



Doing business in Indonesia 2012

COMPARING REGULATION FOR DOMESTIC FIRMS IN 20 CITIES AND WITH 183 ECONOMIES

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COMPARING REGULATION FOR DOMESTIC FIRMS IN 20 CITIES AND WITH 183 ECONOMIES

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Doing Business in Indonesia 2012 and other subnational and regional *Doing Business* studies can be downloaded at no charge at www.doingbusiness.org/subnational.

Copies of the *Doing Business* global reports: *Doing Business 2012: Doing Business in a More Transparent World*, *Doing Business 2011: Making a Difference for Entrepreneurs*, *Doing Business 2010: Reforming through Difficult Times*, *Doing Business 2009*, *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulations* may be obtained at www.doingbusiness.org.

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Doing Business in Indonesia 2012 is the second subnational report of the *Doing Business* series in Indonesia. In 2010, quantitative indicators on business regulations were analyzed for 14 cities: Balikpapan, Banda Aceh, Bandung, Denpasar, Jakarta, Makassar, Manado, Palangka Raya, Palembang, Pekanbaru, Semarang, Surabaya, Surakarta, and Yogyakarta. This year, *Doing Business in Indonesia 2012* documents improvements in the 14 cities previously measured and expands the analysis to 6 new cities across the nation: Batam, Gorontalo, Jambi, Mataram, Medan, and Pontianak. The selection criteria include the level of urbanization, population, economic activity, political and geographical diversity, and other factors in consultation with the State Ministry for Administrative Reforms (Menpan), the Ministry of Home Affairs (MoHA) and the Regional Autonomy Watch (KPPOD).

Comparisons with other economies are based on *Doing Business 2012—Doing business in a more transparent world*—the ninth in a series of annual

reports published by the World Bank and International Finance Corporation. The indicators in *Doing Business in Indonesia 2012* are also comparable with 352 cities from 54 economies benchmarked in other subnational *Doing Business* studies. All data and reports are available at <http://subnational.doingbusiness.org> and www.doingbusiness.org.

Doing Business investigates the regulations that enhance business activity and those that constrain it. Regulations affecting 3 stages of the life of a business are measured at the subnational level in Indonesia: starting a business, dealing with construction permits, and registering property. These indicators were selected because they cover areas of local jurisdiction or practice. The indicators are used to identify business reforms and the extent to which these have been effective in simplifying the procedures, saving time, and lowering the cost of doing business. The data in *Doing Business in Indonesia 2012* are current as of July 2011.

Overview

Ambitious and fast rising—these words aptly describe modern Indonesia. Amidst a global economic slowdown, Indonesia was the third fastest growing economy among the G-20 for 2009 and it continues to post strong economic growth, at a projected rate of 6.4% for 2012.

However, despite its strong economic performance, Indonesia faces challenges that stifle private-sector development. Skilled labor shortages, poor infrastructure and an onerous regulatory framework are 3 major bottlenecks to business expansion.¹ The World Bank's Enterprise Surveys show that Indonesian firms identify an inadequately educated workforce and high rates of informality as two of the top 10 constraints to firm investment.² One of the key causes of this high rate of informality in Indonesia is the heavy regulatory burden borne by firms. In fact, nearly 30% of firms in Indonesia start operations without being formally registered.³

Improving economic competitiveness by creating a more salutary business climate is one of Indonesia's national priorities for 2010 to 2014.⁴ Making it easier to do business and invest also helps promote sustainable urbanization, another of Indonesia's key national development objectives. Business reforms can facilitate business start-ups, encourage investments and boost employment in cities across the country.

There is no single blueprint for how to grow and prosper, yet creating an investment climate conducive to starting and running a business, where complying with regulations brings more benefits than costs, helps. This is especially important in a country as decentralized as Indonesia, where effective and harmonious policy design and implementation at the local level are crucial for

the development of small to medium-size domestic firms—the backbone of Indonesia's economy. This is also important for women entrepreneurs in a country where 60% of medium-size firms are owned or operated by women.⁵

Doing Business studies business regulations from the perspective of a small to medium-size domestic firm. Jakarta represents the country in the annual *Doing Business* report, which compares regulatory practices in 183 economies around the world. Yet, within Indonesia, local regulations and practices vary from city to city. *Doing Business in Indonesia 2010* was the first report to go beyond Jakarta, to capture these differences in 13 other cities on 3 *Doing Business* topics: starting a business, dealing with construction permits and registering property. This report updates the information presented in 2010 and tracks the progress in implementation of business reforms. It also expands the analysis to cover 6 additional cities, to provide a more comprehensive map of business regulation in the country. The summary results are presented here (table 1.1).

Across Indonesia, it is easiest to start a business in Yogyakarta, deal with construction permits in Balikpapan, and register property in Bandung and Jakarta. It is most difficult to start a business in Manado and register property in Batam. Dealing with construction permits is most burdensome in Jakarta, while no building permits for commercial warehouses have been issued in Gorontalo since 2008.

When comparing the results from 2012 with those from 2010, a few trends emerge. First, consistent performers stay at the top. For example, Yogyakarta maintained its position among the top performers in starting a business, and Bandung in registering property.

Second, cities that improved their business regulations since they were last measured are surpassing their peers and moving closer to the top performers. Thanks to recent business reforms, Semarang is now one of the cities where it is easier to start a business and Banda Aceh is now one of the cities where it is easier to deal with construction permits, compared to 2 years ago. Third, some ranking changes can be attributed to the addition of

TABLE 1.1 Where is it easier to start a business, deal with construction permits or register property?

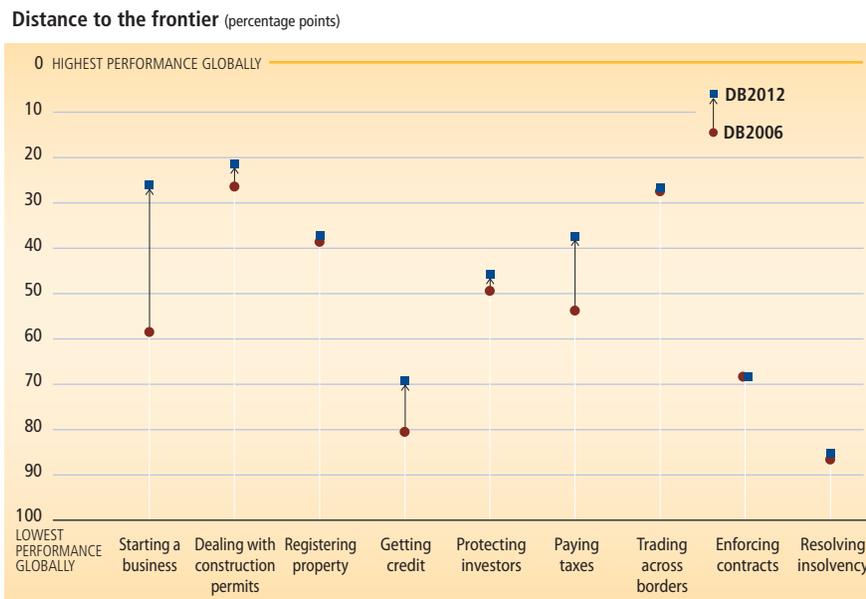
City	Ease of starting a business	Ease of dealing with construction permits	Ease of registering property
Balikpapan	7	1	12
Banda Aceh	5	4	12
Bandung	12	8	1
Batam*	15	10	20
Denpasar	9	17	12
Gorontalo*	6	NO PRACTICE	5
Jakarta	8	19	1
Jambi*	18	2	7
Makassar	17	11	9
Manado	20	18	15
Mataram*	10	12	4
Medan*	19	6	7
Palangka Raya	2	14	16
Palembang	11	3	3
Pekanbaru	16	15	18
Pontianak*	13	7	9
Semarang	4	8	19
Surabaya	14	16	11
Surakarta	3	12	17
Yogyakarta	1	5	6

Note: The ranking on each topic is based on the simple average of the percentile rankings on its component indicators. See Data notes for details.

*Cities not benchmarked in *Doing Business in Indonesia 2010* report.

Source: *Doing Business* database.

FIGURE 1.1 Tracking Indonesia's* progress over time in the areas measured by *Doing Business 2006–2012: Distance to the frontier*



Note: The distance to frontier measure illustrates the distance of an economy to the “frontier”—a synthetic measure based on the most efficient practice or highest score achieved by any economy on each of the indicators in 9 *Doing Business* indicator sets (excluding the employing workers and getting electricity indicators). The vertical axis represents the distance to the frontier, and 0 the most efficient regulatory environment (frontier practice). The data refer to the 174 economies included in *Doing Business 2006*. Additional economies were added in subsequent years.

*Represented by Jakarta

Source: *Doing Business* database.

6 new cities, some of which have business-friendly regulatory frameworks. For example, among this year’s top performers in dealing with construction permits is Jambi—a city that was not measured in *Doing Business in Indonesia 2010*.

INDONESIA IN THE GLOBAL PERSPECTIVE

Indonesia has been active in reforming business regulations in recent years. These consistent improvements have been recognized in the annual *Doing Business* report. According to *Doing Business 2012*, Indonesia, represented by Jakarta, is among the top 50 economies improving the most to close their gap with the top performers globally, and among the top 5 within the East Asia and the Pacific region.

Comparing an economy’s performance on set indicators at 2 points in time helps assess how much the economy’s regulatory environment, as measured by *Doing Business*, has changed over time—i.e., how far it has moved toward the most efficient practices and regulations seen in areas covered by

Doing Business. The results for Indonesia show that the pace of change varies widely across the areas measured (figure 1.1).

In the area of starting a business, improvements reduced the start up time by 70%—from 151 days in 2006 to 45 days in 2011—and the number of procedures from 12 to 8. In dealing with construction permits time was shortened by 15%—from 186 days in 2005 to 158 days in 2011. Borrowers now have the right to inspect their credit data at the Bank of Indonesia, improving the quality and accuracy of the information financial institutions use in assessing the risk profiles of borrowers. The total tax rate was reduced from 37.3% of profit in 2006 to 34.5% in 2011, while online systems for filing taxes cut the time it takes to pay taxes by more than half—from 560 hours in 2006 to 266 hours in 2011.

CITIES ACROSS INDONESIA ARE IMPROVING COMMERCIAL REGULATIONS

Doing Business in Indonesia 2010 identified good practices, pointed out bottlenecks and

provided recommendations for improvements across 14 cities in Indonesia. Two years later, *Doing Business in Indonesia 2012* tracks progress over time.

The findings are encouraging: 22 business reforms at the local level have made it easier to do business since 2010. For starting a business, all 14 cities measured for the second time show improvements. For dealing with construction permits, 10 out of 14 cities show improvements (table 1.2). While the economic impact has yet to be measured in Indonesia, this report shows that national and local business reforms have already resulted in time and cost savings for local entrepreneurs.

