

BLP NEWSLETTER

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As the holy month of Ramadan is coming to an end, we would like to take this opportunity to wish our Muslim clients and readers a blessed and joyous Eid Mubarak. May this special occasion bring you peace, happiness, and renewed strength to face the challenges ahead.

In this month's newsletter, we highlight recent legislative developments that we believe will be most relevant to our clients.

Industrial standardisation has been given a boost, with the new Ministry of Industry regulations. Indonesia's banking industry has also been given a major boost with new procedures for the conversion of conventional banks to Shariah banks, as well as new procedures to add shares to the Shariah Securities List. New taxes have been introduced for electricity usage and supply - as well as exemptions and discounts. The natural resources sector has also seen new regulations with new streamlined procedures for the licensing of mineral and coal production, as well as the introduction of quotas for domestic coal production use. Finally, the government has provided incentives for businesses to contribute to the development of Indonesia's most ambitious building project - the new capital Nusantara. More details on each of these developments in this month's newsletter.

INSIDE THE ISSUE

- New Tax on Electricity
- Shariah Securities List: New Rules
- Indonesia Boosts Financial Inclusion with New Regulation Allowing Conversion to Sharia Banks
- Business Incentives in the New Indonesian Capital
- Domestic Coal Quotas - New Regulations
- New Regulation on Industrial Standardisation
- Mineral and Coal Business Licensing: New Regulations

New Tax on Electricity

by Faudzan Eka Putra

The Indonesian Government has recently issued new regulations devolving the taxation of electricity to regional government (the **Regulations**).^{*} The Regulations set out the details that may be covered in regional regulations. The Regulations state that taxation may apply to the end users, as well as electricity suppliers. The maximum rate of taxation stipulated by the Regulations is 10%, however, there are special discounted rates and exemptions for particular industries and for particular uses.



Image source: <https://www.pexels.com/id-id/foto-saluran-listrik-tanah-saat-matahari-terbenam-316177/>

^{*}Government Regulation No. 4 of 2023 concerning Collection of Certain Goods and Services Tax on Electric Power.

Shariah Securities List: New Rules

by Darwin Setiawan



Image source: <https://www.pexels.com/id-id/foto-permintaan-penggunaan-uang-jangan-002009/>

On 2 March 2023, the Indonesian Financial Services Authority (**the Authority**) issued a new circular letter^{*} (**Circular Letter**), applicable to issuers or public companies, that sets out new procedures for inclusion on the Shariah Securities List.

The Circular Letter provides that to apply for possible inclusion on the Shariah Securities List, an issuer or public company must submit certain information about the relevant securities. This information must be submitted in a certain format through the Authority's Electronic Reporting System via the website <https://spe.ojk.go.id> (the Website). Details about the all the information required, as well as the necessary format can be found on the Website. The Circular Letter states that submission must take place no later than 30 days after the submission of the Periodic Financial Report. Evidence of submission will serve as proof of compliance with the Circular Letter.

^{*}Circular Letter of the Financial Services Authority of the Republic of Indonesia Number 8/SEOJK.04/2023 concerning Delivery of Information by the Issuer or Public Company in the Preparation of the Shariah Securities List.

Indonesia Boosts Financial Inclusion with New Regulation Allowing Conversion to Sharia Banks

by Kumalasari Retnopati

The Indonesian Financial Services Authority (OJK) has issued a new circular letter, Number 6/SEOJK.03/2023* which took effect on 21 February 2023, allowing conventional commercial banks to convert to Sharia commercial banks. This move aims to cater to the needs of Indonesia's Muslim community and promote financial inclusion. Under this regulation, conventional banks can establish a Sharia supervisory board and a Sharia business unit to meet the requirements for conversion.

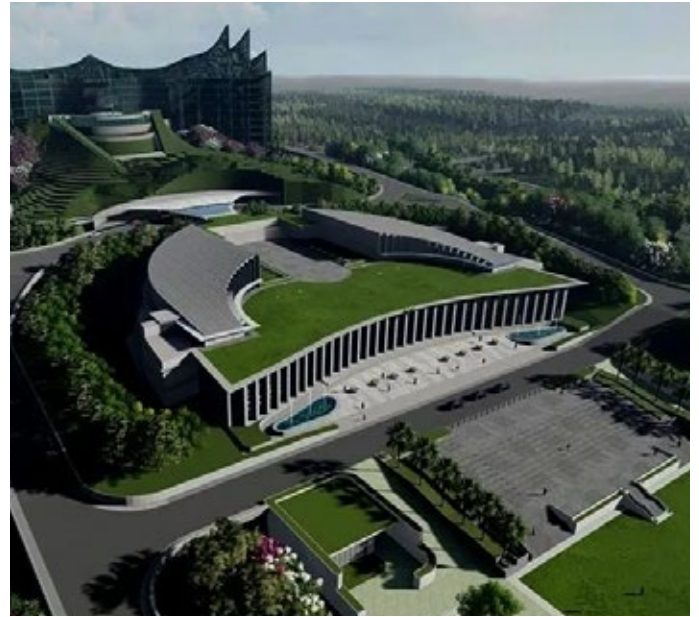
This new regulation provides clarity and guidance for conventional banks looking to make the switch, ensuring that Sharia commercial banks operate in accordance with Sharia principles.

