

UNOFFICIAL TRANSLATION

LAW NO. 6/1968

concerning

DOMESTIC INVESTMENT

Considering:

- a. that in carrying out national economic development aimed at increasing the prosperity of the people, capital constitutes a very important and decisive factor;
- b. that in connection therewith, it is necessary to mobilize and utilize domestic investment to the fullest extent, especially geared to efforts at rehabilitation, modernization expansion and new of goods and services.;
- c. that therefore it is necessary to create a favorable climate, and stipulate incentives for domestic investors;
- d. that within an ideal national economic system, based on the Pancasila, except for fields reserved for state, enterprise within the limits of the spirit and provisions of the 1945 Constitution, a wide fields is open to private enterprises;
- e. that the principal, national economic development must be anchored the capability and capacity of the Indonesian people themselves;
- f. that nevertheless, especially during the current stage of economic development and national potency, it is necessary also to utilize domestic investment owned by foreigners (domestic), insofar as this is not detrimental to economic development and the growth of national entrepreneurs;
- g. that In the context of utilizing investment as intended above, besides granting incentives, it is necessary also to determine the time limit in which foreign (domestic) enterprises employing domestic investment may operated, in order to provide guidance to all interested parties, such that through these limitations the spirit of Government Regulation No. 10 of 1959 will have been accounted for.

In observance of:

1. Article 5 section 1, article 20 section 1, article 27 section 1 and article 33 of the 1945 constitution, and their elucidation's;
2. Decree of the Provisional People's Consultative Assembly No. XXIII/MPRS/1966 concerning the reform of the Basic Policies on the Economy, Finance and Development, and particularly article 63,
3. Law No. 1 of 1967 concerning Foreign Investment.
With the approval of the Gotong Royong People Representative Council

DECIDES

To Enact:

the Law concerning Domestic Investment

CHAPTER I
THE DEFINITION OF DOMESTIC INVESTMENT

Article 1

- (1) That which is intended by "Domestic Investment In the Law is portion of the property Indonesia society, including rights and goods, owner either by the State or by National Private for Foreign Private domiciled in Indonesia, which has been reserved /made available for the operation of an enterprise insofar as such capital is not governed by the provisions of article 2 of Law No. 1 of 1967 Concerning Foreign Capital Investment;
- (2) Private enterprises in possession of domestic investment as referred to in domestic investment as referred to in section (1) of this article may be individuals and/or legal entitles established under laws prevailing in Indonesia ;

Article 2

That which is intended by "Domestic Investment" in the Laws is the use of property as referred to in article 1, either directly or indirectly for the operation of a business in accordance with of based upon the provisions of this Laws.

CHAPTER II
DEFINITION OF NATIONAL ENTERPRISE AND FOREIGN ENTERPRISE

Article 3

- (1) A national enterprise is an enterprise of which at last 51% of the domestic invested therein is owned by the state and/or National Private Enterprise. This percentage shall be increased so that January 1, 1974 it will amount to not less than 75%.
- (2) A foreign enterprise is an enterprise which does not satisfy the conditions of section (1) of this article.
- (3) Should an enterprise intended by section (1) of this article be a limited liability company, then at least the percentage of the total shares as referred to inn section (1) of this article must be identified by holder. .

Article 4

- (1) All fields of activity are in principle open to private enterprise. State activities in connection with the development of fields of private activity include fields to be initiated or pioneered by the Government.
- (2) Fields of State activity include especially those field of undertaking which the government is obligated to conduct.

Article 5

- (1) Provisions regarding license to do business shall be determined by the Government except where governed by law.
- (2) For each license to do business issued to a Foreign Enterprises using domestic investment a period of validity shall be determined, taking into consideration the provisions of CHAPTER V.

CHAPTER V
TIME LIMITS ON DOING BUSINESS
Article 6

The time period for doing business for foreign enterprises, both and old enterprises, shall limited as follows:

- a. In the field of trade, it shall terminate December 31, 1977.
- b. In the field of industry, it shall terminate on December 31, 1977.
- c. in other field of activity, it will be subsequently determined by the Government with a time limit between 10 and 30 years.

Article 7

- (1) Upon termination of the stipulated period for doing business by foreign enterprises, the foreign concerned may continue to do business by among others.
 - a. transferring his capital to other fields for which the time period for doing business has not yet terminated
 - b. entering into a joint venture with a national enterprise.
- (2) After the time period for doing business by the foreign enterprises ha terminated, the enterprise or capital owned by the foreigner concerned must to transferred to Indonesian Citizens.
- (3) If, after received at least 2 written warnings issued by the authorized agency concerned, the interested foreign has failed to comply article, within a period of one year after termination of the time period for doing business as intended by article 5 section 2 and article 6, the Government or designated agency shall be entitled to conduct the liquidation of the foreign enterprise concerned.

Article 8

The Government shall be obligated to take measures and carry out efforts so that at the appropriate time national enterprises will be able to absorb and carry on the functions/activities of the foreign enterprises whose time period for doing business has terminated.

CHAPTER VI
TAX EXEMPTION AND RELIEF

Article 9

- (1) Capital invested in efforts rehabilitation, modernization, expansion and new development in the fields of agriculture, estates, forestry, fisheries, husbandry, mining, industry transport, public housing, tourism, infrastructure and other productive activities in accordance with Government stipulation, shall not be subjected to any investigations by the tax agency with respect to its origins and shall not incur tax.
- (2) The concessions referred to in section (1) of this article of this article shall be valid for a period of five years after this law takes effect.