In the area of starting a business, all Indonesian cities benefited from the nationwide reintroduction⁶ of a computerized system for company registration—*Sistem Administrasi Badan Hukum (SABH)*—and the creation of standard incorporation forms for limited liability companies. In addition, improved efficiency at the local branches of national agencies reduced the time needed for tax, labor and social security registrations in several cities.

The national government also issued legislation mandating the simplification of local licensing requirements in an effort to further encourage the development of the formal sector across the country. This affected the required business trading license—*Surat Izin Usaha Perdagangan (SIUP)*—and the company registration certificate—*Tanda Daftar Perusahaan (TDP)*. Although these 2 licenses are governed at the national level by the Ministry of Trade, the issuance of these licenses is under the authority of the local governments. The national government set statutory time limits and eliminated or reduced fees for these 2 licenses, but implementation of the new regulations still varies across the cities.

Some local governments have taken advantage of the national call to simplify local licensing requirements by merging procedures, introducing statutory time limits and eliminating or reducing fees for local licenses. For example, following a 2007 ministerial decree encouraging the establishment of one-stop shops nationwide, Palangka Raya,

TABLE 1.2 Twenty-two *Doing Business* reforms at the local level made it easier to do business since the 2010 report

City	Local reforms		National reforms
	Starting a business	Dealing with construction permits	Starting a business
Balikpapan	✓		✓
Banda Aceh	✓	✓	✓
Bandung	✓	✓	✓
Denpasar	✓		✓
Jakarta	✓		✓
Makassar	✓		✓
Manado		✓	✓
Palangka Raya	✓	✓	✓
Palembang	✓	✓	✓
Pekanbaru	✓	✓	✓
Semarang	✓	✓	✓
Surabaya	✓	✓	✓
Surakarta	✓	✓	✓
Yogyakarta		✓	✓

✓ *Doing Business* reforms making it easier to do business

Note: A reform is counted as 1 reform per city per indicator. The reforms occurred between August 2009 and July 2011.

Source: *Doing Business* database. Data for Jakarta are from *Doing Business 2012*.

Surakarta and Yogyakarta consolidated all local business licenses into a single package. In the last 2 years, Semarang, Denpasar, Jakarta and Balikpapan have followed suit. Results have been promising. Similarly, following the enactment of the Law on Regional Tax and User-Charges⁷, almost half of the cities measured abolished the fees of several local licenses— including the business trading license (*SIUP*) and the company registration certificate (*TDP*). Furthermore, in line with national regulation, Banda Aceh and Surabaya no longer require a certificate of company domicile from all businesses. These joint efforts by national and local governments have paid off. The average time and cost to start a business in Indonesian cities were reduced by more than 25% since the 2010 report.

10 out of the 14 cities measured in both 2010 and 2012 improved the construction permitting process. One-stop shops were created, the administrative efficiency of involved agencies was improved, requirements for simple commercial buildings were simplified, fees reduced or eliminated and the utility infrastructure improved. As a result, the average time required to deal with construction permits decreased by one month from 106

days in 2010 to 77 days in 2012. The average cost dropped from IDR 22,093,645 (\$2,123) to IDR 19,247,290 (\$1,850).

Some cities—such as Banda Aceh, Surabaya and Surakarta—completely overhauled their building permit process. Banda Aceh merged preconstruction clearances with the procedures to obtain the building construction permit—*Izin Mendirikan Bangunan (IMB)*. Location and zoning clearances, the architectural assessment, the planned infrastructure cross-check and the border verification are now carried out internally by the Civil Work Agency, in charge of the technical aspects, in coordination with the one-stop shop, which calculates the fees and issues the permits. Back in 2010, companies had to go through 9 different steps, pay IDR 19,501,063 (\$1,874) and wait for 103 days before they could start construction. Now construction begins after only 5 procedures that are carried out in 26 days at an expense of IDR 15,851,063 (\$1,523). Similarly, improvements in the water delivery system and telephone network cut the time required to connect to these utilities by 13 days and 55 days, respectively.

In the area of registering property, the government continues to encourage entrepreneurs

to formally register their lands by raising the tax-free limit on properties as their market values increased across Indonesia. Specifically, a new national law⁸ allows local governments to implement regulations to increase the tax-free limit. The old national law of 2008 imposed a maximum non-taxable value at IDR 60 million (\$5,767). The 2010 sets a floor of IDR 60 million, but allows regions to grant higher tax exemptions. Eleven⁹ of the 14 cities previously measured raised the tax-free value, nine¹⁰ of these only up to the minimum.

COMPARING BUSINESS REGULATIONS ACROSS 20 CITIES

Starting a Business

Starting a business takes, on average, 9 procedures, 33 days and costs 22% of income per capita. This is 13 days faster and 8% cheaper than 2 years ago. But overall, the country still lags behind the Asia-Pacific Economic Cooperation (APEC)¹¹ average—6 procedures, 23 days and 7.7% of income per capita—on this indicator. Indonesians wait about 1 month longer than Malaysians and spend 4 times as much as Thai entrepreneurs to start a business. Within the country, starting a business is easiest in Yogyakarta and most difficult in Manado.

Differences are due to local licensing requirements. In Yogyakarta and Palangka Raya, where the business licensing process was consolidated at one-stop shops, complying with local requirements is fast—just 1 procedure over 5 days to obtain the business trading license, the company registration certificate and the location permit. By contrast, in Pontianak, an entrepreneur has to apply separately for each license and wait 15 days. In addition, the local branches of national agencies are not equally efficient in all locations. Labor registration, for example, can be completed in 1 day in Banda Aceh, thanks to the one-stop shop operating since 2010. The same registration takes 2 weeks in Jakarta.

At 22% of income per capita, the average cost to start a business in Indonesia is almost 3 times higher than the APEC average. Public notary fees constitute the biggest

TABLE 1.3 Best practices in Indonesia compared internationally

Indicator	Best performing city within Indonesia	Performance	Global rank (183 economies) How Indonesia would compare globally
Number of procedures to deal with construction permits	Medan, Yogyakarta	7 procedures	4
Days to deal with construction permits	Banda Aceh	42 days	5
Days to register property	Manado	12 days	27
Cost to deal with construction permits	Jambi	32% of income per capita	42
Number of procedures to register property	All cities except Batam, Semarang	6 procedures	83
Number of procedures to start a business	Balikpapan, Denpasar, Jakarta, Palangka Raya, Surakarta, Yogyakarta	8 procedures	109
Cost to start a business	Jakarta, Pontianak, Yogyakarta	18% of income per capita	111
Days to start a business	Gorontalo, Palangka Raya	27 days	117
Cost to register property	Jakarta	10.81% of property value	151

Source: *Doing Business* database.

expense—half of the total cost. Across the 20 cities surveyed, the total start-up cost ranges from 17.8% in Pontianak to 30.8% in Manado. Local licensing fees vary among cities. Obtaining a location permit, for example, costs IDR 750,000 (\$72) in Pekanbaru but just IDR 50,000 (\$5) in Banda Aceh. In Manado, a new business has to pay an additional billboard tax and a yearly cleanliness fee—IDR 513,281 (\$49)—before obtaining the permits needed to start a business.

Dealing with Construction Permits

The number of requirements to build a warehouse and connect it to utilities ranges from 7 in Medan and Yogyakarta to 14 in Manado. Although the average time required to deal with construction permits is 74 days—3.5 times faster than Malaysia and twice as fast as in Thailand—there are considerable variations among cities. All necessary clearances and permits can be obtained in just 42 days in Banda Aceh. In Jakarta, the same process takes as long as 158 days. Variations are mainly due to the time required to obtain all the municipal clearances and permits. Among the 20 cities measured, it is cheapest to deal with construction permits in Jambi (32% of income per capita). In contrast, an entrepreneur in Makassar must pay more than 4 times as much (131.5% of income per capita). Variations in cost are connected to the cost of the building construction permit (IMB).

Registering Property

Across the 20 cities measured, an Indonesian entrepreneur carries out an average of 6 procedures over 33 days, paying 11% of property value to transfer a property title. Eighteen of the 20 cities measured require 6 standard procedures, but Semarang and Batam require 1 additional procedure in the process. In Manado, registering property takes only 12 days—almost twice as fast as in Mandaluyong, the fastest city in the Philippines, where it takes 22 days. Property transfer fees vary according to the tax rates on land and building acquisitions set by the provincial governments. At 11% of the property value, the average cost to register property in Indonesia is about triple the cost of its neighbors—in the East Asia and the Pacific region, the average cost is 4.1% of the property value and in APEC countries, the average is just 3.7%.

LEARNING FROM EACH OTHER

Cities today have the advantage of learning from the experience of others by introducing business reforms that have been successfully implemented by neighbors. In fact, cities in Indonesia have a lot to gain from adopting the regulations and practices that are working elsewhere in the country—especially in the area of construction permits.

If a hypothetical city in Indonesia were to adopt the practices of Medan and Yogyakarta,

a construction permit could be obtained with only 7 procedures (table 1.3). Following the example of Banda Aceh could yield a construction permit in only 42 days, allowing this hypothetical city to rank 5th globally for its speed. Adopting Jambi's cost structure for dealing with construction permits would translate into an entrepreneur paying just 32% of income per capita, cheaper than in 141 of 183 economies worldwide.

However, for starting a business, adoption of the good practices that exist within Indonesia would still leave the country lagging behind more than 100 other economies globally. The same is true for the cost of registering property. Looking beyond its borders to regional and global good practices could help close the gap between cities in Indonesia and the global leaders on these indicators.

Neighboring countries—Malaysia; Taiwan, China; Thailand and Vietnam—have formed regulatory reform committees to improve the regulatory framework for businesses. The Malaysian government, for example, has set up a regulatory reform committee (*Pemudah*)¹² reporting directly to the prime minister, with members from the government and the private sector. This provides a good example of a public-private partnership that helped inform and monitor the implementation of the national business climate reform agenda.

Benchmarking exercises like *Doing Business* inspire governments to improve business regulations. They uncover potential challenges and identify where policy makers can look for good practices. Subnational comparisons between cities within the same country can be even stronger drivers of reform, because local governments have a hard time explaining why doing business in their city may be harder than in neighboring locations. The good news is that sharing a national legal framework facilitates the implementation of existing good local practices within a country. National governments can also use *Doing Business* data to monitor how efficiently the local branches of their agencies implement national regulations.

The example of the Philippines is telling. *Doing Business in the Philippines 2011* showed that 65% of the cities benchmarked for the second time since 2008 made positive

business reforms in at least 1 of the 3 areas measured—starting a business, registering property and dealing with construction permits.¹³ The experience of Davao City highlights how reform-minded local governments can use *Doing Business* indicators to motivate and sustain reform efforts. Davao City introduced a single assessment of all business-permit fees at its City Treasurer's Office, instead of requiring visits to different agencies, and allowed businesses to start operations without waiting for inspections from its City Planning and Development Office or its Bureau of Fire Protection; these inspections now take place after a business is up and running. As a result of its business reforms, Davao City cut 7 procedures, speeding up the start-up process by an average of 16 days. Thanks to this and other reforms, Davao City was one of the most improved cities in terms of business regulations in *Doing Business in the Philippines 2011*.

