IKN Key Investment Incentives
Magnet for Foreign Investors

As we all know, Indonesia is developing a new capital city, Ibu Kota Nusantara ("**IKN**"), as part of its 2045 economic strategy to promote inclusive growth, particularly in eastern regions. IKN are and will be undergoing rapid construction phase to reach its full operation. The first stage includes President Widodo's anticipated operation of his IKN office, expected to commence this July, followed by the commemoration of Indonesia's Independence Day on 17 August 2024.

Within the next 10 years, the development will focus on the establishment of economic hubs and relocation of IKN government offices. The following 10 years of development will prioritize urban growth and making IKN as a leading Foreign Direct Investment (FDI) destination in Indonesia. The full size operation of the city is planned to take place in 2045.

For a project of this magnitude, the Government will require an immense amount of funding. Recognizing the need for external support, the Government is seeking partnerships with private and foreign investors for IKN's development. To attract these investors, the Government issued Government Regulation No. 12 of 2023 ("**GR 12/2023**"), simplifying the process for obtaining business licenses and incentives in IKN.

Outlined below are key takeaways investment facilitation measures and incentives in IKN offered by the Government to investors, particularly foreign investors.

Foreign Investment Restriction Exemption

One of the key takeaways for foreign investors regarding investment facilitation is the exemption from foreign ownership restrictions, as referred to in Presidential Regulation No. 49 of 2021 (as amended from Presidential Regulation No. 10 of 2021). It should be noted that notwithstanding the exemption of the foreign investment restrictions, foreign investors are required to form partnerships with micro, small, and medium enterprises or cooperatives (*koperasi*).[1] This provision is not yet further stipulated in the relevant regulations – however, this will bring 'fresh-air' for foreign investment ecosystem in IKN and will elevate the opportunities for foreign investments with the clearer enforcement and supervision from the Government. However, foreign investors do need to take into account the minimum requirement of foreign investment in Indonesia as per regulated by the Ministry of Investment / Investment Coordinating Board ("**BKPM**").

Tax Status Confirmation Exemption

The next investment facilitation offered by the Government is tax status confirmation (*konfirmasi status wajib pajak* or "**KSWP**"). Business actors, including foreign business actors, are not required to obtain confirmation of their tax status.[2] Initially, KSWP under the Directorate General of Taxation ("**DGT**") was crucial as a prerequisite for business actors to receive all public services. However, with the enactment

of GR 12/2023, business actors are now able to immediately access all public services, particularly those related to business licensing, without needing to undergo the KSWP process.

Golden Visa for IKN Investors

Additionally, the initiation plan for Golden Visa implementation for IKN foreign investors has been publicly announced by Ministry of Law and Human Rights of Indonesia ("**Kemenkumham**"). The Golden Visa will be granted to the board of directors and board of commissioners of companies established in IKN, with a committed investment value of at least: (i) USD 5 million for a 5-year limited stay visa (previously USD 25 million for non-IKN companies); and (ii) USD 10 million for a 10-year limited stay visa (previously USD 50 million for non-IKN companies).[3] However, as of this article being published, no further information yet on the legal basis of the IKN Golden Visa provisions – as this statement is informally stated by the representative of Kemenkumham.

Foreign Manpower (TKA)

The Government seems to be aware of the fact that foreign investors are likely to bring their own experts when investing in IKN. This is demonstrated by several policies related to the use of foreign manpower (TKA) that are becoming increasingly favorable to investors. Below is a table that illustrates the ease of use of foreign manpower in IKN in comparison to the general use of foreign manpower in Indonesia.

Category	IKN[4]	Indonesia in General[5]
RPTKA[6] Validation Terms	Up to 10 years and renewable	Up to 2 years (5 years for special economic zones) and renewable
Compensation Funds	Exempted for a specific period or fully exempted for TKA in specific positions	USD 100 per month or and fully exempted for TKA in specified positions

**Please note that these facilitative measures for the use of foreign manpower apply only to specific positions.*

Tax Incentives

With the issuance of GR 12/2023, the Government has provided many tax conveniences and incentives, including the following that will benefit foreign investors:[7]

No.	Tax Facilities	Category	Incentive	Time Period	Highlighted Requirements
1.	Income Tax	Infrastructure & Public Services	100 % incentive	Ranging from 20 – 30 years, depending on the starting year of investment	Minimum investment value of IDR 10 billion & align with scope of categories
		Economic rise sector			
		Other business sectors	For 10 years, ranging from 50% – 100%, depending on the starting year of investment		
2.	Financial Center for financial services	Banking, Insurance, and Syariah Finance Services	100% incentive	Ranging from 20 – 25 years, depending on the starting year of investment	Foreign company / domestic company conducting business and investment in Financial Center of IKN[8]
		Other financial sector	85% incentive	Ranging from 20 – 25 years, depending on the starting year of investment	

