



ARMA Update 19 May 2023

Business Licensing and Investment Facilities in *Ibu Kota Nusantara* (Nusantara Capital)

In order to accommodate the relocation of the capital Indonesia from Jakarta to The Capital City of Nusantara (*Ibu Kota Nusantara*, - “**IKN**”), the government has enacted several regulations, one of which is Government Regulation No. 12 of 2023 regarding Ease of Business and Investment Facilities for Business Actor in IKN (“**GR 12/2023**”), as the regulation which accommodates the business actor in doing business in IKN. GR 12/2023 is an implementing regulation of Law No. 3 of 2022 regarding the IKN, which is the main regulation of the IKN (or relocation of the national capital).

This ARMA update will discuss the mainpoints on GR 12/2023, such as (i) business licensing in IKN; (ii) ease of business in IKN; and (iii) investment facility in IKN.

❖ **Business Licensing in IKN**

GR 12/2023 regulates that the IKN Authority grants business licensing in IKN.¹ In this case, business licensing at IKN is still carried out through the (Online Single Submission) OSS system in accordance with statutory provisions and subject to the basic requirements for business licensing and sectoral business licensing, as regulated in Government Regulation No. 5 of 2021 regarding Implementation of Risk-Based Business Licensing (“**GR 5/2021**”).² The mentioned basic requirements for business licensing refer to the (i) suitability of space utilization activities (*kesesuaian kegiatan pemanfaatan ruang - KKPR*)³; (ii) environmental permit (*persetujuan lingkungan*)⁴; and (iii) building approval and certificate of proper function⁵ (*persetujuan bangunan gedung dan sertifikat laik fungsi*).⁶

Apart from the above, the business actor shall consider the following provision related to the business licensing in IKN:⁷

- (i) Business Licensing at IKN **is not subject** to the requirements and limitations for foreign capital ownership in specific business fields.
- (ii) In regard to the business field in point (i) above, it **shall subject** to partnership obligation with micro, small, medium enterprises (MSMEs), or cooperatives in accordance with

¹ Article 4 (1) of GR 12/2023; IKN Authority is an executor of activities for the preparation, construction and relocation of the national Capital, as well as administrators of the IKN government.

² Article 4*j.o.* Article 7 of GR 12/2023

³ KKPR is the suitability of the business activity plan with the spatial layout plan and/or zoning plan (of IKN), that is given by the IKN authority to the business actor.

⁴ Environmental Permit is environmental approval refers to an analysis of the environmental impact of IKN area, which is given by IKN authority in accordance with the laws and regulations on the environment.

⁵ Building approvals and certificates of proper function are given by the IKN Authority to business actors who have obtained KKPR and Environmental Permit.

⁶ Article 8 of GR 12/2023

⁷ Article 5-6 of GR 12/2023



Government Regulation No. 7 of 2021 regarding Ease, Protection and Empowerment of Cooperatives and MSMEs (“GR 7/2021”).

Further, it is to be noted that in order to support the acceleration of approving the basic requirements for business licensing and/or sectoral business licensing, simplification and modernization of the business licensing system can be carried out.

❖ Ease of Business in IKN

Based on GR 12/2023, the government provides several facilities as a convenience for business actors doing business in IKN, such as:

Aspect	Remarks															
Granting of land rights	Land in IKN is determined to be: (i) State asset, which the IKN Authority manages; and (ii) Assets under control (<i>Aset Dalam Penguasaan - ADP</i>) which are given to the IKN Authority with Management Rights (<i>Hak Pengelolaan - HPL</i>). ⁸															
	The IKN authority can allocate HPL’s land to business actors to be further given the following rights: ⁹															
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #a6c9ec;">Land Rights</th> <th colspan="2" style="background-color: #a6c9ec;">Period</th> </tr> <tr> <th></th> <th style="background-color: #a6c9ec;">First cycle</th> <th style="background-color: #a6c9ec;">Second cycle</th> </tr> </thead> <tbody> <tr> <td>Cultivation Rights (<i>Hak Guna Usaha – HGU</i>)</td> <td>Allowed for a maximum period of 95 years (including extension and renewal of rights)</td> <td>Allowed for a maximum period of 95 years</td> </tr> <tr> <td>Rights to Build (<i>Hak Guna Bangunan – HGB</i>)</td> <td>Allowed for a maximum period of 80 years (including extension and renewal of rights)</td> <td>Allowed</td> </tr> <tr> <td>Rights to Use (<i>Hak Pakai</i>)</td> <td></td> <td></td> </tr> </tbody> </table>	Land Rights	Period			First cycle	Second cycle	Cultivation Rights (<i>Hak Guna Usaha – HGU</i>)	Allowed for a maximum period of 95 years (including extension and renewal of rights)	Allowed for a maximum period of 95 years	Rights to Build (<i>Hak Guna Bangunan – HGB</i>)	Allowed for a maximum period of 80 years (including extension and renewal of rights)	Allowed	Rights to Use (<i>Hak Pakai</i>)		
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⁸ Article 16 (1-3) of GR 12/2023