Consistent reformers have a long-term agenda and continually push forward. They stay focused by setting specific goals and regularly monitoring progress. The top-ranked economy on the ease of doing business, Singapore, introduces business reforms every year. Other policy makers—such as the Dutch Advisory Board on Administrative Burden (Actal) and the Better Regulation Executive in the United Kingdom—not only routinely assess existing regulations, but they also pay attention to managing the flow of new regulations. In the United Kingdom, a program implemented from 2005 to 2010 reduced the burden of regulatory compliance on businesses by 25%, according to the government.¹⁴ That amounted to savings for firms equivalent to £3.5 billion. New initiatives are under way, such as the UK's "one in, one out" system and its Red Tape Challenge.¹⁵

Cumulative business reforms across a range of topics produce the best results. Cooperation across different parts of a bureaucracy, at both local and national level, is necessary for wide-ranging reforms. Political will and vision coming from a reform champion—whether the president, minister, or mayor—is central to success. Moreover, consistent reformers are inclusive—involving all relevant actors and institutionalizing the reform effort.

NOTES

1. International Monetary Fund. 2010. "Indonesia: 2010 Article IV Consultation." IMF Country Report No. 10/284.
2. World Bank. Enterprise Surveys. Indonesia Country Profile. 2009. Available at <http://www.enterprisesurveys.org>.
3. Ibid.
4. The 2010–2014 National Medium-Term Development Plan (RPJMN 2010–2014) is the second phase of implementation of the 2005–2025 National Long-Term Development Plan (RPJPN 2005–2025).
5. Indonesian Women's Business Association available at <http://iwapi-pusat.org/home>.
6. The computerized system was first introduced in 2001, but was halted in mid-2009 due to a legal dispute between the government of Indonesia and the technology vendor. In 2010, Indonesia's Ministry of Law and Human Rights reopened access to the computerized system.
7. Law No. 28 of 2009.
8. Law No. 28 of 2009, article 87 (4).
9. These 11 cities are: Balikpapan, Banda Aceh, Denpasar, Jakarta, Makassar, Palembang, Pekanbaru, Semarang, Surabaya, Surakarta and Yogyakarta. Bandung implemented this law, but the tax-free value remained the same as in 2010, at IDR 60 million.
10. Jakarta raised the tax-free value to IDR 80 million (\$ 7,689) and Surabaya to IDR 75 million (\$ 7,208).
11. Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong SAR, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russian Federation; Singapore; Taiwan, China; Thailand; United States; Vietnam.
12. Online at <http://www.pemudah.gov.my>.
13. World Bank. 2010. *Doing Business in the Philippines 2011*. Washington, DC: World Bank Group.
14. Nineteen U.K. government departments participated in the program, which started with an extensive quantification exercise in the summer of 2005. In May 2010 the target was met: a total cost reduction for businesses of £3.5 billion. Based on this experience, a new target was set: to cut the ongoing costs of regulation by another £6.5 billion by 2015. Available at <http://www.bis.gov.uk>.
15. World Bank. 2011. *Doing Business 2012: Doing Business in a More Transparent World*. Washington, DC: World Bank Group.

About *Doing Business* and *Doing Business in Indonesia* 2012

A vibrant private sector—with firms making investments, creating jobs and improving productivity—promotes growth and expands opportunities for poor people. To foster a vibrant private sector, governments around the world have implemented wide-ranging reforms, including price liberalization and macroeconomic stabilization programs. But governments committed to the economic health of their country and opportunities for its citizens focus on more than macroeconomic conditions. They also pay attention to the laws, regulations and institutional arrangements that shape daily economic activity.

Until 10 years ago, however, there were no globally available indicator sets for monitoring such microeconomic factors and analyzing their relevance. The first efforts, in the 1980s, drew on perceptions data from expert or business surveys that capture often one-time experiences of businesses. Such surveys can be useful gauges of economic and policy conditions. But few perception surveys provide indicators with a global coverage that are updated annually.

The *Doing Business* project takes a different approach from perception surveys. It looks at domestic, primarily small and medium-size companies and measures the regulations applying to them through their life cycle. Based on standardized case studies, it presents quantitative indicators on business regulation that can be compared across 183 economies and over time. This approach complements the perception surveys in exploring the major constraints for businesses, as experienced by the businesses themselves and set out in the regulations that apply to them.

Rules and regulations are under the direct control of policy makers—and policy makers intending to change the experience and

behavior of businesses will often start by changing rules and regulations that affect them. *Doing Business* goes beyond identifying that a problem exists and points to specific regulations or regulatory procedures that may lend themselves to reform. And its quantitative measures of business regulation enable research on how specific regulations affect firm behavior and economic outcomes.

The first *Doing Business* report, published in 2003, covered 5 indicator sets and 133 economies. This year's report covers 11 indicator sets and 183 economies. Ten topics are included in the aggregate ranking on the ease of doing business. The project has benefited from feedback from governments, academics, practitioners and reviewers.¹ The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business.

WHAT DOING BUSINESS IN INDONESIA 2012 COVERS

Doing Business in Indonesia 2012 provides a quantitative measure of the national and local regulations for 3 *Doing Business* indicators: starting a business, dealing with construction permits, and registering property as they apply to domestic small and medium-size enterprises.

A fundamental premise of *Doing Business* is that economic activity requires good rules. These include rules that establish and clarify property rights, and rules that increase the predictability of economic interactions. The objective: regulations designed to be efficient in their implementation, to be accessible to all who need to use them and to be simple in their implementation. Accordingly, some *Doing Business* indicators give a higher score for more regulation, such as stricter disclosure requirements in related-party

transactions. Some give a higher score for a simplified way of implementing existing regulation, such as completing business start-up formalities in a one-stop shop.

Doing Business in Indonesia 2012 encompasses 2 types of data. The first come from readings of laws and regulations. The second are time and motion indicators that measure the efficiency and complexity in achieving a regulatory goal (such as granting the legal identity of a business). Within the time and motion indicators, cost estimates are recorded from official fee schedules where applicable. A regulatory process such as starting a business or registering property is broken down into clearly defined steps and procedures. Here, *Doing Business* builds on Hernando de Soto's pioneering work in applying the time and motion approach first used by Frederick Taylor to revolutionize the production of the Model T Ford. De Soto used the approach in the 1980s to show the obstacles to setting up a garment factory on the outskirts of Lima, Peru.²

WHAT DOING BUSINESS IN INDONESIA 2012 DOES NOT COVER

Just as important as knowing what *Doing Business in Indonesia 2012* does is to know what it does not do to understand what limitations must be kept in mind in interpreting the data.

Limited in scope

Doing Business in Indonesia 2012 focuses on three topics, with the specific aim of measuring the regulation and red tape relevant to the life cycle of a domestic small to medium-size firm. Accordingly:

- *Doing Business in Indonesia 2012* does not measure all 11 indicators covered in the global *Doing Business* report. The report covers only those 3 areas of business

regulation that are the provenance of the local governments and where local differences exist starting a business, dealing with construction permits, and registering property.

- *Doing Business in Indonesia 2012* does not measure all aspects of the business environment that matter to firms or investors or all factors that affect competitiveness. It does not, for example, measure security, macroeconomic stability, corruption, the labor skills of the population, the underlying strength of institutions or all aspects of the quality of infrastructure. Nor does it focus on regulations specific to foreign investment.
- *Doing Business in Indonesia 2012* does not cover all regulations, or all regulatory goals, in any city. As economies and technology advance, more areas of economic activity are being regulated. For example, the European Union's body of laws (*acquis*) has now grown to no fewer than 14,500 rule sets. *Doing Business in Indonesia 2012* measures just 3 phases of a company's life cycle, through 3 specific indicators. The indicator sets also do not cover all aspects of regulation in the particular area. For example, the indicators on starting a business do not cover all aspects of commercial legislation.

Based on standardized case scenarios

The indicators analyzed in *Doing Business in Indonesia 2012* are based on standardized case scenarios with specific assumptions, such as that the business is located in one of the 20 cities in Indonesia measured by the report. Economic indicators commonly make limiting assumptions of this kind. Inflation statistics, for example, are often based on prices of consumer goods in a few urban areas. Such assumptions allow global coverage and enhance comparability, but they inevitably come at the expense of generality.

In areas where regulation is complex and highly differentiated, the standardized case used to construct each *Doing Business in Indonesia 2012* indicator needs to be carefully defined. Where relevant, the standardized case assumes a limited liability company. This choice is in part empirical: private, limited

liability companies are the most prevalent business form in most economies around the world. The choice also reflects one focus of *Doing Business*: expanding opportunities for entrepreneurship. Investors are encouraged to venture into business when potential losses are limited to their capital participation.

Focused on the formal sector

In constructing the indicators, *Doing Business in Indonesia 2012* assumes that entrepreneurs are knowledgeable about all regulations in place and comply with them. In practice, entrepreneurs may spend considerable time finding out where to go and what documents to submit. Or they may avoid legally required procedures altogether by not registering for social security, for example.

Where regulation is particularly onerous, levels of informality are higher. Informality comes at a cost: firms in the informal sector typically grow more slowly, have poorer access to credit and employ fewer workers and their workers remain outside the protections of labor law.³ All this may be even more so for female-owned businesses, according to country-specific research.⁴ Firms in the informal sector are also less likely to pay taxes. *Doing Business* measures one set of factors that help explain the occurrence of informality and give policy makers insights into potential areas of reform. Gaining a fuller understanding of the broader business environment, and a broader perspective on policy challenges, requires combining insights from *Doing Business* with data from other sources, such as the World Bank Enterprise Surveys.⁵

WHY THIS FOCUS

Doing Business functions as a kind of cholesterol test for the regulatory environment for domestic businesses. A cholesterol test does not tell us everything about the state of our health. But it does measure something important for our health. And it puts us on watch to change behaviors in ways that will improve not only our cholesterol rating but also our overall health.

One way to test whether *Doing Business* serves as a proxy for the broader business environment and for competitiveness is to look at correlations between the *Doing Business* rankings and other major economic

benchmarks. Closest to *Doing Business* in what it measures is the set of indicators on product market regulation compiled by the Organization for Economic Co-operation and Development (OECD). These indicators are designed to help assess the extent to which the regulatory environment promotes or inhibits competition. They include measures of the extent of price controls, the licensing and permit system, the degree of simplicity of rules and procedures, the administrative burdens and legal and regulatory barriers, the prevalence of discriminatory procedures, and the degree of government control over business enterprises. The rankings on these indicators—for the 39 countries that are covered, several of them large emerging markets—are highly correlated with those on the ease of doing business (the correlation here is 0.72).

