

How to do business in Indonesia

Legal considerations

Foreign and domestic investment is administered by the Investment Coordinating Board (BKPM). BKPM regulates the Company Law and the Foreign Investment Law.

Investors must apply for approval from BKPM. BKPM does not issue licenses for investments in banking, financial institutions, insurance, and oil and gas. These are issued by industry specific regulating bodies.

Import licenses and permits to employ non-Indonesian workers are issued by the Ministry of Manpower. You should take advice on your legal obligations which can vary depending on your business.

Contact the Department for International Trade (DIT) team in Indonesia to help find tax and legal advisers before entering into agreements.

Intellectual property rights (IPR)

The Directorate General of Intellectual Property Rights of the Ministry of Law and Human Rights is responsible for administering IPR in Indonesia.

Indonesia is a World Trade Organization (WTO) member and has comprehensive intellectual property protection regulation. However enforcement can be extremely difficult.

You should register your intellectual property, a process which can take 2 to 3 years. The EU ASEAN IPR helpdesk offers tools and advice to help you manage your intellectual property in Indonesia.

Standards and technical regulations in Indonesia

According to the Government Regulation on National Standardization, the Indonesian Product Quality Assurance mark is the national standard of Indonesia (SNI). The Indonesian National Standards Authority (Badan Standardisasi Nasional, BSN): <http://www.bsn.go.id/> is responsible for the formulation of SNIs, and accreditation is by the National Accreditation Committee (Komite Akreditasi Nasional, KAN): <http://www.kan.or.id/>. SNIs are normally aligned with similar regional or international standards wherever possible.

See BSN for details of published technical regulations, at: <http://lib.bsn.go.id/>.

You should consider taking out product liability insurance if you manufacture or supply a physical product that is sold or given away for free. See: <https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/business-insurance/liability-insurance/product-liability-insurance/>.

Labelling your products for Indonesia

All imported consumer goods must identify the importing agents. The information on product labels should be clear, and written or printed in the Indonesian language, Arabic numbers, and Latin letters. Labelling should not contain claims on the effects of the product on health, incorrect or misleading information, comparisons to other products or any additional information that has not yet been approved.

Where appropriate, it is recommended the Indonesian Product Quality Assurance mark (SNI) is used.

Taxation in Indonesia

Indonesia and the UK have signed a Double Taxation Agreement.

The regulatory environment is complex and subject to change. You should consult the Department for International Trade (DIT) Indonesia for assistance. **Sales tax**

Value Added Tax (VAT) and Goods and Services Tax (GST) are applied to most goods and services in Indonesia. Imports are subject to VAT and GST. VAT and GST taxes are called Pajak Pertambahan Nilai (PPN). PPN is a 10% point-of-sale tax.

PPnBM (Pajak Penjualan atas Barang Mewah) is a sales tax on luxury goods. It is levied in addition to PPN and is imposed on luxury goods which are both manufactured in and imported into Indonesia. Rates range from 10 to 50%. Some items can be taxed at 75%. **Corporate tax**

A foreign company with a permanent establishment in Indonesia will have the same tax obligations as a resident taxpayer.

Foreign companies without a permanent establishment will settle tax liabilities through withholding of the tax by the Indonesian party paying the income.

Corporate income is taxed at 25%. **Income tax**

Taxpayers are obliged to make a prepayment of their annual tax obligation by a withholding of 2.5% (7.5% if the company does not possess an import permit) of cost, insurance and freight (CIF) value of imports.

Customs

Import duty is payable at the rates from 0% to 150% on the customs value of imported goods.

Customs value is calculated on the CIF level. It is possible to apply for an exemption, deferment or restitution of import duties where the import meets criteria, such as:

- imports used in production of exports
- capital goods, spares and raw materials by manufacturers and certain other sectors
- equipment and materials imported for use in a foreign aid funded project

You can find more about import tariffs in the Market Access Database.

Documentation

Correct paperwork is crucial. Check with your importer or agent on the documentation required when exporting products to Indonesia. Different products will require different documents due to rules set by the government authority.

You will need a commercial invoice which must be signed by the manufacturer and contain the:

- name and address of the shipper
- place and date of the shipment
- name and address of the consignee
- number and kind of packages
- content and weight of each package
- tariff number, marks and numbers

A pro-forma invoice is not compulsory, but will be needed by importers for quoting price.

[Source: DIT/ gov.uk]

Shipping your goods to Indonesia

If you are not knowledgeable about international shipping procedures you can use a freight forwarder to move your goods. A forwarder will have extensive knowledge of

documentation requirements, regulations, transportation costs and banking practices in Indonesia.

You can find freight forwarding companies to help you transport your goods to Indonesia via the British International Freight Association (BIFA) at: <http://www.bifa.org/home> or the Freight Transport Association (FTA) at: <http://www.fta.co.uk/>.

Posting goods to Indonesia

You can find out about sending goods by post to Indonesia at: <http://www.royalmail.com/indonesia>.

Shipping restricted, banned and dangerous goods to Indonesia

Indonesian importers have to comply with numerous overlapping and sometimes contradictory import licensing requirements for a very large and ever-changing range of products that impede access to Indonesia's market.

You should work with a local agent who can advise on the latest import licensing requirements for items such as agricultural, horticultural, industrial, electronics, food and beverage products, household appliances, textiles, footwear, toys, cosmetics, animals, animal products, poultry, poultry products, handheld computers and tablets, mobile phones and alcoholic goods.

Special rules apply if you are shipping dangerous goods to Indonesia. See: <https://www.gov.uk/shipping-dangerous-goods/what-are-dangerous-goods> for more information.

Contact the DIT team in Indonesia at: <https://www.gov.uk/world/organisations/department-for-international-trade-indonesia#contact-us> for assistance and information about third-party advisers.

Terms of delivery to Indonesia

Your contract should include agreement on terms of delivery using incoterms: <https://www.gov.uk/guidance/international-trade-paperwork-the-basics#international-trade-contracts-and-incoterms>.

UK Export Finance

The government can provide finance or credit insurance specifically to support UK exports through UK Export Finance (UKEF) – the UK's export credit agency. See: <https://www.gov.uk/government/organisations/uk-export-finance>.

For up-to-date country-specific information on the support available see UKEF's cover policy and indicators for Indonesia at: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#indonesia>.

[Source: DIT/UKEF/gov.uk]

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