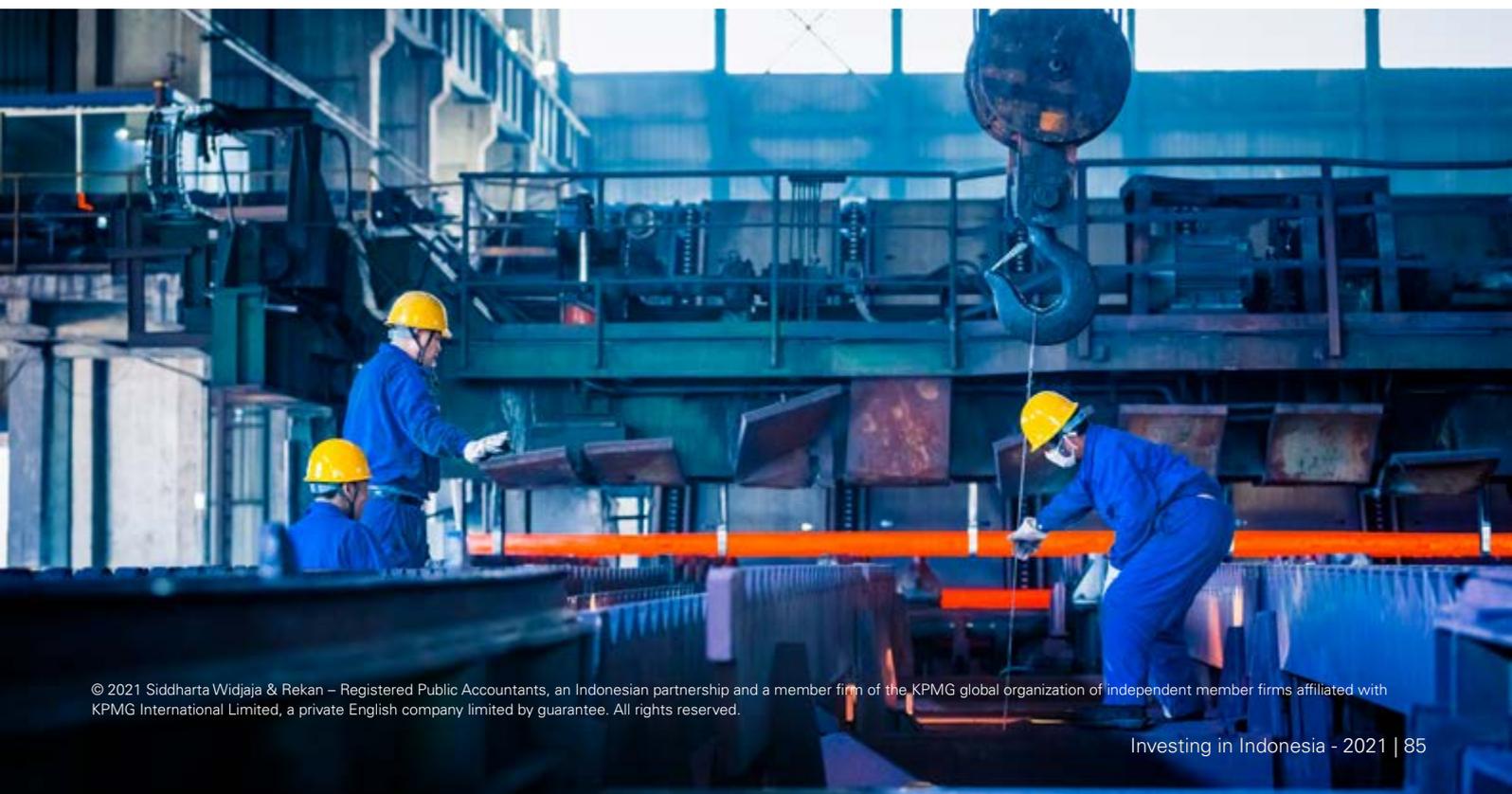
In addition to the Labor Law regulation, the government released the Fourth Economic Stimulus package: Employment in October 2015 which prescribed fixed formula to determine annual wage increases. GR No. 78/2015 concerning Wages was introduced in October 2015 and formulates a measured annual wage

increase that takes into account two main factors: inflation and GDP (or economic growth), underpinned by a rationale that considers both purchasing power and productivity, whilst creating economic certainty for business.

Provincial government (governors) must apply the formula in determining UMPs on 1 November each year. The previous tripartite organized Remuneration Council reviews had been subject to criticism as being "politicized" causing "irrational and unpredictable" wage increases.

Whilst the Seventh Economic Stimulus and others include electricity tariff cuts, tax incentives and relaxation of various regulatory requirements for labor-intensive industries to promote employment, ironically the large domestic labor market presents one of the biggest challenges for textile and apparel, footwear and other highly labor intensive industries: 1) growing risk of regionally uncompetitive wage levels; and 2) onerous labor laws and regulations; and 3) market productivity:

- Indonesia's 2020 monthly minimum average wage level of USD183 were higher than corresponding wage levels in the other neighboring labor-intensive manufacturing countries of Bangladesh (USD96.15) and India (USD76).
- As indicated, Indonesia's Labor Law has been subject to criticism over many years as being strict by international standards and for placing onerous obligations on employers around termination and severance obligations which can in broad terms upon involuntary dismissal average more than 20 percent of annual salary for each year of service.



- A foreign investor will include worker productivity as a key determinant in any market entry and location assessment strategy. GDP growth and labor productivity input-based measurements place Vietnam in a higher positioning than Indonesia

Under the Labor Law, an employer is prohibited from paying below the minimum wage which covers basic salary and a fixed allowance, the salary component comprising at least 75 percent. Working hours are seven or eight hours per day depending on whether five or six working days per week, with additional hours considered overtime which is calculated based on formula in the law. The Omnibus Law extends the overtime working hours from the maximum of three hours per day and 14 hours per week to the maximum of four hours per day and 18 hours per week. The Omnibus Law also introduces the exemption of working hours provision that applicable to certain business sectors or works. The implementation of working hours in a company shall be regulated in employment agreement, company regulation or collective employment agreement.

In March 2016 the MOM issued Regulation No. 6 of 2016 on Religious Festivity Allowance for Employees in Companies; replacing Regulation No. PER-04/MEN/1994 of 1994 ("Regulation 4"). The allowance is commonly referred to as "THR"; a mandatory benefit for all employees provided to coincide with the religious holiday or festivity recognized by an employee. All employees are entitled to THR at one month salary. Key changes to Regulation 4 are not significant. Chinese New Year recognized as a religious event in addition to existing holidays for Idul Fitri (Islam or Muslim); Christmas, Seclusion (Hindu); Vesak or "Waisak" for Buddhists. Employers who fail to provide THR are subject to administrative sanctions, the form of which are prescribed in GR No. 78 of 2015 on Wages and range from written warning to suspension of business activities.