Similarly, there is a high correlation (0.82) between the rankings on the ease of doing business and those on the World Economic Forum's Global Competitiveness Index, a much broader measure capturing such factors as macroeconomic stability, aspects of human capital, the soundness of public institutions and the sophistication of the business community. Economies that do well on the *Doing Business* indicators tend to do well on the OECD market regulation indicators and the Global Competitiveness Index and vice versa.⁶

A bigger question is whether the issues on which *Doing Business* focuses matter for development and poverty reduction. The World Bank study *Voices of the Poor* asked 60,000 poor people around the world how they thought they might escape poverty.⁷ The answers were unequivocal: women and men alike pin their hopes above all on income from their own business or wages earned in employment. Enabling growth and ensuring that poor people can participate in its benefits requires an environment where new entrants with drive and good ideas, regardless of their gender or ethnic origin, can get started in business and where good firms can invest and grow, generating more jobs.

Small and medium-size enterprises are key drivers of competition, growth and job creation, particularly in developing countries. But

in these economies up to 80% of economic activity takes place in the informal sector. Firms may be prevented from entering the formal sector by excessive bureaucracy and regulation. Even firms operating in the formal sector might not have equal access to transparent rules and regulations affecting their ability to compete, innovate and grow.

Where regulation is burdensome and competition limited, success tends to depend more on whom you know than on what you can do. But where regulation is transparent, efficient and implemented in a simple way, it becomes easier for any aspiring entrepreneurs, regardless of their connections, to operate within the rule of law and to benefit from the opportunities and protections that the law provides.

In this sense *Doing Business* values good rules as a key to social inclusion. It also provides a basis for studying effects of regulations and their application. For example, *Doing Business 2004* found that faster contract enforcement was associated with perceptions of greater judicial fairness suggesting that justice delayed is justice denied.⁸

DOING BUSINESS IN INDONESIA 2012 AS A BENCHMARKING EXERCISE

Doing Business in Indonesia 2012, in capturing some key dimensions of regulatory regimes, can be useful for benchmarking. Any benchmarking for individuals, firms or economies is necessarily partial: it is valid and useful if it helps sharpen judgment, less so if it substitutes for judgment.

Doing Business in Indonesia 2012 provides 2 takes on the data it collects: it presents absolute indicators for each city for each of the 3 regulatory topics it addresses, and it provides rankings of cities by indicator. Judgment is required in interpreting these measures for any city and in determining a sensible and politically feasible path for reform.

Reviewing the *Doing Business* rankings in isolation may show unexpected results. Some cities may rank unexpectedly high on some indicators. And some cities that have had rapid growth or attracted a great deal of

investment may rank lower than others that appear to be less dynamic.

But for reform-minded local governments, how much the regulatory environment for local entrepreneurs improves matters more than their relative ranking. As cities develop, they strengthen and add to regulations to protect investor and property rights. Meanwhile, they find more efficient ways to implement existing regulations and cut outdated ones. One finding of *Doing Business*: dynamic and growing economies continually reform and update their regulations and their way of implementing them, while many poor economies still work with regulatory systems dating to the late 1800s.

WHAT RESEARCH SHOWS ON THE EFFECTS OF BUSINESS REGULATION

Nine years of *Doing Business* data, together with other data sets, have enabled a growing body of research on how specific areas of business regulation and regulatory reforms in those areas relate to social and economic outcomes. Some 873 articles have been published in peer-reviewed academic journals, and about 2,332 working papers are available through Google Scholar.⁹

Much attention has been given to exploring links to microeconomic outcomes, such as firm creation and employment. Recent research focuses on how business regulations affect the behavior of firms by creating incentives (or disincentives) to register and operate formally, to create jobs, to innovate and to increase productivity.¹⁰ Many studies have also looked at the role played by courts, credit bureaus, and insolvency and collateral laws in providing incentives for creditors and investors to increase access to credit. The literature has produced a range of findings.

Lower costs for business registration encourage entrepreneurship and enhance firm productivity. Economies with efficient business registration have a higher entry rate by new firms as well as greater business density.¹¹ Economies where registering a new business takes less time have seen more businesses register in industries where the potential for growth is greatest, such as those that have experienced expansionary shifts in

global demand or technology.¹² Reforms making it easier to start a business tend to have a significant positive effect on investment in product market industries such as transport, communications and utilities, which are often sheltered from competition.¹³ There is also evidence that more efficient business entry regulations improve firm productivity and macroeconomic performance.¹⁴

Simpler business registration translates into greater employment opportunities in the formal sector. Reducing start-up costs for new firms was found to result in higher take-up rates for education, higher rates of job creation for high-skilled labor and higher average productivity because new firms are often set up by high-skilled workers.¹⁵ Lowering entry costs can boost legal certainty: businesses entering the formal sector gain access to the legal system, to the benefit of both themselves and their customers and suppliers.¹⁶

Assessing the impact of policy reforms poses challenges. While cross-country correlations can appear strong, it is difficult to isolate the effect of regulations given all the other potential factors that vary at the country level. Generally, cross-country correlations do not show whether a specific outcome is caused by a specific regulation or whether it coincides with other factors, such as a more positive economic situation. So how do we know whether things would have been different without a specific regulatory reform? Some studies have been able to test this by investigating variations within an economy over time. Other studies have investigated policy changes that affected only certain firms or groups. Several country-specific impact studies conclude that simpler entry regulations encourage the establishment of more new firms:

- In Mexico one study found that a program that simplified municipal licensing led to a 5% increase in the number of registered businesses and a 2.2% increase in wage employment, while competition from new entrants lowered prices by 0.6% and the income of incumbent businesses by 3.2%.¹⁷ Other research found that the same licensing reform directly led to a 4% increase in new start-ups and that the

program was more effective in municipalities with less corruption and cheaper additional registration procedures.¹⁸

- In India the progressive elimination of the license raj led to a 6% increase in new firm registrations, and highly productive firms entering the market saw larger increases in real output than less productive firms.¹⁹ Simpler entry regulation and labor market flexibility were found to be complementary. States with more flexible employment regulations saw a 25% larger decrease in informal firms and 17.8% larger gains in real output than states with less flexible labor regulations.²⁰ The same licensing reform led to an aggregate productivity improvement of around 22% for firms affected by the reform.²¹
- In Colombia new firm registrations increased by 5.2% after the creation of a one-stop shop for businesses.²²
- In Portugal the introduction of a one-stop shop for businesses led to a 17% increase in new firm registrations and 7 new jobs for every 100,000 inhabitants compared with economies that did not implement the reform.²³

A sound regulatory environment leads to stronger trade performance. Efforts to streamline the institutional environment for trade (such as by increasing the efficiency of customs) have been shown to have positive effects on trade volumes.²⁴ One study found that an inefficient trade environment was among the main factors in poor trade performance in Sub-Saharan African countries.²⁵ Similarly, another study identified the government's ability to formulate and implement sound policies and regulations that promote private sector development, customs efficiency, quality of infrastructure and access to finance as important factors in improving trade performance.²⁶ The same study found that economies with more constrained access to foreign markets benefit more from improvements in the investment climate than those with easier access.

Research also shows that an economy's ability to enforce contracts is an important determinant of its comparative advantage in the global economy: among comparable economies, those with good contract

enforcement tend to produce and export more customized products than those with poor contract enforcement.²⁷ Another study shows that in many developing economies production of high-quality output is a precondition for firms to become exporters: institutional reforms that lower the cost of high-quality production increase the positive effect that trade facilitation can have on income.²⁸ Research shows that removing barriers to trade needs to be accompanied by other reforms, such as making labor markets more flexible, to achieve higher productivity and growth.²⁹

Regulations and institutions that form part of the financial market infrastructure—including courts, credit information systems, and collateral, creditor and insolvency laws—play a role in easing access to credit.

Enterprise surveys conducted by the World Bank show that access to credit is a major constraint to businesses around the world.³⁰ Good credit information systems and strong collateral laws can help alleviate financing constraints. Analysis in 12 transition economies found that reforms strengthening collateral laws increased the supply of bank loans by 13.7% on average.³¹ Creditor rights and the existence of credit registries, whether public or private, are both associated with a higher ratio of private credit to GDP.³² And greater information sharing through credit bureaus is associated with higher bank profitability and lower bank risk.³³

Country-specific research assessed the effect of efficient debt recovery and exit processes in determining conditions of credit and in ensuring that less productive firms are either restructured or exit the market:

- The establishment of specialized debt recovery tribunals in India sped up the resolution of debt recovery claims and allowed lenders to seize more collateral on defaulting loans. It also increased the probability of repayment by 28% and lowered interest rates on loans by 1–2 percentage points.³⁴
- Following a broad bankruptcy reform in Brazil in 2005 that, among other things, improved the protection of creditors, the cost of debt fell by 22% and the aggregate level of credit rose by 39%.³⁵

- The introduction of improved insolvency regimes that streamlined mechanisms for reorganization reduced the number of liquidations by 8.4% in Belgium and by 13.6% in Colombia as more viable firms opted for reorganization instead.³⁶ In Colombia the new law better distinguished viable from nonviable firms, making survival more likely for financially distressed but viable firms.

HOW GOVERNMENTS USE DOING BUSINESS

Quantitative data and benchmarking can be useful in stimulating debate about policy, both by exposing potential challenges, and by identifying where policy makers might look for lessons and good practices. For governments, a common first reaction is to doubt the quality and relevance of the *Doing Business* data. Yet the debate typically proceeds to a deeper discussion exploring the relevance of the data to the economy and areas where reform might make sense.

Most reformers start out by seeking examples, and *Doing Business* helps in this (boxes 1 and 2). For example, Saudi Arabia used the company law of France as a model of for revising its own. Many countries in Africa look to Mauritius - the region's strongest performer on *Doing Business* indicators - as a source of good practices for business regulation reform. In the words of Luis Guillermo Plata, the former minister of commerce, industry and tourism of Colombia,

It's not like baking a cake where you follow the recipe. No. We are all different. But we can take certain things, certain key lessons, and apply those lessons and see how they work in our environment.

Over the past 9 years there has been much activity by governments in reforming the regulatory environment for domestic businesses. Most reforms relating to *Doing Business* topics were nested in broader programs of reform aimed at enhancing economic competitiveness. In structuring their reform programs for the business environment, governments use multiple data sources and indicators. And reformers respond to many stakeholders and interest groups, all of whom bring important issues and concerns into the

BOX 1 HOW ECONOMIES HAVE USED DOING BUSINESS IN REGULATORY REFORM PROGRAMS

To ensure coordination of efforts across agencies, such economies as Colombia, Rwanda and Sierra Leone have formed regulatory reform committees reporting directly to the president that use the *Doing Business* indicators as one input to inform their programs for improving the business environment. More than 20 other economies have formed such committees at the interministerial level. These include India, Malaysia, Taiwan (China) and Vietnam in East and South Asia; the Arab Republic of Egypt, Morocco, Saudi Arabia, the Syrian Arab Republic, the United Arab Emirates and the Republic of Yemen in the Middle East and North Africa; Georgia, Kazakhstan, the Kyrgyz Republic, Moldova and Tajikistan in Eastern Europe and Central Asia; Kenya, Liberia, Malawi and Zambia in Sub-Saharan Africa; and Guatemala, Mexico and Peru in Latin America. Governments have reported more than 300 regulatory reforms that have been informed by *Doing Business* since 2003.

