

## UTILIZING SPECIAL ECONOMIC ZONES



**IN AN ANNUAL REPORT** of the National Board of Special Economic Zones on the Development of Implementation of Special Economic Zones (SEZ) 2015, it says there will be 25 SEZ that will be developed before 2019. Eight of SEZ have already been determined by 2014 and the 17 remaining SEZ will

be planned from 2015 to 2019. Within the eight SEZ, seven SEZ are located in Java and one is located outside Java. Seven out of 17 planned SEZ are in Java. Ten out of 17 of planned SEZ will focus on tourism.

The SEZ is not new. The SEZ law was promulgated in late 2009, and is essentially a continuation of the 2007 investment law. The law was meant to speed up the development in certain strategic area for national economy development and to balance one region's progress as a whole national economy. In late December 2015, to increase investment in SEZs, it is considered that facilities and incentives are required.

A SEZ is defined as an area inside Indonesia, and developed through preparation on an area that has geo-economy and geo-strategy capability of high economic value and international competitiveness. Facility and incentive are provided for a business entity and entrepreneurs at a SEZ covering tax, customs and excise, flow of goods, labor, immigration, land, and licensing and non-licensing. For an investor planning an investment of more than Rp 1 trillion and where its business field is considered as primary activity in a SEZ can be granted a reduction of income tax for at least 10 years and not more than 25 years.

The same condition applies for an investment less than Rp 500 billion. The reduction rate of income tax is between 20% and 100%. For entrepreneur who does

not get reduced income taxes, other types of facilities can be granted, such as a reduction of net income by 30% of total investment value, or an accelerated depreciation of fixed tangible assets. Immigration, facilities and incentives are provided for visa on arrival, special visa, and residence visa. On land, the facility covers land procurement, measurement, and issuance of land rights.

In every SEZ, there will be an administrator, authorized to issue principle licenses, amended principle licenses, expanded principle licenses, merger principle licenses, its cancellation and revocation. To expedite the issuance of principle licenses, the SEZ administrator may issue investment licenses to a business entity or entrepreneur, not more than three business hours after receipt of a completed application.

After obtaining an investment license, the investor can proceed with construction by applying in parallel for the building construction license and environmental license. The government has made many efforts to induce new investment, domestic and foreign, to increase Indonesia's economic development. Some moves are creative and bold, some are still limited due to existing laws. To change the licensing regime, the government must restructure its legal system. Despite countless obstacles, the public will eventually appreciate government's gallant moves to improve business atmosphere in Indonesia. 