Other aspects of the Labor Law deal with workers social security, employee facilities, annual leave as well as various other paid leave including sickness, marriage, maternity and death which may be higher or better under company rules ("PP") or internal corporate human resources ("HR") policy than what is stipulated in the law. Note that Article 153 of the Labor Law on sick workers and sick leave prohibits an employer from terminating an employee for absence due to sick leave, provided the employee has a doctor's certificate and the period of absence does not exceed a continuous period of 12 months. During the twelve-month period, the employer is obligated to pay salary and benefits to the employee under a sliding scale of 100 percent to 25 percent of full salary and benefits.

The Labor Law is structured around two main types of employment: indefinite and definite period employment.

## Permanent employees (indefinite period employment)

Permanent employment status is the more commonly used type of employment in most industries. Under the Labor Law: Article 156, a company has an obligation to pay severance, gratuity and other compensation to permanent employees:

- In the general occurrence of employees resigning voluntarily or terminating working relations with the employer in the normal course, but only if company policy provides for this. Following a Ministerial Letter issued in 2005, employers are no longer legally obligated to provide this benefit
- To employees being involuntary terminated or retrenched when a company is demonstrably committed to either termination before the normal retirement age; or providing termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The termination and severance payment needs to be the higher of that provided under the Labor Law, the Company Regulations or a collective labor agreement ("CLA"). In general terms, minimum severance pay is based on one month's salary or wages for each year of service, up to a maximum of nine-month pay.

With the implementation of Omnibus Law, the calculation of severance payment, reward payment and/or compensation of right payment will be similar for all basis of termination of employment. The coverage of compensation will now exclude compensation for housing allowance, medical and health care allowance that is determined at 15 percent of the severance payment and/or reward payment for those who are eligible.

The termination of employees needs to be handled carefully. Most employment contracts or agreements provide for an initial three-month probation period, after which staff may be terminated only on strong grounds and usually only after several written warning letters. Termination by notice or salary in lieu of notice is not permitted in Indonesia; however, terminations should involve negotiations in bipartite meetings, mediation or conciliation, and labor court approval as a last measure. An employee also has a right of appeal to the MOM. In practice, negotiations normally occur with the objective of an employee agreeing to termination terms and benefits in writing.

The MOM must also be advised of imminent staff retrenchments, due to downturn or discontinuation of business activity.

Omnibus Law simplifies the process for termination of employment by using notification to the respective worker and/or workers union on the objectives and reasons of the termination of employment as the main step. Bipartite negotiation will only be required if the worker rejects the termination of employment after being notified by the employer. Stipulation from the industrial relation dispute settlement agency will no longer be required for the termination of employment.

The Omnibus Law has added the suspension of debt repayment as a basis for termination of employment. Omnibus Law also allows termination of employment due to efficiency that is followed or not followed by the closing of the company. Previously, efficiency can be basis for termination of employment only if it is followed by the closing of the company. Omnibus law removed the obligation to have evidence of audited financial statements by a public accountant for company that terminates employment on the grounds of experiencing continuous losses for two years.

## **Contract employees and daily workers (definite period employment) and outsourcing**

### *Introduction*

There is more flexibility around ease of termination or non-renewal of working agreements for contract employees, daily workers, and outsourced personnel compared to permanent employees which makes employment of such staff attractive to employers in certain industries in terms of managing employee profiles and labor cost structures.

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### ***Contract employees***

A contract employee is employed under a working agreement for a specified period (“Work Contract”). The Labor Law states the following (some of which have been updated through the issuance of Omnibus Law):

- “Definite period employment agreements” or Work Contracts can only be made for certain jobs which according to kind and characteristics of activities will be completed in a specified period (jobs expected to be completed in a short-time frame, seasonal jobs or jobs related to new products or activities which are still in trial run or exploration stage, work that its type and nature or its activities are non-permanent)
- Work Contracts are reserved for non-core or supporting roles, and generally cannot be applied to regular jobs which need to be held by permanent employees
- No probation is allowed for Work Contracts
- Period of time or completion of certain work for Work Contracts shall be determined based on an employment contract. Work Contracts for a specified period can be extendable and renewable for work which are estimated to be completed not in a long time.
- Employer shall provide monetary compensation to the Work Contracts workers after the end of validity period or after the completion of certain work. The amount of monetary compensation shall be calculated in accordance with the worker’s employment period. Violation to pay this monetary compensation may lead to the imposition of administrative sanction. Further provisions regarding monetary compensation will be regulated in a GR.

If the MOM identifies any non-compliance with the Labor Law on the appropriate employment of contract employees, it could result in the employees being classified as permanent and thus be entitled to all the rights and benefits afforded to permanent employees.



### *Daily workers*

Under the Decree of the MOM No. Kep.100/MEN/VI/2004 regarding the Implementing Regulation on the Definite Period Employment Agreement, the employment of a daily worker is appropriate where the volume of work and the period within which a certain job is to be performed is irregular in nature and changes from time to time. Wages are paid based on daily presence at work, which must be completed in a relatively short period of time (three months) with a maximum of 20 working days per month. A daily worker is not bound by general working hours applicable in a company and receives his or her salary based on daily presence at a work site.

Daily workers are commonly seen in the plantation and other agriculture industry sectors.

### *Outsourced personnel*

Omnibus Law removes most of the provisions related to outsourcing as previously regulated under the Labor Law. Under the Omnibus Law, there is no criteria for types of work that can be outsourced. Employer is allowed to employ outsourced workers for conducting main business activities or other activities that directly relate to production process.

Omnibus Law focuses on the relationship between the outsourcing company and the outsourced worker. Omnibus Law no longer stipulates any provisions which specify the relationship between the outsourced worker and the employer, and now explicitly specifies that the protection of outsourced worker, wages and welfare, employment requirements as well as disputes that arise shall become the responsibility of the outsourcing company. Outsourced workers will only have employment relation with the outsourcing company. Outsourcing company is required to guarantee the transfer of protection of rights for the outsourced workers.

Article 64 of the Labor Law provides for a company to delegate part of its work to other legal entities (or service providers) by way of: i) sub-contracting; or ii) outsourcing.

Article 65 stipulates that sub-contracted work must meet the following requirements:

- The work can be done separately from the main activity
- The work is to be undertaken under either a direct or an indirect order from the party commissioning the work
- The work is an entirely auxiliary activity of the enterprise
- The work does not directly inhibit the production process.

Under Article 66(1), outsourcing is only for activities which are not directly related to the company's production process. The elucidation of Article 66(1) states such supporting activities to be:

- Cleaning services
- Catering
- Security
- Oil & mining supporting services
- Transportation services for workers.

Regulation No.19/2012 on Conditions for Outsourcing the Implementation of Work to Other Companies ("Regulation 19") was enacted on 19 November 2012. Regulation 19 replaced two previous MOM, i.e. Decrees 101 and 220. Regulation 19 reflects the provisions of the Labor Law, maintaining the two types of outsourcing already regulated:

- Outsourcing of work: the work contracted out to a service provider must be "supplemental"
- Outsourcing of workers (or labor supply): the outsourcing of labor is limited to the above 5 "supporting activities."