BOX 2 HOW REGIONAL ECONOMIC FORUMS USES DOING BUSINESS

The Asia-Pacific Economic Cooperation (APEC) organization uses *Doing Business* to identify potential areas of regulatory reform, to champion economies that can help others improve and to set measurable targets. In 2009 APEC launched the Ease of Doing Business Action Plan with the goal of making it 25% cheaper, faster and easier to do business in the region by 2015.¹ The action plan sets specific targets, such as making it 25% faster to start a business by reducing the average time by 1 week.

Drawing on a firm survey, planners identified 5 priority areas: starting a business, getting credit, enforcing contracts, trading across borders and dealing with permits. APEC economies then selected 6 champion economies for the priority areas: New Zealand and the United States (starting a business), Japan (getting credit), Korea (enforcing contracts), Singapore (trading across borders) and Hong Kong SAR, China (dealing with construction permits). In 2010 and 2011 several of the champion economies organized workshops to develop programs for building capacity in their area of expertise.

1. APEC (Asia-Pacific Economic Cooperation). 2010. "APEC Ease of Doing Business Action Plan (2010-2015)." <http://aimp.apec.org/>

reform debate. World Bank Group dialogue with governments on the investment climate is designed to encourage critical use of the data, sharpening judgment, avoiding a narrow focus on improving *Doing Business* rankings and encouraging broad-based reforms that enhance the investment climate. The World Bank Group uses a vast range of indicators and analytics in this policy dialogue, including its Global Poverty Monitoring Indicators, Logistics Performance Indicators and many others. With the open data initiative, all indicators are available to the public at <http://data.worldbank.org>.

METHODOLOGY AND DATA

Doing Business in Indonesia 2012 covers 20 cities. The data are based on national and local laws and regulations as well as administrative requirements. (For a detailed explanation of the *Doing Business in Indonesia 2012* methodology, see data notes).

Information sources for the data

Most of the indicators are based on laws and regulations. In addition, most of the cost indicators are backed by official fee schedules. *Doing Business* respondents both fill out written surveys and provide references to the relevant laws, regulations and fee schedules, aiding data checking and quality assurance.

For some indicators part of the cost component (where fee schedules are lacking) and the time component are based on actual practice rather than the law on the books. This introduces a degree of subjectivity. The *Doing Business* approach has therefore been to work with legal practitioners or professionals who regularly undertake the transactions involved. Following the standard methodological approach for time and motion studies, *Doing Business* breaks down each process or transaction, such as starting and legally operating a business, into separate steps to ensure a better estimate of time. The time estimate for each step is given by practitioners with significant and routine experience in the transaction.

The *Doing Business* approach to data collection contrasts with that of enterprise or firm surveys, which capture often one-time perceptions and experiences of businesses. A corporate lawyer registering 100–150

businesses a year will be more familiar with the process than an entrepreneur, who will register a business only once or maybe twice. A bankruptcy judge deciding dozens of cases a year will have more insight into bankruptcy than a company that may undergo the process.

Development of the methodology

The methodology for calculating each indicator is transparent, objective and easily replicable. Leading academics collaborate in the development of the indicators, ensuring academic rigor. Eight of the background papers underlying the indicators have been published in leading economic journals.

Doing Business uses a simple averaging approach for weighting sub-indicators and calculating rankings. Other approaches were explored, including using principal components and unobserved components. The principal components and unobserved components approaches turn out to yield results nearly identical to those of simple averaging. The tests show that each set of indicators provide sufficiently broad coverage across topics. Therefore, the simple averaging approach is used.

Improvements to the methodology

The methodology has undergone continual improvement over the years. Changes have been made mainly in response to country suggestions. In accordance with the *Doing Business* methodology, these changes have been incorporated into the *Doing Business in Indonesia 2012*.

For starting a business, for example, the minimum capital requirement can be an obstacle for potential entrepreneurs. Initially, *Doing Business* measured the required minimum capital regardless of whether it had to be paid up front or not. In many economies only part of the minimum capital has to be paid up front. To reflect the actual potential barrier to entry, the paid-in minimum capital has been used since 2004.

This year's report removes procedures related to getting an electricity connection from dealing with construction permits indicators. This has been done to avoid double counting as the *Doing Business* report includes an

11th indicator this year - Getting Electricity.³⁷ *Doing Business in Indonesia 2012* has reflected the removal of procedures related to getting an electricity connection from dealing with construction permits to allow for international comparability.

All changes in methodology are explained in the data notes section of this report as well as on the *Doing Business* website. In addition, data time series for each indicator and city are available on the website. The website also makes available all original data sets used for background papers.

Information on data corrections is provided in the data notes and on the website. A transparent complaint procedure allows anyone to challenge the data. If errors are confirmed after a data verification process, they are expeditiously corrected.

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Starting a business

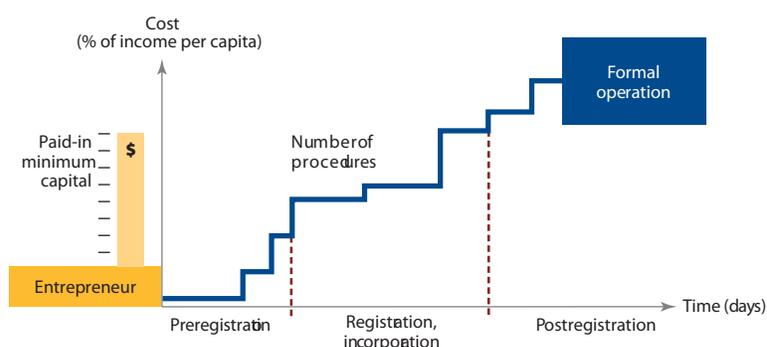
The global financial crisis intensified the policy focus on small and medium-size enterprises as engines of employment and growth. In Indonesia, micro, small and medium-size businesses contribute around 60% of the country's gross domestic product.¹ They also serve as the biggest source of employment, providing livelihoods for more than 90% of the country's workforce.²

Research shows that more new firms are created and employment grows when business entry becomes easier. For example, after Malaysia reduced the cost of business registration as part of a recent economic stimulus package, 320,000 new businesses registered in 2009.³ In Mexico, researchers found that a municipal license reform across states increased new firm registrations by 5% and employment by 2.2%.⁴ The effect was greater in states with less corruption and better governance.⁵

Formal registration has many immediate benefits for business owners, employees and governments alike. Formally registered companies have access to services and institutions—such as courts, banks as well as new markets—that are not available to unregistered firms. And where firms are formally registered, their employees can benefit from protections provided by the law. Formal incorporation also generates more tax revenue for governments.

Doing Business measures the procedures, time and cost for a small to medium-size, limited liability company to start up and operate formally (figure 2.1). These procedures include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. To make the data comparable across 183 economies, *Doing Business* uses a

FIGURE 2.1 What are the time, cost, paid-in minimum capital and number of procedures to get a local limited liability company up and running?



standardized business that is 100% domestically owned, has a start-up capital equivalent to 10 times income per capita, engages in general industrial or commercial activities and employs between 10 and 50 people.

Among the 20 Indonesian cities studied, starting a business takes, on average, 9 procedures, 33 days and costs 22% of the national income per capita. It is 13 days faster and 8% cheaper than what was measured 2 years ago.⁶ But overall, the country still lags behind the Asia-Pacific Economic Cooperation (APEC) average. Indonesians wait almost 1 month more than Malaysians and spend 4 times as much as Thai entrepreneurs to start a business. In the region's best performers—New Zealand, Australia and Singapore—starting a business takes no more than 3 days and 1% of income per capita. In addition to direct start-up costs, Indonesian entrepreneurs are also required to deposit IDR 12,500,000 (\$1,201)—the equivalent of 46.6% of income per capita—as paid-in minimum capital. Most other APEC countries have abolished this requirement.⁷

Despite a shared national legislative framework that regulates business registration

across Indonesia, there are marked differences among the cities measured. The decentralization process initiated a decade ago provided regional governments with the authority to administer business licenses. As a result, local governments apply their own license practices and enforce national regulations differently. In addition, some local branches of national agencies perform more

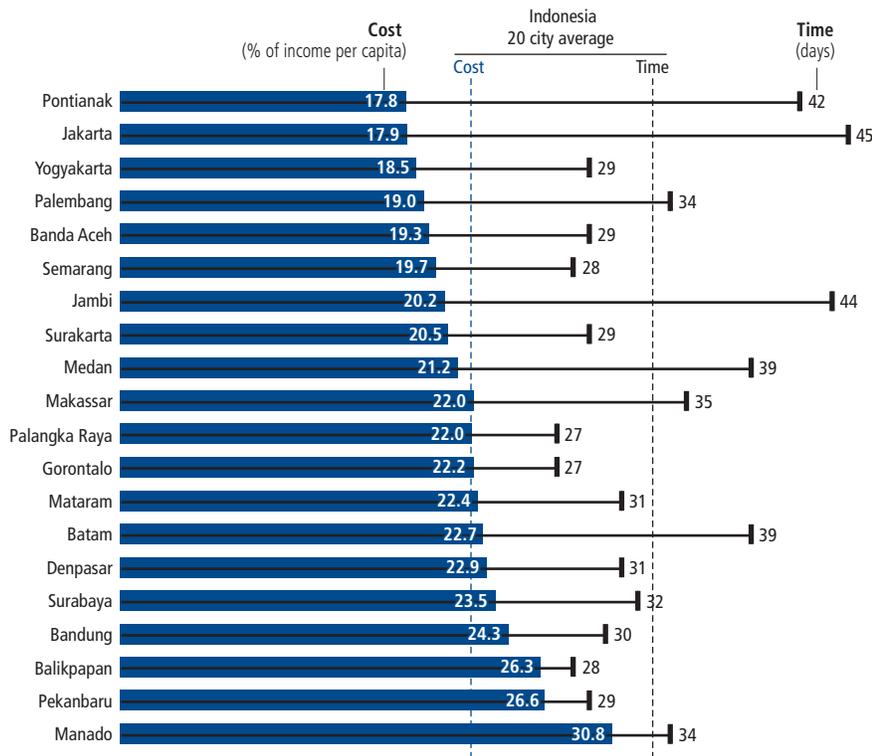
TABLE 2.1 Where is it easy to start a business—and where not?

RANK	City	RANK	City
1	Yogyakarta	11	Palembang
2	Palangka Raya	12	Bandung
3	Surakarta	13	Pontianak
4	Semarang	14	Surabaya
5	Banda Aceh	15	Batam
6	Gorontalo	16	Pekanbaru
7	Balikpapan	17	Makassar
8	Jakarta	18	Jambi
9	Denpasar	19	Medan
10	Mataram	20	Manado

Note: Rankings are based on the average city percentile rankings on the procedures, time, cost and paid-in minimum capital to start a business. See Data notes for details.