⁹ Article 17 (1) of GR 12/2023



Aspect	Remarks
	<p>HPL land is allocated based on an agreement between the business actor and the IKN Authority, which will guarantee certainty for the land rights granted to the business actor.¹⁰</p> <p>In addition to the above:¹¹</p> <ul style="list-style-type: none"> (i) HGU, HGB and Rights to Use can be transferred to other parties and subject to mortgage rights; And (ii) Land and Building Rights Acquisition Fees (<i>Bea Perolehan Hak atas Tanah dan Bangunan – BPHTB</i>) are exempted for the granting and transfer of land rights.
Use of foreign workers	<p>Business actors in IKN, can employ foreign workers (<i>Tenaga Kerja Asing – TKA</i>) and are exempted from the obligation to pay compensation funds for the use of foreign workers for a certain period of time.¹²</p> <p>Approval of the plan for the use of TKA for TKA employed by the business actors described above can be granted for a period of 10 years and can be extended. Such TKA can also obtain a residence permit for a maximum period of 10 years, which can be extended according to the term of the work agreement of the TKA concerned. The residence permit can also be used for foreign shareholders who also serve in company management and is valid as long as they serve in that position.¹³</p>
Housing and residential areas	<p>Business actors who carry out housing and residential area businesses but have not been able to fulfil balanced occupancy obligations in other areas can fulfil these obligations in the IKN area. Requests related to the implementation of the balanced occupancy obligations at IKN are submitted to the Head of the IKN Authority with the following two options:¹⁴</p> <ul style="list-style-type: none"> (i) Carry out the construction of balanced housing in the IKN area; or (ii) Pay conversion funds for balanced occupancy fulfilment.

❖ Investment Facility in IKN

¹⁰ Article 17 (2-3) of GR 12/2023

¹¹ Article 21 of GR 12/2023

¹² Article 21 (1) and (3) of GR 12/2023

¹³ Article 10 (2) and 23 of GR 12/2023

¹⁴ Article 25 (1-3) of GR 12/2023



Based on GR 12/2023, the government provides fiscal and non-fiscal facilities for business actors who are doing business in IKN, such as:

Facilities	Remarks
Income Tax ¹⁵	<ol style="list-style-type: none"> 1. Reduction of corporate income tax for domestic corporate taxpayers; 2. Income Tax on financial sector activities in the Financial Centre¹⁶; 3. Reduction of corporate income tax for the establishment and/or transfer of the head office and/or regional offices; 4. Reduction of gross income for the implementation of work practices, apprenticeships, and/or learning activities in the context of fostering and developing certain competency-based human resources; 5. Reduction of gross income for certain research and development activities; 6. Reduction of gross income from donations and/or construction costs for public facilities, social facilities, and/or other non-profit facilities; 7. Article 21 of Income Tax that borne by the government and final; 8. Final income tax of 0% (zero per cent) on income from the gross circulation MSMEs; And 9. Reduction of income tax for the transfer of land and/or building rights.
Value Added Tax (VAT) and Sales Tax on Luxury Goods (PPnBM) ¹⁷	<ol style="list-style-type: none"> 1. VAT is not collected; And 2. PPnBM exemptions for releases of taxable goods.
Customs ¹⁸	<ol style="list-style-type: none"> 1. Exemption from import duty and tax facilities in the context of imports for imported goods by the central government or regional governments that are intended for public purposes in the IKN area; 2. Exemption from import duty and tax facilities in the context of imports for imported capital goods for industrial development and development in the IKN area; and 3. Exemption from import duty on imported goods and materials for the construction and development of industries in the IKN area.

¹⁵ Article 27 of GR 12/2023

¹⁶ Financial Centre is an area that will be designated as a concentration of financial services as well as technology development and supporting services in the financial services sector

¹⁷ Article 58 of GR 12/2023

¹⁸ Article 61 of GR 12/2023



Facilities	Remarks
IKN special tax and revenue facilities ¹⁹	<ol style="list-style-type: none"> 1. Incentives in the form of tax reduction, relief or exemption specifically for IKN; And 2. Incentives in the form of reduction, relief, or exemption from IKN special admissions.
Other Facilities ²⁰	<ol style="list-style-type: none"> 1. Provision of land or location for business actors; 2. Provision of facilities and infrastructure/infrastructure; 3. Provision of investment convenience and security; and/or 4. Ease of access to ready-to-use and skilled workforce.

It should also be noted that IKN Authority conducts supervision for the abovementioned matters and can give sanctions for its violation in the form of (i) written warning letter; (ii) administrative fines; (iii) suspension of business licenses; (iv). revocation of business licenses; and/or (v) facility return, which the IKN authority will further regulate.²¹

GR 12/2023 itself has been in effect since 6 March 2023.

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¹⁹ Article 67 of GR 12/2023

²⁰ Article 68 of GR 12/2023

²¹ Article 69-70 of GR 12/2023