In addition, work contracted out must be conducted separately from the main activities of a company.

All companies involved in the outsourcing of work must have complied with the regulation by 19 November 2013. Any violation of Article 66(1) will cause outsourced personnel to become employees of the instructing company. Contingent liabilities and exposures would then be triggered because outsourced workers may become entitled to all of the rights and benefits of permanent employees under the Labor Law, including severance upon termination.

Outsourcing agreements for labor supply also need to have a minimum prescribed content and be registered with the local MOM office. Employment between the labor supply company and its workers assigned to user companies were able to be based on definite period employment agreements or indefinite period employment agreements, but the labor supply company must have had written agreements with its workers that are also registered at the local MOM office. On 17 January 2012 the constitutional court issued a Decision No. 27/PUU-IX/2011 ("Decision 27") relating to Outsourcing. Decision 27 has invalidated the phrase "definite period employment agreement" in Article 65(7) and Article 66(2b) of the Labor Law. However, the invalidation is limited. It only applies where the definite period employment agreement of the outsourced worker does not include a clause protecting the worker's rights if the company that engages the labor supplier/outsourcing company changes service provider.

Following Decision 27, on 20 January 2012, the Director General of the Development of Industrial Relations and Workers' Social Security, MOM issued Circular Letter No. B.31/PHIJSK/I/2012 on the Implementation of Decision 27 ("Circular Letter 31").

The position under Circular Letter 31 is:

- If an employment agreement between a labor supplier (outsourcing company) and an outsourced worker does not include a clause protecting the outsourced worker's rights and the company engaging the labor supplier changes service provider, the employment of the relevant outsourced worker will be on an indefinite period basis
- If the employment agreement between the labor supplier and the outsourced worker does include such clause, the outsourced worker can be employed on definite period basis.

Companies that outsource work or engage labor suppliers are encouraged to contact the service provider and seek clarifications as to whether:

- The outsourced workers provided are definite period workers; and
- If so, whether the employment agreements of the definite period workers include a clause in relation to the protection of the rights of the workers in the event of a change of service provider during the term of the contract.

## Worker's social security scheme

Under Law No. 3/1992 on Workers Social Security, companies with a payroll exceeding IDR1 million per month, or employing 10 or more staff, need to enroll their employees in the JAMSOSTEK program.

JAMSOSTEK was a government social security scheme, mandatory by law, to which an employee and employer made monthly contributions based on a percentage of basic salary for:

- (i) Employee work accident insurance,
- (ii) Retirement benefit fund,
- (iii) Life insurance, and
- iv) Healthcare benefit coverage.

The first three were mandatory. Healthcare benefit contributions were payable only if the employer did not provide equivalent or better health benefits.

Contribution fees needed to comply with the standard provisions in Government Decree No.14/1993. Fees varied across job classifications and industries, but generally fell in a range of 4.24 percent to 5.74 percent of basic salary. Employee contributions were made by the employer, except for retirement benefit insurance to which the employee also contributed.

Permanent, contract employees and daily workers needed to be covered by JAMSOSTEK. Expatriates were required to be enrolled unless covered by an equivalent scheme in his or her home country.

### *Effective 1 January 2014 – BPJS Ketenagakerjaan and BPJS Kesehatan*

The GOI commenced implementing the new “BPJS” social security system effective 1 January 2014 based on Law No. 24/2011 regarding Social Security Agencies which builds on Law No. 40/2004 regarding the national social security system (“SJSN”). BPJS *Ketenagakerjaan* became the new social security administration body or workers social security agency.

The compulsory requirements to join the new social security scheme (both worker’s social security and healthcare) cover all employees (not outsourced personnel), including expatriates who have been working in Indonesia for more than six months. Starting 1 January 2014, BPJS *Ketenagakerjaan* administers worker’s social security comprising workplace accident, old age, death and pension benefits, while BPJS *Kesehatan* administers healthcare benefits.

All participants of the worker’s social security program comprising workplace accident, old age and death benefits under JAMSOSTEK automatically became participants of BPJS *Ketenagakerjaan* with the same benefits effective 1 January 2014. The existing worker’s social security scheme is expanded to include pension benefits effective 1 July 2015 when Indonesia introduced a new statutory social security pension plan under BPJS *Ketenagakerjaan* (“BPJS *Pensiun*”). Corresponding additional payroll contributions were required to be made at an initial rate of 3 percent of base salary and fixed allowances up to IDR7 million per month: 2 percent from the employer and 1 percent for employees.

According to PR No. 12/2013, as amended by PR No. 111/2013 regarding Healthcare Benefits, effective 1 January 2014:

- All employees covered by healthcare benefits under JAMSOSTEK are transitioned to a national healthcare benefits program (*Jaminan Kesehatan Nasional* or “JKN”) under BPJS *Kesehatan*
- There is no “opt-out” clause for companies who already provide healthcare benefits for employees and their dependents via self-administered plans or health insurance programs or a combination of the two. Small, medium, large and state-owned enterprises were obligated to register their employees with JKN by 1 January 2015. Companies can continue providing private healthcare coverage but now also make the corresponding contributions to BPJS *Kesehatan*.



Employers and employees of private companies are required to make monthly contributions for each social security program, which calculated based on the following:

Administrator	Social security program	Percentage of regular wage	
		Employer contribution	Employee contribution
BPJS Workforce or Manpower (BPJS <i>Ketenagakerjaan</i> )	Work accident security	0.24 – 1.74%	-
	Old age security	3.7%	2%
	Death security (life insurance)	0.3%	-
	Pension security	2%	1%
BPJS Health (BPJS <i>Kesehatan</i> )	Healthcare security (JKN)	4%	1%

The calculation of JKN is subject to maximum wages of IDR12,000,000 (twelve million Rupiah) per month. The cap may change in the future. The mandatory premium covers a husband, wife, and three dependents.

Omnibus Law introduces a new social security program, namely unemployment security. Workers who experience termination of employment relationships are entitled to obtain unemployment security. The unemployment security will be administered by BPJS *Ketenagakerjaan* and the central government, and the premium will be borne by the central government. The benefits of unemployment insurance will be in the form of cash, access to job market information, and job training. The maximum amount of the benefit is six months salary, and shall be received by the participants after they reach certain membership period. Further provisions will be regulated under the GR.

In summary, the BPJS scheme now comprises the following:

BPJS Scheme Summary		
No	Name	Coverage
1	BPJS Workforce or Manpower (BPJS <i>Ketenagakerjaan</i> )	Old age, work accident, pension, death, and unemployment security
2	BPJS Health (BPJS <i>Kesehatan</i> or JKN)	Healthcare

Starting 1 July 2015, BPJS has monitored companies operating in Indonesia to ensure mandatory registration of employees into the scheme is complied with, and has authority to enforce the law and proceed with litigation. Penalties and other sanctions can also apply.

Failure to comply with the employer registration and premium contribution obligations of BPJS may lead to various sanctions from administrative to criminal sanctions in the form of:

- i) Written warnings;
- ii) Fines of up to IDR1 billion;
- iii) Impediment to receive certain public services (refusal to grant business licenses, building permit (*Ijin Mendirikan Bangunan* or IMB) and land title certificates); and
- iv) Imprisonment for up to eight years.