Source: *Doing Business* database.

FIGURE 2.2 Time and cost to start a business in Indonesia—fastest in Gorontalo and Palangka Raya; cheapest in Pontianak



Source: Doing Business database.

efficiently than others. Within the country, starting a business is easiest in Yogyakarta and most difficult in Manado (table 2.1).

Four initial requirements—reserving the company name, signing the act of establishment, getting the act legalized and paying the administrative fee for incorporation—are mandatory across the country and administered nationally. A second set of 2 start-up steps are also mandatory in all cities, but executed at local level by branches of national agencies—namely tax and social insurance registrations. Between 2 and 5 more steps are needed to comply with labor regulation and local licensing requirements, which are administered at the local level. Complying with all licensing requirements in Balikpapan, Denpasar, Jakarta, Palangka Raya, Surakarta and Yogyakarta can be done in just 1 step. By contrast, entrepreneurs in Medan have to pay 4 different visits to obtain a domicile permit, a nuisance permit, a business trading license and a company registration certificate.

Following a 2007 ministerial decree encouraging the establishment of one-stop shops

nationwide, Palangka Raya, Surakarta and Yogyakarta were among the first cities to consolidate registrations for all local business licenses. Through continuous and integrated efforts by the national, provincial and subnational governments, the number of one-stop shops for local licenses⁸ increased from only 49 before 2006 to 274 by the end of 2009.⁹ Semarang, Denpasar, Jakarta and Balikpapan have since streamlined their business licensing processes, too. For example, the one-stop shop in Semarang was reorganized to act not only as the recipient of documents but also an issuer of local licenses. Moreover, service delivery improved and informational brochures were issued to help guide applicants through the local licensing requirements. Along with the elimination of the company domicile certificate and improved efficiency at the local tax office, these changes resulted in an overall reduction in the time to start a business in Semarang from 47 days to just 28 days. Similarly, a single-package licensing system implemented in Denpasar in 2010 resulted in the elimination of 1 procedure and 1 week from the business registration process.

Starting a business is fastest in Gorontalo and Palangka Raya: just 27 days, similar to Thailand (figure 2.2). In Jakarta, it takes 45 days. Among APEC economies, only entrepreneurs in Papua New Guinea and Brunei Darussalam wait longer. In almost all cities, half of the total time to start a business is spent on preincorporation steps—such as name reservation, notarization of the company deed of incorporation and the act of business registration. The legalization of the company establishment by the Ministry of Law and Human Rights is usually issued in 7 days—1 week faster than in 2010. However, entrepreneurs across Indonesia must wait 7 additional days for the courier service used by the Ministry to deliver its approval to cities outside Jakarta.

The process is fastest where the business-licensing process was consolidated. For example, in Palangka Raya, the total time needed to obtain the business trading license, the company registration certificate and the location permit is only 5 days. By contrast, in Pontianak, an entrepreneur has to apply separately and wait 15 days to obtain the same 3 licenses. Variations in time among cities are also caused by different levels of performance by the local branches of national agencies responsible for post-incorporation procedures. Registration with the Ministry of Manpower can be completed in 1 day in Banda Aceh, where labor registration is conducted at the one-stop shop since 2010. The same registration takes 2 weeks in Jakarta.

At 22% of income per capita, the average cost to start a business in Indonesia is almost 3 times higher than the APEC average, relative to income. Public notary fees constitute the biggest expense in Indonesia, reaching half of the total cost (around \$350, on average). The use of notaries for company incorporation is mandated by law. Currently, only notaries can clear and reserve company names and validate the deed of incorporation issued by the Ministry of Law and Human Rights. Across the 20 cities surveyed, the cost varies from 17.8% of income per capita in Pontianak to 30.8% in Manado. Local licensing fees also vary among cities. Following the enactment of the Law on Regional Tax and User-Charges¹⁰ in 2010, half of the cities

TABLE 2.2 It is easier to start a business now in all 14 cities benchmarked since 2010

	Computerized system for company name reservation	Introduced standard incorporation forms	Improved efficiency at the local tax and Jamsostek offices	Improved efficiency at the labor (Dinas) office	Eliminated fees for local licenses	Introduced or improved OSS for local licenses	Introduced statutory time limit for issuing local licenses	Eliminated domicile letter
Balikpapan	▲	▲			✓	✓		
Banda Aceh	▲	▲						✓
Bandung	▲	▲			✓			
Denpasar	▲	▲				✓	✓	
Jakarta	▲	▲				✓		
Makassar	▲	▲			✓			
Manado	▲	▲						
Palangka Raya	▲	▲			✓			
Palembang	▲	▲			✓			
Pekanbaru	▲	▲	▲	✓	✓			
Semarang	▲	▲	▲		✓	✓		✓
Surabaya	▲	▲			✓		✓	✓
Surakarta	▲	▲			✓			
Yogyakarta	▲	▲						

▲ National level

✓ Local level

Note: This table records all *Doing Business* reforms that occurred between August 2009 and July 2011.Source: *Doing Business* database.

measured have eliminated several licensing fees, including the business trading license—Surat Izin Usaha Perdagangan (SIUP)—and the company registration certificate—Tanda Daftar Perusahaan (TDP). By contrast, entrepreneurs in Gorontalo still pay IDR 500,000 (\$48) for SIUP and IDR 250,000 (\$24) for TDP. Obtaining a location permit costs IDR 750,000 (\$72) in Pekanbaru, while the same costs IDR 50,000 (\$5) in Banda Aceh. In Manado, a new business has to pay an additional billboard tax and yearly cleanliness fee, equivalent to \$50, at the Local Revenue Office, before obtaining the permits to start a business. No such charges are required in any other city measured in this report.

Doing Business in Indonesia 2010 identified good practices, pointed out bottlenecks and provided recommendations for business startup reforms beyond Jakarta. Two years later, this report tracks progress over time. The results are impressive. All 14 cities measured for the second time improved business entry (table 2.2).

All cities benefited from the rollout of national reforms, such as the introduction of a new computerized company registration system in 2010—Sistem Administrasi Badan

Hukum (SABH)—and the introduction of standardized and simplified incorporation forms for limited liability companies. In addition, improved efficiency at local branches of national agencies has resulted in time savings for tax, labor and social security registrations.

To encourage formal-sector development and underpin sustainable economic growth across the country, the central government issued legislation to consolidate and streamline local business-licensing requirements. Some local governments jumped on the regulatory bandwagon and implemented these changes not only to comply with the national regulation but also to boost their local economies. Examples of reforms mandated at the national level and implemented at the local level include the elimination or reduction of fees for local licenses, the introduction of one-stop shops, the elimination of the certificate of company domicile and the introduction of statutory time-limits for issuing local permits and licenses. Even in cities where supporting local regulation is still being formulated, some of the changes mandated at the national level have already been implemented, thanks to their mayors'

vision and strong leadership. Such is the case in both Makassar and Palangka Raya, where local licenses are now issued free of charge. There is no local decree governing the elimination of such fees, but the decision was taken during interagency consultations led by their mayors. Furthermore, a joint ministerial decree¹¹ mandated the implementation of an integrated information system to transfer data among local and national government

FIGURE 2.3 Reforms resulted in faster business start up (selected cities)

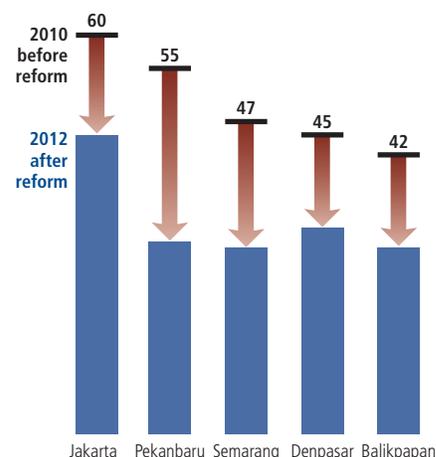
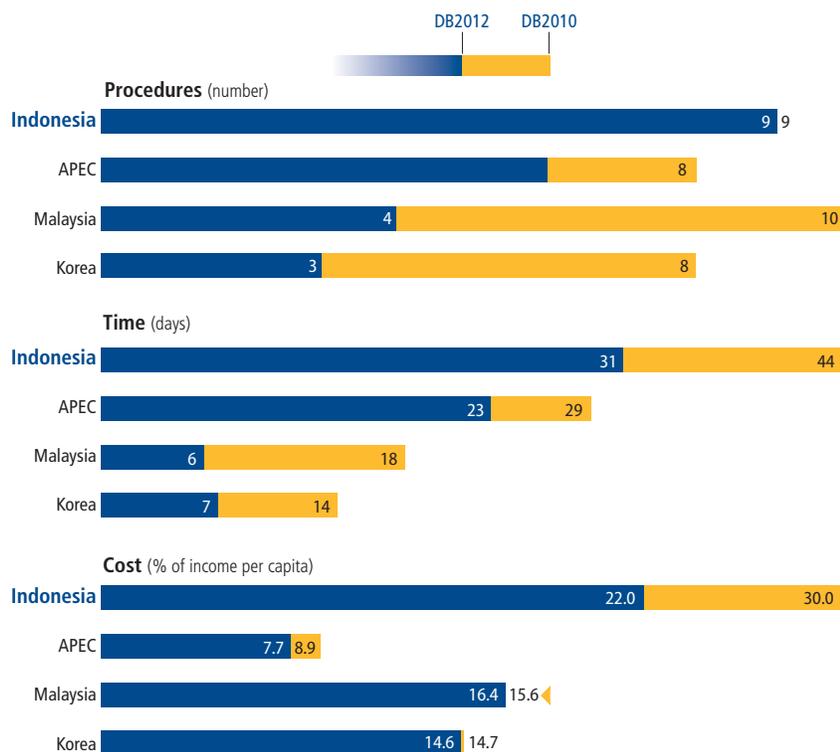
Note: Reforms occurred between August 2009 and July 2011
Source: *Doing Business* database.

FIGURE 2.4 Regionally, big cuts in the time and procedures to start a business since 2010



Note: The data sample for Indonesia includes the 14 cities measured both in *Doing Business in Indonesia 2010* and *Doing Business in Indonesia 2012*.

Source: *Doing Business* database.

agencies involved in business registration. In Batam, a pilot system complying with this joint decree is under way. These national and local efforts have paid off (figure 2.3).

But note that other countries in the region made similar—or even more dramatic—efforts to reform business start up (figure 2.4). To become more competitive and keep up with its neighbors, Indonesia needs to continue its reform initiatives at both the national and local levels. To start, cities in Indonesia could learn from each other and adopt good practices that are already working elsewhere in the country.

