

President Joko Widodo issued Government Regulation No. 12 Year 2023 concerning Business Permits, Ease of Doing Business, and Investment Facilities for Business Players in the Ibu Kota Nusantara (IKN) on 6 March 2023. The government issued this regulation to drive local and foreign investors to participate to accelerate the development of IKN which is a high-priority scale and has strategic value for the national economy.

There are 18 sectors that can be granted business licensing facilities. These sectors are marine and fisheries, agriculture, environment and forestry, energy and mineral resources, nuclear energy, industry, trade, public works, public housing, transportation, health, medicine and food, education and culture, tourism, religion, post, telecommunications, broadcasting, and electronic transaction systems. Investors who will invest or carry out business activities in the Capital City of the Archipelago and Partner Regions must meet the basic requirements for business licensing and/or sector business permits.

The basic requirements for business licensing include suitability for space utilization activities (the Head of the Authority has not yet been determined), environmental approval and building approval and a certificate of proper function. To support the acceleration of the approval of the basic requirements for business licensing, a simplification and modernization of the system will be carried out, namely:

1. Land Rights

Land in IKN is divided into 2 (two) types; State property and Assets Under Control (Aset Terkendali/ADP) which are handed over to the IKN authority.

The state-owned land in the IKN is managed directly by the IKN authority while ADP is handed over to the IKN authority in the form of Land Management Rights (Hak Pengelolaan Tanah/HPL). The IKN authority can grant Land Rights (Hak Atas Tanah/HAT) on its HPL to the investors. It can be in the form of Cultivation Rights (Hak Guna Usaha/HGU), Building Use Rights (Hak Guna Bangunan/HGB), and also usufructuary rights. Specifically, for granting usufructuary rights on land managed by the IKN authority, the HGU and HPL above the IKN authority are given for a maximum of 95 years and must go through First cycle.

The First cycle stages begin with the granting of rights, for a maximum of 35 years in the 1st stage, an extension of rights for a maximum of 25 years in the 2nd stage, and a renewal of rights for a maximum of 35 years in the 3rd stage. The extension from the 1st stage to the 2nd stage can be granted after 5 years of HGU and HPL of the 1st stage effectively use in accordance with the purpose of granting the rights. The investors are also given the right to re-apply for the Second cycle HGU and HPL with 95 years on the 10-year period before 1st cycle is completed. Hence is a possibility that the same company can own HGU for 190 years. The extensions can be granted after a joint evaluation between the IKN Authority and the Ministry of Agrarian Affairs and Spatial Planning.

- Specifically, applications of the First cycle of HGU and HPL submission can be granted if the investors fulfill several criteria namely;
- a. the land is still cultivated and utilized,
 - b. properly according to circumstances, nature, and purpose grant of rights,
 - c. the rights holder still qualifies as a rights holder,
 - d. the conditions for granting rights were met properly by rights holders,
 - e. and land use is still in accordance with the spatial plan.

2. Tax

- The corporate income tax deduction facility will be provided for an investment value of at least IDR 10 billion for:
- a. Infrastructure services investment such as power generation that includes renewable energy, construction and operation of toll roads, construction and operation of seaports, construction and operation of airports.
 - b. Provision of public transportation, construction and operation of terminals for passenger or goods transportation, construction and operation of sports stadiums/facilities, and the construction and operation of traditional markets.
 - c. Development and operation of shopping centers (malls), provision of tourism facilities and accommodation/hotels, provision of Meeting, Incentive, Convention and Exhibition (MICE) facilities, provision of gas stations and/or charging stations for electric vehicles (battery charging).

3. Foreign Workers

- a. The investors may employ Foreign Workers (Tenaga Kerja Asing/TKA) for certain positions in accordance with the provisions of laws and regulations.
- b. TKA can be given approval for a period of 10 years and can be extended.
- c. Shareholders who serve as company management will be granted a residence permit as long as company management is in accordance with statutory provisions.

Reference:

- Government Regulation No. 12 Year 2023

If you require the copy of this regulation, please do not hesitate to contact research@ibai.or.id
Thank you for your attention and hope this information would be valuable to you.