In practice, requests for compliance will be made before sanctions are imposed and, in our experience, historically these sanctions have been rarely imposed under the JAMSOSTEK predecessor scheme.

## Employee entitlements and benefits relating to change in ownership

Under the Labor Law, employers are liable to pay severance, gratuity and other compensation to those employees who elect not to continue their employment in the event of a change in ownership of the employer. This will normally occur as part of a transaction involving an acquisition of shares. The change of ownership provisions and compensation obligations are generally considered to be triggered on a change control or ownership in share capital. Other considerations can also apply.

The Omnibus Law requires employers to pay employee the severance pay, service year pay and compensation of rights. The previously regulated minimum calculation of severance pay and long service pay under paragraphs (2) and (3) of Article 156 of the Labor Law are now the maximum amount of severance pay and long service pay under the Omnibus Law. For the compensation of rights, the Omnibus Law removes the compensation for housing allowance, medical and health care allowance at 15 percent service pay as one of its components.

The Labor Law requires the amount of severance, gratuity and compensation to be calculated as follows:

- Scenario (a): any employee electing to voluntarily resign – voluntary resignation. Employees are entitled to one time severance, one times gratuity and 15 percent compensation payment of total severance and gratuity
- Scenario (b): employer decides to terminate employment – involuntary resignation. Employees are entitled two times severance, one time gratuity, and 15 percent compensation payment of total severance and gratuity.

The MOMT some time ago issued guidelines on its interpretation of a change of ownership under Article 163(1) which are:

- A “take-over” of target as defined in the Company Law No. 40/2007.
- The change of ownership that results in:
  - A change in control of a target, in conjunction with;
  - A reorganization of the work force, changes in working conditions and employee rights and obligations.
- If there is no reorganization of the work force even with a change in control, then employees do not have the right to exercise Article 163 (1)

The multipliers of the severance, gratuity and compensation is based on period of service set out in the Labor Law.

In KPMG’s experience on a few higher profile transactions in recent years, regardless of the above guidelines, some employees and/or labor unions have taken a position that any direct change of ownership in a target triggers a right to elect to voluntarily terminate under Article 163(1), regardless that no change of control, HR policy or workforce reorganization may have occurred.

In practice and for most industries, changes in ownership usually do not trigger mass resignations. These resignations may only be limited to long serving employees who consider a relatively large compensation payment attractive. Also, the more sophisticated the employee, generally the less likely an election will be made for involuntary resignation and an earlier but smaller “windfall” compensation payment. An issue can sometimes exist in industries where there is strong demand for scarce, quality resources. Experienced, competent middle management can be difficult to retain and recruit across many industry sectors.

When cases involving the above are litigated in the courts, there are no precedence to draw on as decisions are usually not reported in Indonesia.

Labor unions have been known to intervene with the process and take overly aggressive positions on behalf of employees around interpretations of the law and statutory compensation benefits payable.

## Industrial relations and labor unions

The reformation in labor politics in Indonesia was initiated by the issuance of Ministerial Regulation No. 5/1998 concerning Labor Union Registration, which ended the monopoly of all-Indonesian workers union confederation ("KSPSI"). Following enactment of Law No.21/2000 concerning Trade/Labor Union, many local labor unions representing many different industries have emerged and registered their establishments with the MOM.

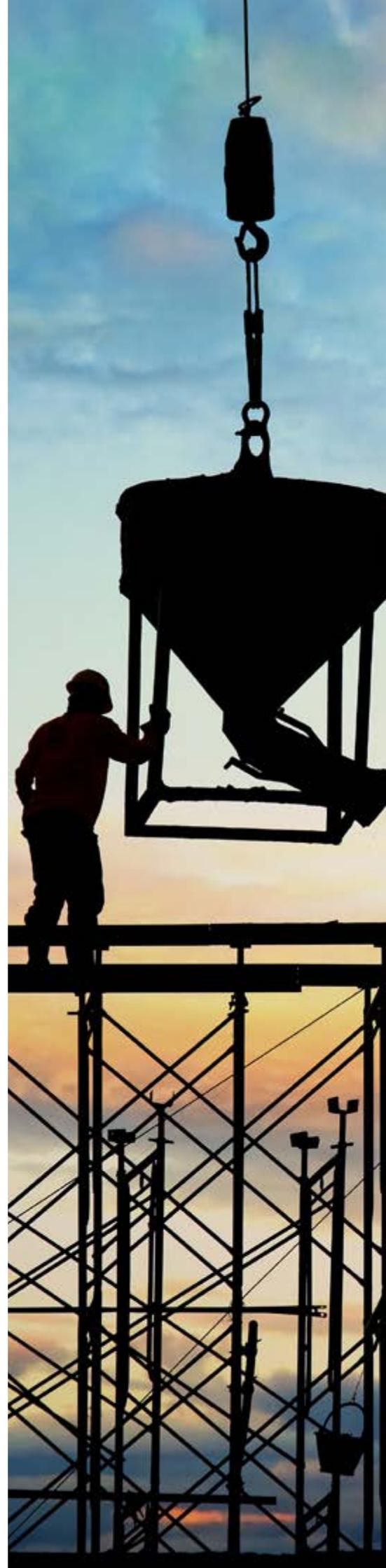
Membership is not compulsory. The majority of Indonesian workers are not unionized (this may be partly a function of Indonesian labor laws providing for generous severance and termination benefits as well as labor court approval for involuntary resignations, except where accepted by written agreement or resignation).

The Indonesian labor movement council ("MPBI") was set up in May 2012 to launch a strong resistance movement against Indonesian labor/worker issues and exploitation. It comprises of three main labor confederations: KSPSI, KSPI and the confederation of Indonesian prosperous labor unions ("KSBSI"), as well many small unions.

The government enacted Ministerial Regulation No. Per.16/MEN/XI/2011 concerning Procedures for the Making and Ratification of Company Rules and the Making and Registration of Collective Labor Agreement. A company that employs at least 10 workers must register a PP which documents its working policies and requirements. A CLA is a bipartite agreement which covers working, wage payments, health-and-safety benefits and systems as well as regulations on violations and sanctions for workers, the employer and union. In case there is only one labor union in a company, the union may have the right to negotiate a CLA if it is supported by more than 50 percent of all workers. If there is more than one labor union, a maximum of 3 labor unions which have a minimum of 10 percent of all workers may have right to negotiate a CLA. Both parties must submit a renewal of the PP and CLA at the latest 30 working days before expiration.

In accordance with the Labor Law, a labor strike is legal and recognized as a fundamental right of workers and their unions, which must be staged legally, in an orderly and peacefully manner and as a result of failed negotiations. Article 140 No. 1 of the Labor Law stipulates that within a period of no less than seven days prior to an intended strike being staged, workers/laborers and trade/labor unions are under an obligation to give written notification of the intention to the employer and the local MOM office. The MOM has enacted Ministerial Decree No. 232/MEN/2003 concerning the Legal Consequences of Illegal Strike which is designed to prevent occurrences of sudden and illegal strikes in Indonesia.

