



## VAT Relief on New Housing

by Sukhemadewi



The Indonesian government has introduced new legislation to support the housing industry, which has been damaged due to the COVID-19 pandemic (the **Regulations**).<sup>\*</sup> The Regulations provide VAT discounts on housing sale prices, which, prior to the Regulations were 10%. Prior to the COVID-19 pandemic, the housing industry's contribution to GDP was increasing year on year, from 7.8% in 2000 to 13.6% just prior to the effects of COVID-19. When the pandemic hit Indonesia, that contribution dropped dramatically to -2%. Many other industries that support housing also felt the effects of the pandemic. Consequently, the new Regulations also provide various forms of relief to many of those industries.

<sup>\*</sup>Regulation Number 21/PMK.010/2021

The Regulations set out two schemes for VAT relief. First, VAT will not be charged at all on the sale of any property with a price of up to IDR 2 billion (just under US\$140,000). Second, the Regulations provide a 50% VAT discount on the sale of properties priced between IDR 2 billion to IDR 5 billion (just under US\$350,000). This VAT relief is available on all properties for which the documentation is completed between March and August 2021. These incentives only apply to new properties that have not been previously owned and the purchase limit is one per person. The Regulations provide that the ownership of any property that has been the subject of a VAT discount may not be transferred less than one year after the sale.

VAT discounts will also be granted to buyers who have this year already paid a deposit or instalment on a property this year. The VAT discount will only apply to the sum paid to finalise the sale between March and August 2021.

# Supporting Indonesian Businesses During Covid-19

by Rainy Regina Priantoi



Image source: <https://pixabay.com/>

In 2016, the Bank of Indonesia established a new bank interest rate guidelines that required all state-owned banks to apply the defined interest rate within 7 days from date of the Government announcement – this is called the BI-7 Day Reverse Repo Rate (the **7 Day Rate**). The Bank of Indonesia only releases a 7 Day Rate in extreme situations, where the economy needs immediate support to maintain economic stability.

On 18 February 2021, the Bank of Indonesia released a 7 Day Rate to reduce bank interest rates for deposits and loans. The reductions are by 2.75% and 4.25% respectively. The Government hopes that this reduction will encourage people to deposit more money in banks and stimulate business through cheaper loans.

In order to further stimulate the economy, damaged by Covid-19, the Bank of Indonesia has issue new Regulations\* to allow people to access larger loans to purchase property and cars. The hope is that this increased purchasing power will stimulate small businesses and the economy.

\*Regulation No. 23/2/PBI/2021.

# GR 5/2021: Ease of Doing Business Through Risk-Based Business Licensing

by Hans Thioso

On 2 February 2021, the government issued new Regulations to streamline business licencing in 16 sectors including trade, industry and tourism based on the risk those businesses represent (the **Regulations**).<sup>\*</sup> These Regulations were introduced in accordance with the requirements of the Omnibus Law.<sup>\*\*</sup>

The Regulations set out the following four different risk categories: low; medium-low; medium-high; and high. Each business sector has been categorised in the Regulations as primary and supporting in accordance with Indonesia's 2020 Standard Industrial Classification system. The Regulations refer to each classification and assign a risk level.

The Regulations state that businesses classified as low risk do not need a business licence – only a business identification number. While businesses classified in the medium risk categories need a business identification number and standard certification (which includes statements and/or evidence of compliance with standards for the conduct of business activities). Finally, businesses classified as high risk, need a business identification number and a sector specific licence.

Businesses that are already licenced do not need to comply with the Regulations, unless it is advantageous for them to do so. The Regulations apply not only to new applicants but also to those who have already been issued a licence, which is not yet effective.

The risk-based licencing will be administered through Indonesia's online single submission (OSS) system and takes effect on 2 June 2021. The Regulations revoke the previous regulations on the subject.<sup>\*\*\*</sup>

<sup>\*</sup>Government Regulation Number 5 of 2021 concerning The Implementation of Risk-Based Business Licensing.

<sup>\*\*</sup>Law Number 11 of 2020 concerning Job Creation.

<sup>\*\*\*</sup>Government Regulation Number 24 of 2018 concerning Electronically Integrated Business Licensing Service.

# Government Regulation on Special Economic Zones

by Fidi Hania

On 2 February 2021, the Government issued new regulations relating to the Administration of Special Economic Zones (the **Regulations**)\* In Indonesia, special economic zones (SEZ) are areas in Indonesia designated for activities that have a high economic value, such as industrial activities, import and export, etc.



The new Regulations broaden the previous definition of SEZ to include the service sector and businesses that deal with foreign exchange or improve the balance of trade. The new Regulations also cut through bureaucratic government procedures to streamline administration of businesses included in SEZ.

The Regulations introduce the possibility that SEZ may be established across more than one province as well as introducing procedures for converting other types of economic zones, such as Free Trade Areas and Free Ports to SEZ. The Regulations also set out provisions to ensure that land used for SEZ will be legally set aside for that purpose, allowing businesses certainty when setting up in SEZ and stimulating confidence in the SEZ programme.

These Regulations have been issued in accordance with provisions in the Omnibus Law and will take effect on 2 February 2021, revoking all previous regulations on the topic.

\*Government Regulations No. 40 of 2021 regarding Administration of Special Economic Zones.

# Legalising Foreign Public Documents: The Apostille Convention

by Jayalaksana Purnama

In January 2021, Indonesia ratified the Apostille Convention. The Apostille Convention specifies simple ways in which certain specified documents issued in a signatory country may be certified for legal purposes in another signatory country. The aim is to ease the progress of business between signatory countries by abolishing expensive and time consuming administrative procedures. The documents eligible for certification under the Apostille Convention are court documents, administrative documents, notarial acts, and official certificates. Diplomatic and commercial documents are excluded from the Apostille Convention. In addition, Indonesia is excluding any public documents issued by the Indonesian prosecutor office as the sole prosecuting office in Indonesia from the list of eligible documents to be certified under the Apostille Convention. The legalisation of documents is done by a “competent authority” attaching an Apostille certificate to the document. A list of competent authorities is held in the Hague. The competent authority in Indonesia has not yet been designated.