No.	Tax Facilities	Category	Incentive	Time Period	Highlighted Requirements
3.	Deduction of Gross Income for Organizations	Work Practice, Apprenticeship, and/or Learning for Human Resources Activities	Maximum of 250% of the total costs incurred	Until 2035	Foreign investment company in which the participants are students, educators and staffs of vocational studies and job training centers
		R&D Activities	Maximum of 350% of the total costs incurred		Research of industrial development for national industry competitiveness enhancement
		Donations / Costs for non-profit facilities	Maximum of 350% of the total costs incurred		Obtain technical approval and specification from the Nusantara Capital City Authority with valid evidence
4.	Relocate Tax	Foreign tax subject	For business actors that invest until 2045: (i) 100% income tax incentive for 10 years; (ii) 50% income tax incentive for the next 10 years		Must have at least 2 affiliates outside Indonesia and to establish a domestic company in Indonesia with economic substance in IKN
		Domestic tax subject (including PT PMA[9])			to establish a domestic company in Indonesia with economic substance in IKN
5.	Article 21 Income Tax	Employees	Income Tax borne by the Government and is final	Until 2035	have a taxpayer identification number (NPWP) that is registered at the tax service office whose working area covers the IKN

Land Rights

The Government has introduced a land cycle reform, enabling investors to obtain Land Rights (*Hak atas Tanah*) over Right-to-Manage (*Hak Pengelolaan*) of ADP lands[10] with the following provisions:[11]

1. The Right-to-Cultivate (*Hak Guna Usaha* or "**HGU**"), can be exercised for a period of 95 years per cycle. Notably, the maximum number of cycles allowed are two cycles, which means that the maximum period for which the Hak Guna Usaha can be cultivated is 190 years; and
2. The Right-to-Build (*Hak Guna Bangunan* or "**HGB**"), can be exercised for a period of 80 years per cycle. The maximum number of cycles allowed are two cycles, resulting in a maximum cultivation period of 160 years.
3. Right-of-Use (*Hak Pakai*), similar to HGB, can be exercised for a period of 80 years per cycle, with a maximum of two cycles allowed, resulting in a maximum cultivation period of 160 years.

Additionally, HPL lands are allocated based on agreements between business actor and the IKN Authority, which such agreement will provide guarantees over the time period of the land rights granted to the business actor.[12]

Conclusion

In hopes of promoting inclusive growth as part of its 2045 economic strategy, the Indonesian Government seeks to attract private and foreign investors to IKN through the enactment of GR 12/2023.

Key incentives for foreign investors include exemptions from foreign ownership restrictions in certain sectors, tax status confirmation exemptions, plans for a Golden Visa for substantial investments, favorable policies for foreign manpower, various tax incentives, and land rights cycle reform

These measures are designed to facilitate investment and development in IKN, ensuring a more attractive and supportive environment for foreign investors.

It should be noted however that any business actors intending to engage in business activities within IKN and/or Partner Regions (*Daerah Mitra*) must first secure business licenses from the IKN Authority in accordance with the applicable laws.

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[1] Art. 6 of GR 12/2023.

[2] Art. 4(2) of GR 12/2023.

[3] In comparison with the Golden Visa provisions in Art. 39 and Art. 40 of Regulation of Minister of Law and Human Rights of Republic of Indonesia Number 22 of 2023 as amended in Regulation of Minister of Law and Human Rights of Republic of Indonesia Number 11 of 2024.

[4] Art. 22 and Art. 23 of GR 12/2023.

[5] Art. 20 and Art. 35 of Minister of Manpower Regulation No. 8 of 2021.

[6] RPTKA means the Plan for the Utilization of Foreign Manpower.

[7] Art. 26 – Art. 55 of GR 12/2023 and Minister of Finance Regulation No. 28 of 2024.

[8] Art. 32 Par. (1) of Minister of Finance Regulation No. 28 of 2024.

[9] PT PMA means a limited liability company required to be formed by foreign business actor to invest or conduct business in Indonesia according to Indonesian law.

[10] ADP lands stands for *Aset Dalam Penguasaan Otorita Ibu Kota Nusantara* or assets under the control of the Nusantara Capital City Authority, are lands in the territory of Nusantara Capital City that are not related to the organization of government.

[11] Art. 18 – 20 of GR 12/2023 *jo.* Art. 9 of Presidential Regulations Number 75 of 2024.

[12] Art. 17 Par. (2) and (3) of GR 12/2023, to note that: (i) the abovementioned HGU, HGB and Right-to-Use (*Hak Pakai*) can be transferred to other parties and encumbered with mortgages; and (ii) Land and Building Rights Acquisition Fees (*Bea Perolehan Hak atas Tanah dan Bangunan*) are exempted in relation to the granting and transfer of land rights.