Labor unrest and strikes have historically tended to be brief and factory-specific, although country-wide demonstrations have occurred in relation to perceived improper use of contract employees, outsourcing of workers and cheap labor policy. Employers have also reported occurrences of labor problems relating to minimum wage increases and comparisons to the cost of living. It is relevant that the Labor Law is very employee friendly and annual minimum statutory wages increases exist as prescribed by formula.





## Employment of expatriates

The government classifies jobs into those closed to foreigners, those open only while Indonesian nationals are being trained and those open for other reasons. The MOM regulates the employment of foreign citizens for certain positions and for certain time periods only as determined and specified in Ministerial Decree No. 40/2012 concerning Restricted Positions for Foreign Employees. Accordingly, expatriate employment requires government approval, and foreigners must obtain a limited stay visa (“VITAS”), limited stay permit card (“KITAS”) and work permit (*Izin Mempekerjakan Tenaga Asing* or “IMTA”) through their sponsoring employer. Certain other documentary formalities are also normally required. Once an expatriate has a KITAS, he or she can bring a spouse and children to Indonesia.

Omnibus Law eliminates the requirement of obtaining IMTA. Any employer who employs foreign workers must possess an expatriate manpower utilization plan (“RPTKA”) which is ratified by the central government. This RPTKA shall serve as a work permit for the foreign employee. Moreover, the employer is required to give notification on the hiring of the foreign employee to the MOM after the RPTKA is granted. It contains information on the position that will be held by the expatriate, the number of expatriates required by the employer, the duration for employing the expatriate, the proposed commencement date for employing the expatriate and details on the Indonesian worker appointed as the counterpart (position, education and work experience).

In theory, the government will expect the number of expatriates in any organization to reduce over time, and may require the employers who employ foreign workers to:

- Appoint workers of Indonesian citizenship as accompanying working partners for expatriates to facilitate transfer of knowledge, technology and expertise
- Educate and train workers of Indonesian citizenship until they have the qualifications required to hold the positions currently occupied by expatriates.

### ***MOM Regulation on Foreign Workers: Regulation NO. 10/2018***

In July 2018 the MOM issued Regulation No. 10/2018 on Procedure for Utilization of Foreign Manpower. This revoked Regulation No. 35 which was issued in 2015. Regulation No. 10/2018 sets out the new procedures for the arrangement of the foreign worker work permit, including:

- Foreign worker work permit now consists of a RPTKA and a notification. The IMTA is no longer required in order to employ an individual expatriate. The validity period of the RPTKA will be in accordance to the work agreement.
- RPTKA must be filed through online system. Notification application must be submitted to the Directorate General under the MOM. Notification from the Ministry along with personal data of the foreigner will be used to issue VITAS or limited stay permit (*Izin Tinggal Terbatas* or “ITAS”)

- To employ foreign workers, employers are also obliged to:
  - 1) Pay compensation for the use of foreign manpower ("DKP-TKA") of USD100 on monthly basis for each position that is held by each foreign worker until termination;
  - 2) Register the foreign workers with insurance programs;
  - 3) Appoint Indonesian companion employees for the transfer of technology and skills from the foreign workers and provide training for the Indonesian companion employees.
- Every foreign workers to be employed in Indonesia is required to:
  - 1) Possess qualified education for the position;
  - 2) Own a minimum five years of related work experience;
  - 3) Hold an Indonesian taxpayer registration number (for expatriates who have worked in Indonesia for at least six months);
  - 4) Own temporary stay permit/card issued by authorized agency;
  - 5) Transfer knowledge to Indonesian companion employee.

As regulated under the Omnibus Law, RPTKA is exempted for:

- BOD or BOC with certain shareholding threshold or shareholders in accordance with the prevailing laws and regulations.
- Diplomatic and consulate staff in foreign country representative office.
- Foreign workers required by the employers in types of production activities that has stopped due to emergencies, vocational activities, technology-based start-up companies, business visits and research for a certain period of time.

Foreign workers may be employed in Indonesia only in an employment relationship for certain positions and a specified period as well as having competence in accordance with positions that will be occupied. Provisions on certain positions and specified period will be further regulated by the GR.

### Training for foreign workers

Regulation No. 10/2018 also mandates employer to facilitate Indonesian language education and training for long-term work permit non-director/commissioner positions. The language training is not required for directors, commissioners and foreign workers using a short-term or urgent/emergency work permit. The Indonesian language education and training may be conducted by the employer or in collaboration with any Indonesian language training institution. Failure to facilitate Indonesian language education and training will result in a temporary cease of the licensing process of the foreign workers.

Omnibus Law introduces new type of job training organizer, namely Company Job Training Institution. Company Job Training Institution is defined as training unit within the company. Company Job Training Institution is not required to obtain specific business license to conduct job training activity. Company Job Training Institution only needs to register such activity to the respective government agency responsible for manpower affairs at the regency/city level.

## New expatriate employment positions proposal

The Labor Law provides that:

- (i) Expatriates may be employed in certain positions and for certain periods of time only; and
- (ii) These are to be specified in a ministerial decree: Article 42(4)-(5) of the Labor Law.

On 27 August 2019 the MOM issued implementing decree No. 228/2019 ("Decree 228"). This sets out a new list of positions in which expatriate workers can be employed in Indonesia. PR No.20 of 2018 on Guidelines of Employment of Expatriates was enacted prior to this implement decree.

The MOM had previously issued several regulations with respect to the specific positions which are open for expatriate workers across business sectors. Decree 228 effectively repealed those regulations which are replaced with the list as attached to Decree 228.

Below a summary of the key points provided under Decree 228:

- 1. International Standard Classification of Occupation**  
The positions that may be occupied by expatriates under Decree 228 are classified under specific sectors by reference to the International Standard Classification of Occupation ("ISCO") issued by the International Labor Organization. The ISCO has been adopted by the GOI under the Indonesian standard classification of positions (*Klasifikasi Baku Jabatan Indonesia – "KBJI"*).
- 2. Director and commissioner position**  
Expatriates are now clearly allowed to occupy the position of commissioner or director to the extent that such position does not relate to human resources matters and does not contravene the prevailing laws and regulations. This is a positive development as before the enactment of Decree 228, this matter was not specifically regulated and thus raised questions.
- 3. Non-listed positions**  
Where an intended position to be occupied by an expatriate is not listed in the Attachment 1 to Decree 228, the MOM or authorized officials may nonetheless grant an employment permit to the relevant expatriate. Despite this, we anticipate that the MOM will be fairly conservative in its exercise of this discretion in line with its previous practice.

#### 4. Periodic evaluation

The list of positions that can be occupied by expatriate, as well as the requirements for such positions (as currently set out in Attachment 1 to Decree 228), will be periodically evaluated (at least every two years) or more regularly if deemed necessary.

#### 5. Validity of existing expatriate employment permits

Expatriate employment permits issued before the enactment of Decree 228 will remain valid until their respective expiry date.