Article 10

- (1) Capital invested in activities in field mentioned in article 9 section (1),

shall be exempted from Property Tax.

- (2) Deposits and funds saved for at least mentioned in article 9 section shall be exempted from Capital Stamp Duties.

Article 11

- (1) Issuance of capital in activities in fields mentioned in article 9 section shall be exempted from Capital Stamp Duties.

Article 12

- (1) Enterprises investing new capital in 9 section (1) shall be exempted from the Company Tax on their profits, and share holders of the aforesaid enterprises shall be exempted from the Dividend Tax on that part of the profit paid out, for a period of two years, starting from the moment said enterprises commences production. This two year time period may be extended if the provisions set forth in the following sections of this article are met.
- (2) Should the capital investment referred to in section (1) of this article be able significantly to increase or conserve foreign exchange, an additional tax exemption of one year shall be granted.
- (3) Should the capital investment referred to i section (1) of this article be made outside Java, an additional tax exemption of one year shall be granted.
- (4) Should the capital investment referred to in section (1) of this article require a substantial amount of capital, an additional tax exemption of one year shall be granted.
- (5) Should the investment referred to in section (1) of this article be made the field of infrastructure, an additional tax exemption of one year shall be granted.

Article 13

The government may grant Company Tax relief to enterprises doing business in fields given priority in accordance with the Government Development Plans.

Article 14

- (1) That portion of the profit or an enterprise with re-invested in activities in field mentioned in article 9 section (1) is exclude from the calculation of the taxable profit for the fiscal year concerned.
- (2) The provision set forth in section (1) of this article shall be valid for a time period of five years after promulgation of this law. Extension of this time period shall be regulated by the Minister of Finance.
- (3) Enterprises with enjoy exemptions from Company Tax or income tax, either based on article 12 of this Law or Income Tax, either based on implementing regulations under Law No. 27 of 1964, shall be subject to the provision set forth in section (1) of this article for a period of 5 years after termination of the exemption from Corporate Tax or income Tax referred to above. Extension of this time period shall be regulated by The Minister of Finance.

Article 15

The import of the capital goods (including tools and equipment and

rehabilitation activities in the field referred to in article 9 section (1) may be granted relief from Import Duties.

Article 16

Domestic Investment owned by the State and/or national private enterprises working in joint ventures with Foreign Investment as intended by Law No. 1 of 1967 shall be subject to be concession/relief stipulated by Chapter VI of said Law, as well as article 9 and 10 of this Law.

Article 17

Implementation of the provisions intended by article 9 sections 1 and 2, article 10 Section 1 and 2, article 11, article 12 sections 1 through 5, article 13, article 14 sections 1 through 3, article 15 and article 16 shall be executed by the Minister of Finance.

CHAPTER VII MANPOWER

Article 18

The capital owner shall have full authority to determine the management of the company in which his capital is invest.

Article 19

Enterprises, both national and foreign, are obligated to employ Indonesia experts, except when the required positions cannot yet be filled with Indonesia personnel, in which case foreign experts may be employed with due regard To Government rquirements. The employment of foreign personnel with domicile in Indonesia must satisfy Government requirements.

Article 20

Enterprise, both national and foreign, are obligated to conduct and/or provide training and educational facilities as deemend necessary by the Government.

CHAPTER VIII OTHER OBLIGATIONS

Article 21

A change in capital ownership of a national enterprise which results in a reduction of the percentyage of capital set forth in article 3, section (1) constituting State and/or national private property, must be reported to the agency which has issued the license to do business. If such change has not been reported within a period of three months, the license to do business shall be suspended.

Article 22

Enterprises, both national and foreign, are obligated to satisfy the registration requirements determined by the Government.

CHAPTER IX OTHER PROVISIONS

Article 23

- (1) Foreign enterprises shall not be allowed to enter into joint ventures with foreign capital as intended by Law No. 1 of 1967..
- (2) Domestic capital owned by foreigners domiciled out side Indonesia shall be subject to regulations and provisions existing before this law came into effect..
- (3) Enterprises with enjoy exemptions from Company Tax or income tax, either based on article 12 of this Law or Income Tax, either based on implementing regulations under Law No. 27 of 1964, shall be subject to the provision set forth in section (1) of this article for a period of 5 years after termination of the exemption from Corporate Tax or income Tax referred to above. Extension of this time period shall be regulated by The Minister of Finance.

Article 24

At the moment this Law shall go into effect, the following laws and regulations shall no longer be valid:

- a. Law No. 26 of 1964 concerning the Granting of Investment Incentives.
- b. Law No. 27 of 1964 concerning the Granting of Exemption from Company Tax/Income Tax..
- c. All provisions in legislation which are contrary to the provisions covered by article 23 section (2).

**CHAPTER X
FINAL PROVISIONS**

Article 24

- (1) Matters not her or insufficiently regulated in this Law shall be subsequently regulated by the Government..
- (2) This Law shall take effect on the day of its promulgation. In order that every person may be informed promulgation of this Law is ordered through publication in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta on July 03, 1968 PRESIDENT OF THE REPUBLIC OF INDONESIA sgd <u>SOEHARTO</u> Army general	Promulgated in Jakarta on July 03, 1968 STATE SECRETARY OF THE REPUBLIC OF INDONESIA Sgd <u>ALAMSYAH</u> Army Major General
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