WHAT TO REFORM

Doing Business in Indonesia 2010 recommended the simplification of local licensing requirements, better coordination between different levels of government, the consolidation of registration procedures and public access to the company incorporation process. These reform recommendations remain valid for some or all cities.

Overhaul local licenses

The business licensing regime has improved over the past 2 years. Nevertheless, there are still marked differences among cities. More specifically, new companies require 3 to 5 local licenses carried out in 1 to 3 procedures, depending on which city they operate in. For example, in Manado, an entrepreneur needs to obtain an official non-objection statement from neighbors, while in Banda Aceh, the requirement was replaced with a declaration from the entrepreneur that (s)he obtained the neighbors' consent. Meanwhile, in Medan, an entrepreneur needs to pay 3 different visits to obtain a trading permit, business registration certificate and nuisance permit. The same 3 licenses can be obtained in just 1 visit to the one-stop shop in Yogyakarta. Although a certificate of company domicile is no longer required to start a business, according to the national regulation, 6 of the 20 cities surveyed—Bandung, Batam, Medan, Makassar, Manado and Jambi—still hold it as a prerequisite to obtain a business license. It has been argued that the domicile certificate

ensures that the business really exists and operates in a specific city. However, experience from other cities shows that a simple statement letter from the company founder confirming the new firm's address can serve the same purpose. In the past 2 years, Banda Aceh and Surabaya did away with domicile certificates, thus eliminating 1 procedure and 2 days for their entrepreneurs.

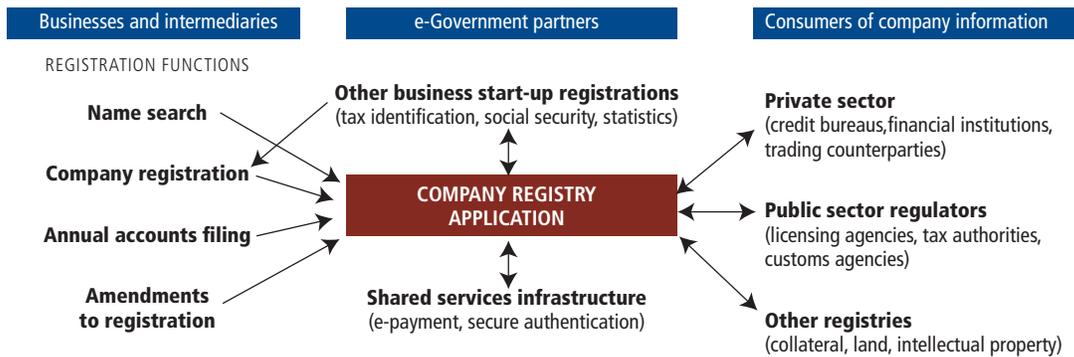
Most Indonesian cities now have a one-stop shop that centralizes procedures administered at the local level and provides advice to entrepreneurs. However, others still need to follow suit, eliminate unnecessary clearances and allow joint applications for local licenses.

Consolidate both local and national government approvals at a single access point and expand the use of information technology

Consolidating both pre- and postincorporation procedures at a one-stop shop would make it easier for entrepreneurs to meet the requirements of all local and national government agencies involved in business registration. An entrepreneur could fill in a single application form with all the information required by local licensing, tax, labor and social security authorities, as well as the company registrar. Officials at the one-stop shop would be granted the power to act on behalf of their respective agencies.

Alternatively, the one-stop shop can be connected electronically with all agencies involved. Information technology is already being used, at the national level, by the Ministry of Law and Human Rights for company name reservation and legalization of the act of establishment and by the Tax Authority to issue tax registration numbers. At the local level, information technology is also used for business licensing in a number of cities. Moreover, a national government initiative, currently under way, aims to implement an integrated information system—Sistem Pelayanan Informasi dan Perizinan Investasi Secara Elektronik (SPIPISE)—for transferring data from the local one-stop shops involved in business licensing directly to the National Investment Coordination Board in Jakarta and onwards to the relevant ministries. The ability to connect the existing separate databases

FIGURE 2.5 The company registry is the information exchange hub for business and government



Source: The Investment Climate in Practice Note Series. "Leveraging Technology to Support Business Registration Reform: Insights from recent country experience." John R. Wille, Karim O. Belayachi, Numa de Magalhaes, Frederic Meunier. World Bank Group. July 2011.

of all government agencies involved in business registration and to allow data exchange among them would make starting a business much easier for entrepreneurs in Indonesia. Leveraging existing networks and infrastructure would also eliminate the waiting time for incorporation papers to travel to Jakarta for legalization, currently the lengthiest step across all cities outside Jakarta (2 weeks). An electronic interface between the IT system of the Ministry of Law and Human Rights and the local one-stop shops would enable companies to be issued an incorporation certificate through the one-stop shop.

According to a 2010/2011 survey of 34 company registries that implemented technology solutions, more than two-thirds allowed electronic data-sharing with other government agencies as well as the dissemination of company information to the private sector.¹² Figure 2.5 illustrates this growing "ecosystem" of information suppliers and users surrounding the company registry. Within the government, information was typically shared with the tax authority (59% of systems) and, to a lesser extent, with the social security agency (18%). Experience shows that establishing a virtual one-stop shop that collects all required information through a single online interface and shares it within the government can reduce registration time and eliminate redundant requirements for information. Singapore's online registration system saves businesses an estimated \$42 million annually.¹³ Electronic services are also more accessible to entrepreneurs, saving them the time and cost of traveling to government agencies and waiting in line.

Improve coordination between national and local governments to reduce legal uncertainty and promote transparency

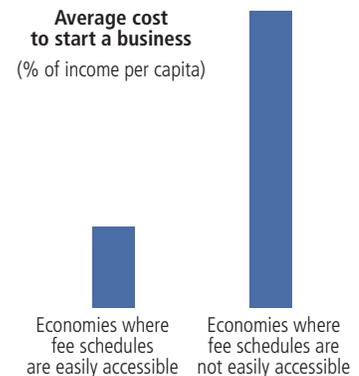
The decentralization process that has taken place over the past 10 years in Indonesia has granted wide-ranging authority to local governments and created new challenges. The national government has issued regulations and standard operating procedures regarding public services. But in the absence of clear implementing guidelines, varying interpretations of national regulations and procedures exist among local governments. For example, in Medan and Jambi, a nuisance permit is required for all business types, regardless of their environmental impact. However, the need for this nuisance permit was eliminated by a national regulation. Similarly, fees for local licenses were eliminated for small and medium-size enterprises by decree at the national level.¹⁴ In practice, entrepreneurs still pay these fees in Banda Aceh, Bandung, Batam, Gorontalo, Jakarta, Manado and Medan. This can create administrative confusion. Better coordination between all levels of government coupled with clear and complete guidelines for business registration could eliminate such inconsistencies and reduce inefficiencies, as well as opportunities for corruption.

Complex regulations require frequent contact between entrepreneurs and public officials—and offer more chance for bribery. In 2010, the World Economic Forum's "Executive Opinion Survey" cited inefficient government bureaucracy and corruption

as the top 2 challenges for doing business in Indonesia.¹⁵ The 2 problems may be intertwined. Take the example of Surakarta, which requires the fewest number of steps to start a business in Indonesia. Surakarta also gets the top (best) ranking in Transparency International's "corruption perception index" among 50 cities in Indonesia. Surakarta's score (6%) is more than double the country's average (2.8%).¹⁶

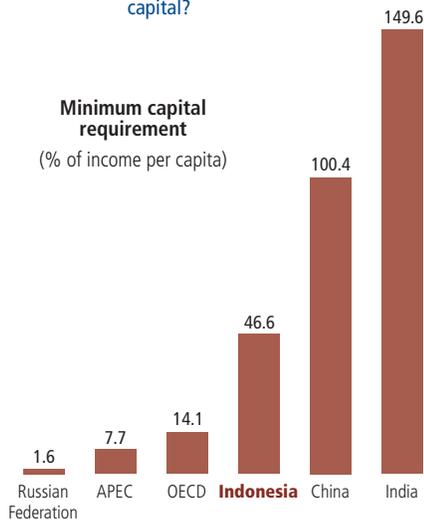
Better information available to the public can greatly reduce the burden on entrepreneurs and even the agencies that deal with them. Easy access not only saves businesses time; it also increases predictability in the application of regulations and fee schedules. New Zealand, the world's top performer in starting a business, publishes a 10-page

FIGURE 2.6 The cost to start a business is lower where information on the fees is easily accessible



Source: The Investment Climate in Practice Note Series. "Leveraging Technology to Support Business Registration Reform: Insights from recent country experience." John R. Wille, Karim O. Belayachi, Numa de Magalhaes, Frederic Meunier. World Bank Group. July 2011.

FIGURE 2.7 How much are entrepreneurs required to deposit as minimum capital?



Source: *Doing Business* database.

guidebook covering all issues regarding business registration and the steps needed to complete the process.¹⁷ Moreover, easier access to fee schedules and lower fees tend to go hand in hand. Regardless of income levels, incorporation fees tend to be lower in economies where information on fee schedules is easily accessible (figure 2.6). The cost to start a business averages 18% of income per capita in economies where fee schedules are easily accessible, 66% in economies where they are not.¹⁸

Provide public access to the business-registration process and make the use of professional intermediaries optional

The company name reservation is already computerized and done through an online system managed by the Ministry of Law and Human Rights. However, to date, only public notaries can access the system. Likewise, standard incorporation forms have been introduced based on a joint agreement between the Indonesian Notary Association and the Ministry of Law and Human Rights. The form, however, has not been made available publicly. Only notaries can file the incorporation documents. The government could help lower the cost of incorporation by opening access to the name-reservation system and by making standard articles publicly available. This would eliminate the

requirement to use a notary to form a company, allowing entrepreneurs to file the documents themselves.

Other Asian countries, such as Hong Kong SAR, China—provide these e-services to everybody, including small businesses. In Vietnam, entrepreneurs can currently download standard incorporation forms and submit the application online. In Indonesia, where notary fees amount to more than half of the total cost to start a business, making notaries optional could greatly reduce the start up cost across the country.

Eliminate the minimum capital requirement

A minimum capital requirement can act as a barrier to entry—especially for small companies that may need to constitute their capital during operations. Moreover, fixed amounts of capital do not take into account differences in commercial risks. A small company in the services industry (low initial capital) does not represent the same risk as a big manufacturing company (high initial capital) in a volatile market. In practice, a minimum capital requirement is hardly a protection for investors during insolvency. When creditors make an investment decision, they rarely look at the minimum capital but use a wide range of protection instruments through the company law, insolvency laws or specific negotiated contracts to mitigate risks. Finally, recovery rates in bankruptcy are no higher in economies with minimum capital requirements than in those without.¹⁹ In 2010 to 2011, the recovery rate was the same (34%) in economies without any paid-in capital requirement as in the others.²⁰

Indonesia's law on limited liability companies²¹ sets the minimum capital requirement at IDR 50,000,000 (\$4,800)—25% of which needs to be deposited in the founder's bank account (the equivalent of 46.6% of income per capita). Most other APEC economies have abolished this requirement (figure 2.7). In addition to Indonesia, only the following APEC members require paid-in minimum capital when starting a business: The Russian Federation (1.6% of income per capita), the Philippines (5.2%), Mexico (8.4%) and China (100.4%).