#### 6. List of positions that can be occupied by expatriates

Attachment 1 to Decree 228 contains a list of positions (and the corresponding requirements) that can be occupied by expatriates across 18 business sectors, namely:

- 1) Construction;
- 2) Real estate;
- 3) Education;
- 4) Processing industry;
- 5) Water management waste-water management, waste management and recycling, and remediation activities;
- 6) Transportation and warehousing;
- 7) Arts, entertainment, and recreation;
- 8) Provision of accommodation and provision of food and beverages;
- 9) Agriculture, forestry and fisheries;
- 10) Renting and leasing without option rights, employment, travel agents and other supporting business;
- 11) Financial and insurance activities;
- 12) Human health activities and social activities;
- 13) Information and telecommunications;
- 14) Mining and excavation;
- 15) Procurement of electricity, gas, hot water/vapor and cold air;
- 16) Wholesale and retail, reparation and maintenance of cars and motorcycle;
- 17) Activities involving other services; and
- 18) Activities in the professional, scientific and technical sectors.

Decree 228 includes several new open sectors for expatriate which previously were not being regulated, among others: real estate, activities involving other services, and activities in the professional, scientific and technical sectors. For real estate sector, we note there is only a small number of positions open for expatriate (i.e. general manager, deputy general manager, retail development manager, corporate planning manager, marketing manager and marketing specialist). We view this can be considered as a positive development as it provides legal certainty for these open positions.

Companies which currently employ (or wish to employ) expatriates and are engaged in any of these 18 sectors should be aware of this new development. If the intended position to be occupied by the expatriates is not listed in Attachment 1, then the relevant employer should engage with the relevant manpower authorities and check if the position is indeed open for expatriates.

The number of expatriates employed in Indonesia has, for a long time, been a matter of government concern as it seeks to find the right balance between two competing considerations. On the one hand, the government wants to create more job opportunities for Indonesian workers given the country's endemic problem of unemployment/ underemployment, particularly among your people. On the other hand, the government recognizes (albeit reluctantly) that:

- (i) Indonesian workers do not always have the skills and experience required by companies (whether foreign owned or locally owned), and
- (ii) Foreign investors understandably often want to have home country employees, whom they know and trust, fill key positions in their Indonesian subsidiaries. Finding in the right balance has proved to elusive, but the unquestionable trend has been towards ever increasing restrictions on the employment of expatriates resulting in many fewer expatriates currently being employed in Indonesia compared to the situation only a few years ago.

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- (18) Presidential Regulation No.111/2013 regarding 1st amendment of Presidential Regulation No.12/2013
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- (20) Presidential Regulation No. 75/2019 regarding amendment of Presidential Regulation No. 82/2018
- (21) Law No 11/2020 regarding Job Creation

# Glossary

2016 Negative List	PR No. 44 of 2016
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AEO	Authorized Economic Operator
AHU	<i>Administrasi Hukum Umum</i> or administration of general laws
AML	Anti-Money Laundering
AoA	Articles of Association
AP I	Angkasa Pura I
AP II	Angkasa Pura II
APA	Advance Pricing Agreement
APBN	<i>Anggaran Pendapatan dan Belanja Negara</i> or state budget
API	<i>Angka Pengenal Impor</i> or import identification number
API-P	<i>Angka Pengenal Importir Produsen</i> or producer importer identification number
API-U	<i>Angka Pengenal Importir Umum</i> or general importer identification number
ASEAN	Association of Southeast Asian Nations
B2B	Business-to-business
B2C	Business-to-customer
BAPEPAM-LK	<i>Badan Pengawas Pasar Modal dan Lembaga Keuangan</i> or capital market and financial institution supervisory board
BAPPEBTI	<i>Badan Pengawas Perdagangan Berjangka Komoditi</i> or commodity futures trading regulatory agency
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> or Indonesian national development agency
BCBS	Basel Committee on Banking Supervision
BEPS	Base Erosion and Profit Shifting
BHI bank	<i>Bank Berbadan Hukum Indonesia</i> or legal entity bank
BI	Bank Indonesia or Indonesian central bank
BI Regulation 18	BI Regulation No. 18/40/PBI/2016
BKPM	<i>Badan Koordinasi Penanaman Modal</i> or Indonesian investment coordinating board
BOC	Board of Commissioners
BOD	Board of Directors
BOO	Build, Own and Operate
BOOT	Build, Own, Operate and Transfer
BP Migas	<i>Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi</i> or executive agency for upstream oil and gas business activities
BPH Migas	<i>Badan Pengatur Hilir Minyak dan Gas Bumi</i> or regulatory agency for downstream oil and gas
BPHTB	<i>Bea Perolehan Hak atas Tanah dan Bangunan</i> or levy/transfer title tax on tax and building
BPJS	<i>Badan Penyelenggara Jaminan Sosial</i> or social security administrative bodies
BPJS Kesehatan	Health social security agency
BPJS Ketenagakerjaan	Workers social security agency
BPJS Pensiun	Social security pension plan
BPJT	<i>Badan Pengatur Jalan Tol</i> or toll road regulatory agency
BPLJSKPB	<i>Balai Pengujian Laik Jalan dan Sertifikasi Kendaraan Bermotor</i> or vehicle test and certification
BPM	<i>Badan Pemberdayaan Masyarakat</i> or investment board
BPN	<i>Badan Pertahanan Nasional</i> or national land agency
BPOM	<i>Badan Pengawas Obat dan Makanan</i> or food and drug administration
BPP	<i>Biaya Pokok Penyediaan Pembangunan</i> or basic production price
BPS	<i>Badan Pusat Statistik</i> or central statistic agency
BRT	Bus Rapid Transit
BUMD	<i>Badan Usaha Milik Daerah</i> or regional-owned business entities
CAGR	Compound Annual Growth Rate

CBCR	Country-by-Country Reporting
CBD	Central Business District
CBU	Completely Built-Up
CCOW	Coal Contract of Work
CEP	Comprehensive Economic Partnership
CFC	Controlled Foreign Company
CFT	Counter Terrorism Financing
CIF	Cost, Insurance and Freight
Circular 31	OJK Circular Letter No. 31/SEOJK.05/2015
Circular Letter 31	Ministry of Manpower Circular Letter No. B.31/PHIJSK/I/2012
Circular Letter 17	Circular Letter 17/11/DKSP
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CITR	Corporate Income Tax Return
CLA	Collective Labor Agreement
Company Law	Law No.40/2007
COW	Contract of Work
Currency Law	Law No.7/2011
Customs Office	The Indonesian Directorate General of Customs and Excise
CV	<i>Commanditaire Venootschap</i> or limited partnership
DDI	Domestic Direct Investment
Decision 27	Constitutional Court Decision No. 27/PUU-IX/2011
Declaration Letter	Assets declaration letter for the application of Tax Amnesty
Decree 228	Ministry of Manpower Decree No. No. 228/2019
DER	Debt-to-Equity Ratio
DGCE	Director General of Customs and Excise
DGT	Directorate General of Taxes
DKP-TKA	<i>Dana Kompensasi Penggunaan Tenaga Kerja Asing</i> or compensation for the use of foreign manpower
DPD	<i>Dewan Perwakilan Daerah</i> or Council of Regional Representatives
DPR	<i>Dewan Perwakilan Rakyat</i> or House of Representatives
DTA	Double Tax Agreement
DWT	Deadweight Tonnage
EDI	Electronic Data Interchange
EPI	English Proficiency Index
ERP	Electronic Road Pricing
ETT	Electronic Transaction Tax
FA	Firma or general partnership
FCPA	Foreign Corrupt Practices Act
FDI	Foreign Direct Investment
Forex	Foreign Exchange
FPA	Free Port Area
FTA	Free Trade Area
FTZ	Free Trade Zone
G20	Group of twenty, a strategic multilateral platform connecting the world's major developed and emerging economies
GATT	General Agreement on Tariffs and Trade
GCG	Good Corporate Governance
GDP	Gross Domestic Product
GESF	General Expenditure Support Fund
GFC	Global Financial Crisis
GMS	General Meeting of Shareholders
GOI	Government of Indonesia