The conversion of conventional banks to Sharia banks is expected to promote healthy competition and innovation in the banking industry. This is likely to lead to the growth of the Sharia banking sector in Indonesia, the world's largest Muslim-majority country.

*Financial Services Authority Circular Letter Number 6/SEOJK.03/2023 of 2023 concerning Changes in Business Activities of Conventional Commercial Banks to Become Sharia Commercial Banks.

Business Incentives in the New Indonesian Capital

by Luisa Srihandayani



The new capital of Indonesia, Nusantara, planned for East Kalimantan, on the island of Borneo, is scheduled to be completed by 2024. To aid in its completion, the government has enacted regulations to provide various incentives for businesses to contribute to its development.* Incentives include:

- simplification and/or exemption in relation to various business licences;
- exemptions relating to affordable housing;
- generous residency permits for foreign workers;
- various tax incentives.

Various criteria apply to each incentive.

*Government Regulation Number 12 Year 2023 on the Issuance of Business Licenses, Ease of Doing Business, and Investment Facilities for Business Actors in Capital City of Nusantara.

Domestic Coal Quotas - New Regulations

by Valya Hermayrani



Image source: <https://www.pexels.com/id-id/foto-arang-hitam-48084/>

Minister for Energy and Mineral Resources has issued new regulations relating to the obligation for certain domestic coal producers to allocate 25% of coal production for domestic use.

The quota applies to specific mining licence holders. Those licence holders to which the quota applies must submit monthly reports to demonstrate compliance with the quota. Failure to properly demonstrate compliance may result in various financial penalties. The new regulations also allow the government to step in, in emergencies, to require domestic coal producers to supply the domestic market until domestic requirements are fulfilled.

*Decree of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 267.K/MB.01/MEM.B/2022 Of 2022 on The Fulfilment of Domestic Coal Requirements.

New Regulation on Industrial Standardisation

by Jayalaksana Purnama

In order to boost domestic industry, the Minister of Industry of the Republic of Indonesia has introduced new regulations on industrial standardisation (the **Regulations**).*

The Regulations allow the Minister to supervise the planning and development of various industrial standards that apply throughout Indonesia, including the National Standards (*Standar Nasional Indonesia/SNI*), the Technical Specifications (*Spesifikasi Teknis/ST*), and the Procedure Guidelines (*Pedoman Tata Cara/PTC*).

Compliance with both the National Standards and the Procedure Guidelines is voluntary. However, the Minister may order that imported goods and/or services comply with any or all of the standards supervised by the Minister. Similarly, the Minister may order the compliance of any industrial services carried out in Indonesia.

Evidence of compliance can be demonstrated by a certificate of compliance, which is issued by *Lemba-ga Penilaian Kesesuaian* (LPK) after a successful assessment.

*The Minister of Industry Regulation No. 45 of 2022 on Industrial Standardisation.

Mineral and Coal Business Licensing: New Regulations

by Annisa Ayu



The Minister for Energy and Mineral Resources has recently issued new regulations relating to licensing in the mineral and coal subsector (the **Regulations**).*

The Regulations came into force on 22 February 2023. Key changes include that:

- all licensing shall be implemented through the Online Single Submission System accessible at <https://oss.go.id/>;
- various approval services shall be carried out through designated apps, provided by the Directorate-General of Mineral and Coal;

- a new telephone hotline will be established to provide information to stakeholders; and
- face to face meetings with the Directorate-General of Mineral and Coal will only be accessible if certain specific criteria are met.

The government intends that these new online channels for licensing services will simplify the licensing procedure and reduce administrative burdens.

*Decree of the Minister for Energy and Mineral Resources Number 33.K/Mb.01/Mem.B/2023 of 2023 concerning Licensing Services for the Mineral and Coal Subsector at the Directorate General for Minerals and Coal.

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