

Indonesia Boosts Investment Activities Through Special Economic Zones (SEZs)

To accelerate economic development and job growth, the government enacted Law No. 39 of 2009 on Special Economic Zones (“SEZs”).

❖ INCENTIVES AND FACILITIES

SEZs attract investors by offering a number of facilities and incentives, including:

- a. Exclusion from restrictions under the Negative Investment List (except for reservations for SMEs and cooperatives)
- b. Income tax facilities
- c. Land and building tax reductions
- d. Import facilities, including: (i) waiver of import duty, excise, VAT, luxury tax and import income tax; (ii) waiver or reduction of regional taxes and levies; (iii) facilities in obtaining land rights; and (iv) facilities in obtaining licenses and immigration documents
- e. Facilities in licensing and non-licensing

❖ BUSINESS ACTIVITIES

Each SEZ consists of one or several business zones utilized in accordance with the designation, such as:

- a. Export processing
- b. Logistics
- c. Industry
- d. Technology development
- e. Tourism
- f. Energy
- g. Other (i.e., creative industry and sports)

❖ LOCATIONS

To date, there are eight SEZs in Indonesia:

- a. Sei Mangkei, North Sumatera (palm oil, rubber, and fertilizer processing; logistics; tourism)
- b. Tanjung Api-api, South Sumatera (rubber and oil processing, petrochemicals)
- c. Tanjung Lesung, Banten (tourism)
- d. Mandalika, West Nusa Tenggara (tourism)
- e. Maloy Batuta Trans Kalimantan, East Kalimantan (palm oil, logistics)
- f. Palu, Central Sulawesi (manufacturing; cocoa, rubber, seaweed and rattan; nickel, iron, and gold processing; logistics)
- g. Bitung, North Sulawesi (fisheries processing, coconut-based industrial and medicinal plants, various industries, logistics)

h. Morotai, North Maluku (tourism, fisheries processing, business, logistics)

❖ **GOVERNMENT BODIES**

Government administration of SEZs is divided into three tiers: National Committee, Regional Committees, and Administrators. The National Committee generates the SEZ master plan, reviews SEZ establishment proposals, issues recommendations for SEZ establishment, and determines the general policies and strategic measures within the SEZs. Regional Committees are established by province and are tasked with establishing the SEZ Administrators and with monitoring, controlling, evaluating and coordinating SEZ operations. Administrators issue business licenses to entities inside the SEZs. All licenses, approvals and other official documents are now obtained from the one-stop-service office under delegation from the relevant government institutions.

Please also see our Newsflash on "[Introduction to Bonded Storage Areas](#)".

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