GR	Government Regulation
GR 1/2019	Government Regulation No. 1 of 2019
GRR	Grass Root Refinery
GT	Gross Tonnage
GW	Giga Watt
HGB	<i>Hak Guna Bangunan</i> or right to build
HP	<i>Hak Pakai</i> or right to use
HR	Human Resources
IBC	Insurance Business Company
ICAAP	Internal Capital Adequacy Assessment Process
IDR	Indonesian Rupiah
IDX	Indonesia Stock Exchange
IFRS	International Financial Reporting Standards
IIF	Indonesia Infrastructure Finance
IIGF	PT Penjaminan Infrastruktur Indonesia or Indonesian Infrastructure Guarantee Fund
IMB	<i>Izin Mendirikan Bangunan</i> or building permit
IMD	International Institute of Management Development
IMF	International Monetary Fund
IMTA	<i>Izin Mempekerjakan Tenaga Kerja Asing</i> or working permit
INSW	Indonesian National Single Window
Investment Law	Law No.25/2007
IO	<i>Izin Operasional</i> or operational license
IPO	Initial Public Offering
IPP	Independent Power Producers
ISCO	International Standard Classification of Occupation
ISRM	Indonesian Single Risk Management
ITAS	<i>Izin Tinggal Terbatas</i> or limited stay permit
ITO	Indonesian Tax Office
IUP	<i>Izin Usaha Pertambangan</i> or mining business license
IUPK	<i>Izin Usaha Pertambangan Khusus</i> or special mining business license
JAMSOSTEK	<i>Jaminan Sosial Tenaga Kerja</i> or workers social security
JKN	<i>Jaminan Kesehatan Nasional</i> or national healthcare benefits program
JO	Joint Operation
JV	Joint Venture
KAPET	<i>Kawasan Pengembangan Ekonomi Terpadu</i> or economic development zones
KBJI	<i>Klasifikasi Baku Jabatan Indonesia</i> or Indonesian standard classification of positions
KBLI	<i>Klasifikasi Baku Lapangan Usaha Indonesia</i> or Indonesian standard industrial classifications
KBMI	<i>Kelompok Bank berdasarkan Modal Inti</i> or bank based on core capital
KITAS	<i>Kartu Ijin Tinggal Terbatas</i> or limited stay permit card
KPBU	<i>Kerjasama Pemerintah dengan Badan Usaha</i> or PPP joint office
KPPIP	<i>Komite Percepatan Penyediaan Infrastruktur Prioritas</i> or committee for acceleration of priority infrastructure delivery
KSBSI	<i>Konfederasi Serikat Buruh Sejahtera Indonesia</i> or confederation of Indonesian prosperous labor unions
KSPI	<i>Konfederasi Serikat Pekerja Indonesia</i> or confederation of Indonesian labor unions
KSPSI	<i>Konfederasi Serikat Pekerja Seluruh Indonesia</i> or all-Indonesian workers union confederation
l/s	Liters per second
Labor Law	Law No.13/2003
Lao PDR	Lao People's Democratic Republic
LF	Local File
LKPP	<i>Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah</i> or national public procurement agency
LLL	Legal Lending Limits

LMAN	<i>Lembaga Manajemen Aset Negara</i> or national asset management agency
LPI	Logistics Performance Index
LRT	Light Rail Transit
M&A	Merger & Acquisition
MAP	Mutual Agreement Procedure
MDBs	Multilateral Development Banks
MEMR	Ministry of Energy and Mineral Resources
MF	Master File
MINT	Mexico, Indonesia, Nigeria and Turkey
MITA	Mitra Utama or main partner priority
MLI	Multilateral Instrument
MOF	Ministry of Finance
MOH	Ministry of Health
MOLHR	Ministry of Law and Human Right
MOM	Ministry of Manpower (formerly known as Ministry of Manpower and Transmigration or "MOMT" or Manpower Affairs)
MOT	Ministry of Trade
MPBI	<i>Majelis Pekerja Buruh Indonesia</i> or Indonesian labor movement council
MPR	<i>Majelis Permusyawaratan Rakyat</i> or People's Consultative Assembly
MRT	Mass Rapid Transit
MSME	Micro Small and Medium-scale Enterprise
New Insurance Law	UU No. 40/2014
NIA/INA	Nusantara Investment Authority or Indonesia Investment Authority
NIB	<i>Nomor Induk Berusaha</i> or single business number
Non-PDAM	Non-regional water supply companies
NPWP	<i>Nomor Pokok Wajib Pajak</i> or taxpayer identification number
NRE	New Renewable Energy
OECD	Organization for Economic Cooperation and Development
Oil & Gas Law	Law No.22/2001
OJK	Otoritas Jasa Keuangan or Indonesia financial services authority
Omnibus Law	Law No. 11 of 2020
OSS	Online Single Submission
PBAS	Performance Based Annuity Schemes
PBI 17/2015	BI regulation No. 17/3/PBI/2015
PDAM	Perusahaan Daerah Air Minum or regional water supply companies
PE	Permanent Establishment
PEB	<i>Pemberitahuan Ekspor Barang</i> or declaration of goods exported
PERTAMINA	PT Pertamina (Persero) or state-owned oil & gas company
PIB	<i>Pemberitahuan Import Barang</i> or customs import declaration
PIP	Priority Infrastructure Projects
PLN	PT Perusahaan Listrik Negara (Persero) or state-owned power company
PMA	<i>Penanaman Modal Asing</i> or foreign investment
PMDN	<i>Penanaman Modal Dalam Negeri</i> or domestic investment
PMK-213	Minister of Finance regulation No.213/PMK.03/2016
POJK 45	<i>Peraturan Otoritas Jasa Keuangan</i> (POJK) or OJK regulation No. 45/POJK.03/2020
POJK 67	OJK regulation No. 67/POJK.05/2016
PP	<i>Peraturan Perusahaan</i> or company rules
PPA	Power Purchase Agreement
PPP	Public Private Partnerships
PPU	Private Power Utility
PR	Presidential Regulation

PSC	Production-Sharing Contract
PSIP	Payment System Infrastructure Providers
PSN	<i>Proyek Strategis Nasional</i> or national strategic projects
PSP	Payment Service Providers
PSSPs	Payment System Services Providers
PT	<i>Perseroan Terbatas</i> or limited liability company
PUPR	<i>Pekerjaan Umum dan Penataan Ruang</i> or Minister of Public Works and Public Housing
RBC	Risk-Based Capital
RCEP	Regional Comprehensive Economic Partnership
RDTR	<i>Rencana Detail Tata Ruang</i> or detailed spatial plan
Reg 21/2019	BI Regulation No. 21/1/PBI/2019
Reg. No. 16/20	BI Regulation No. 16/20/PBI/2014
Reg. No. 16/21	BI Regulation No. 16/21/PB/2014
Reg No. 16/22	BI Regulation No. 16/22/PBI/2014
Reg. No. 5/2019	Ministerial Regulation No. 5/2019
Regulation 10	Presidential Regulation No. 10 of 2021
Regulation 12	BKPM Regulation No. 12/2013
Regulation 19	Regulation No.19/2012
Regulation 4	Regulation No. PER-04/MEN/1994
Regulation 41	Government Regulation No. 41 of 2021
Regulation 85	Government Regulation No. 85 of 2015
Regulation No. 23/2020	BI Regulation No. 22/23/PBI/2020
RITJ	<i>Rencana Induk Transportasi Jabodetabek</i> or greater Jakarta transportation plan
RMDP	Refinery Development Master Plan
RPJMN	<i>Rencana Pembangunan Jangka Menengah Nasional</i> or national medium-term plan
RPTKA	<i>Rencana Penggunaan Tenaga Kerja Asing</i> or expatriate manpower utilization plan
RUEN	<i>Rencana Umum Energi Nasional</i> or national energy general plan
RWA	Risk-Weighted Assets
SAFE FoS	Safe Framework of Standard to Secure and Facilitate Global Trade
SAK	<i>Standar Akuntansi Keuangan</i> or Indonesia financial accounting standard
SEZ	Special Economic Zones
SIPB	<i>Surat Izin Penambangan Batuan</i> or rock mining license letter
SIPT	<i>Sistem Informasi Perizinan Terpadu</i> or licensing information system
SIUP-MB	<i>Surat Izin Usaha Perdagangan Minuman Beralkohol</i> or business license certificate of liquor business
SJSN	<i>Sistem Jaminan Sosial Nasional</i> or national social security system
SKK Migas	<i>Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi</i> or special task force for upstream oil and gas business activities
SKSP Migas	<i>Satuan Kerja Sementara Pelaksana Kegiatan Hulu Minyak dan Gas Bumi</i> or temporary working unit for upstream oil and gas activities
SME	Small and Medium-scale Enterprise
SMI	PT Sarana Multi Infrastruktur
SOEs	<i>Badan Usaha Milik Negara</i> (BUMN) or State-Owned Enterprises
SREP	Supervisory Review and Evaluation Process
STLG	Sales Tax on Luxury Goods
Supporting Providers	Parties who support PSP and PSIP to organize payment system services
TA Law	Tax Amnesty Law No. 11 of 2016, effective during the period from 1 July 2016 until 31 March 2017
Taxable Entrepreneur	A person or body, in whatever form, which in the course of its operations, produces, imports or exports taxable goods, conducts trading activities or renders taxable services
TDP	<i>Tanda Daftar Perusahaan</i> or company registration certificate
TEU	Twenty-foot Equivalent Units
THR	<i>Tunjangan Hari Raya</i> or religious festivity allowance
UK	The United Kingdom

UKBA	UK Anti-Bribery Act
UMK	<i>Upah Minimum Kabupaten/Kota</i> or regency minimum wage
UMP	<i>Upah Minimum Provinsi</i> or provincial minimum wage
UNCTAD	United Nations Conference on Trade and Development
UPPKB	<i>Unit Pelaksanaan Penimbangan Kendaraan Bermotor</i> or motor vehicle weighing implementation unit
USA/US	The United States of America
USD	United States Dollar
VAT	Value-Added Tax
VITAS	<i>Visa Izin Tinggal Terbatas</i> or limited stay visa
WG4	Working Group Four
WHT	Withholding Tax
WIUP	<i>Wilayah Izin Usaha Pertambangan</i> or mining business license area
WIUPK	<i>Wilayah Ijin Usaha Pertambangan Khusus</i> or or special mining business license area
Work Contract	Working agreement for a specified period
WtE	Waste-to-Energy

# Contact us

**Address:**

33<sup>rd</sup> Floor, Wisma GKBI  
28, Jl. Jend. Sudirman  
Jakarta 10210

**Siddharta Widjaja & Rekan  
Registered Public Accountants**

**T:** +62 (0) 21574 2333 / 2888  
**F:** +62 (0) 574 1777 / 2777

**KPMG Advisory Indonesia**

**T:** +62 (0) 21 570 4888  
**F:** +62 (0) 21 570 5888

**KPMG Siddharta Advisory**

**T:** +62 (0) 21 574 0877  
**F:** +62 (0) 21 574 0313

**Tohana Widjaja  
Managing Partner**

Tohana.Widjaja@kpmg.co.id

**Budi Susanto  
Head of Audit & Assurance Services**

Budi.Susanto@kpmg.co.id

**Abraham Pierre  
Head of Tax Services**

Abraham.Pierre@kpmg.co.id

**Irwan Djaja  
Head of Advisory Services**

Irwan.Djaja@kpmg.co.id

## Contributors

**Susanto**  
**Partner, Audit & Assurance Services**  
**Head of Insurance and**  
**Head of Clients & Markets**  
Susanto@kpmg.co.id

**Jacob Zwaan**  
**Head of International Tax**  
Jacob.Zwaan@kpmg.co.id

**David East**  
**Head of Deal Advisory**  
David.East@kpmg.co.id

**Liana Lim**  
**Partner, Audit & Assurance Services**  
**Head of Financial Services**  
Liana.Lim@kpmg.co.id

**Anita Priyanti**  
**Partner, Tax Services**  
**Energy & Natural Resources**  
Anita.Priyanti@kpmg.co.id

**Kusumaningsih Angkawidjaja**  
**Partner, Audit & Assurance Services**  
**Financial Services**  
Kusumaningsih.Angkawidjaja@kpmg.co.id

**Irwan Setiawan**  
**Director, Tax Services**  
**Energy & Natural Resources**  
Irwan.Setiawan@kpmg.co.id

**Thomas Thrasher**  
**Technical Advisor,**  
**Audit & Assurance Services**  
**Energy & Natural Resources**  
Thomas.Thrasher@kpmg.co.id

**Sontang Ruli Siregar**  
**Director, Tax Services**  
**Customs**  
Sontang.Siregar@kpmg.co.id

[home.kpmg/id](http://home.kpmg/id)

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