Since 2005, 57 economies around the world have reduced or eliminated this requirement, lowering the average paid-in minimum capital requirement from 184% of income per capita to 49% globally.²² Germany is among them. In 2008, Germany introduced a new type of limited liability company, the *Unternehmergeellschaft* (UG), with a minimum capital requirement of EUR 1. The aim was to foster the economic activity of small entrepreneurs. From November 2008 to January 2010, 12,000 new UGs were created.²³ Among APEC members, 16 out of 21 have made the necessary legislative changes and eliminated their minimum capital requirements. Some economies have found other ways to protect investors and creditors, particularly in the case of limited liability companies. For example, Hong Kong SAR, China, now outlines provisions on solvency safeguards in its company act. Taiwan, China, now requires an audit report showing that the amount a company has invested is enough to cover its establishment cost.

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Dealing with construction permits

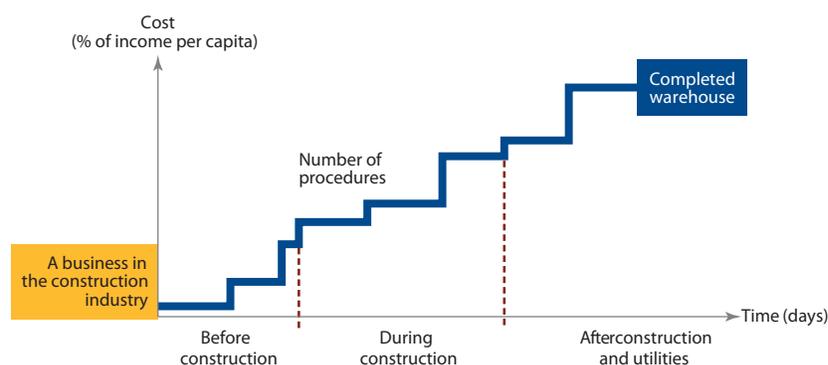
By 2040, half of the population of Indonesia will be living in a city.¹ Indonesian cities are already struggling with sprawling illegal settlements, traffic congestion and environmental degradation. Updated master plans and efficient construction permit systems help local governments cope with the pressures of increasing urbanization while improving the safety of their citizens.

It is not easy to find the right balance between safety and efficiency. Good regulations ensure public safety and revenue for the government, while making the construction process more affordable both for those who use it and for those who administer it. Construction regulations need to be clear and adaptable to economic and technological change. Rules that are unclear, overly rigid and/or poorly implemented may push construction into the informal sector, undermining their intent.

To measure the ease of dealing with construction permits, *Doing Business* records the procedures, time and cost required for a small to medium-size business to obtain all the necessary approvals to build a simple commercial warehouse and connect it to water, sewerage and a fixed telephone line. The case study includes all inspections and certificates needed before, during and after construction of a warehouse (figure 3.1).

Across Indonesia, dealing with construction permits takes, on average, 10 procedures, 74 days, and costs 69.7 % of income per capita – faster and more affordable than the APEC average of 18 procedures, 150 days and 87 % of income per capita (figure 3.2). The average city in Indonesia would rank 20th, ahead of Australia (42nd) but behind Thailand (14th).

FIGURE 3.1 What are the time, cost and number of procedures to comply with formalities to build a warehouse?



Differing local regulations, practices, and fees applied at the municipal level result in large variations among cities. Dealing with construction permits is easiest in Balikpapan and most difficult in Jakarta. In Gorontalo, no building permit for commercial warehouses has been issued since 2008 (table 3.1).²

A construction company wishing to build a warehouse in Balikpapan spends 52 days to get through 8 procedures in order to obtain building approvals and utility connections, at a cost of 62.8% of income per capita. Compared globally, this city would rank 11th out of 183 economies as measured by *Doing Business*.

The number of steps required to deal with construction permits varies from 7 in both Medan and Yogyakarta to 14 in Manado. Most local variations occur before construction (figure 3.3). In Surakarta and Jakarta, entrepreneurs who wish to build a simple 2-story commercial warehouse must go through 7 different steps before being able to start construction—including obtaining location clearances, on-site inspections, environmental clearances and land ownership verifications, either by notarizing the land ownership certificate or by getting a clearance

from the head of the village and the head of the subdistrict. In Palembang, location clearances and building permits can be obtained from Palembang's recently established one-stop shop in a simple 2-step process.

Inspections during the construction of the warehouse are required only in Denpasar. In all cities, after the construction is complete

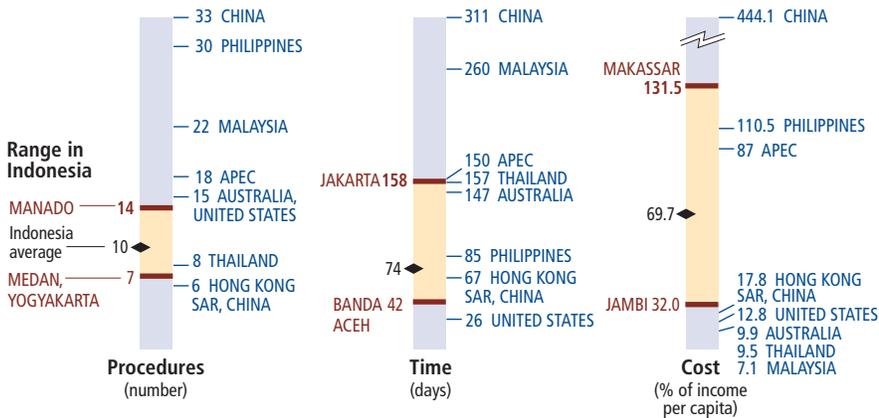
TABLE 3.1 Where is it easy to deal with construction permits—and where not?

RANK	City	RANK	City
1	Balikpapan	11	Makassar
2	Jambi	12	Mataram
3	Palembang	12	Surakarta
4	Banda Aceh	14	Palangka Raya
5	Yogyakarta	15	Pekanbaru
6	Medan	16	Surabaya
7	Pontianak	17	Denpasar
8	Bandung	18	Manado
8	Semarang	19	Jakarta
10	Batam	No Practice	Gorontalo

Note: The methodology for dealing with construction permits changed in 2011. Rankings are based on the average city percentile rankings on the procedures, time, and cost to deal with construction permits. See Data notes for details.

Source: *Doing Business* database.

FIGURE 3.2 Procedures, time and cost to deal with construction permits



Source: Doing Business database.

but before the building can be occupied, the entrepreneur must register it both with the local Tax Office and the local Industry and Trade Agency (or one-stop shop). Additional postconstruction requirements include a nuisance permit (Jambi and Palangka Raya), an official document declaring the completion of construction and its compliance with the building permit (Banda Aceh, Jakarta, Palembang, Pekanbaru, and Surabaya) or both (Manado). Jakarta also requires a building usage permit while Denpasar requires an endorsement from the local Environmental Agency.

Obtaining all the necessary approvals to build a warehouse and connect it to utilities takes 42 days in Banda Aceh but three times longer in Jakarta—158 days (figure 3.4). Different preconstruction requirements explain many of the differences in time. In Jakarta, entrepreneurs spend 22 days dealing with the pre-approval letter from the Zoning Department, 1 day notarizing a copy of the land ownership certificate and 18 days dealing with the preparation and the approval of the environmental management plan—*Upaya Pengelolaan Lingkungan Hidup (UKL)*—and the environmental monitoring plan—*Upaya Pemantauan Lingkungan Hidup (UPL)*. Once these requirements have been satisfied, the building construction permit—*Izin Mendirikan Bangunan (IMB)*—is obtained in 21 days. In Banda Aceh, entrepreneurs need only 2 days to verify the ownership of the land with the head of the village and the head of the sub-district. Once these verifications have been

carried out, the one-stop issues the building construction permit in 24 days.

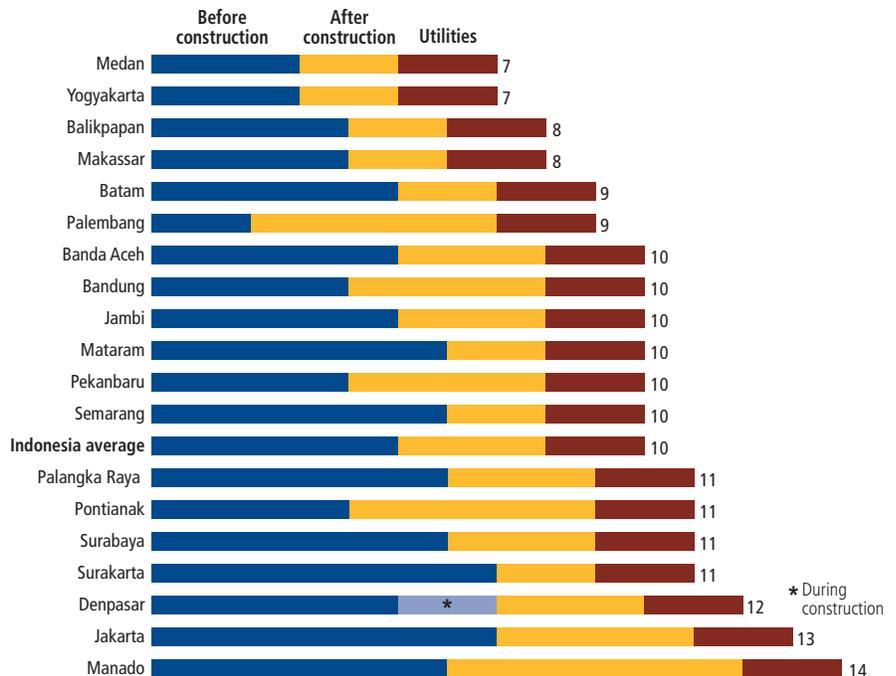
Additional postconstruction requirements also matter. The obtainment of the official report on completion of construction and compliance with the building permit can take more than a month (as seen in Pekanbaru and Manado) while the nuisance permit can take almost two weeks (as seen in Palangka Raya). In Jakarta, entrepreneurs must wait 49 days to obtain the building usage

permit—*Izin Penggunaan Bangunan (IPB)*. Utility connection requirements are very similar throughout the country. Depending on the efficiency of the local office of Telkom Indonesia, the time required to connect to telephone network varies from a few days to 3 weeks. Similar variations occur in relation to connections to water and sewerage with PDAM (*Perusahaan Daerah Air Minum*).

The cost of dealing with construction permits varies considerably from city to city (figure 3.5). In Jambi, the administrative costs of building a warehouse and hooking it up to utilities amounts to just 32% of income per capita. In Makassar, the same process is more than 4 times as expensive—131.5% of income per capita.

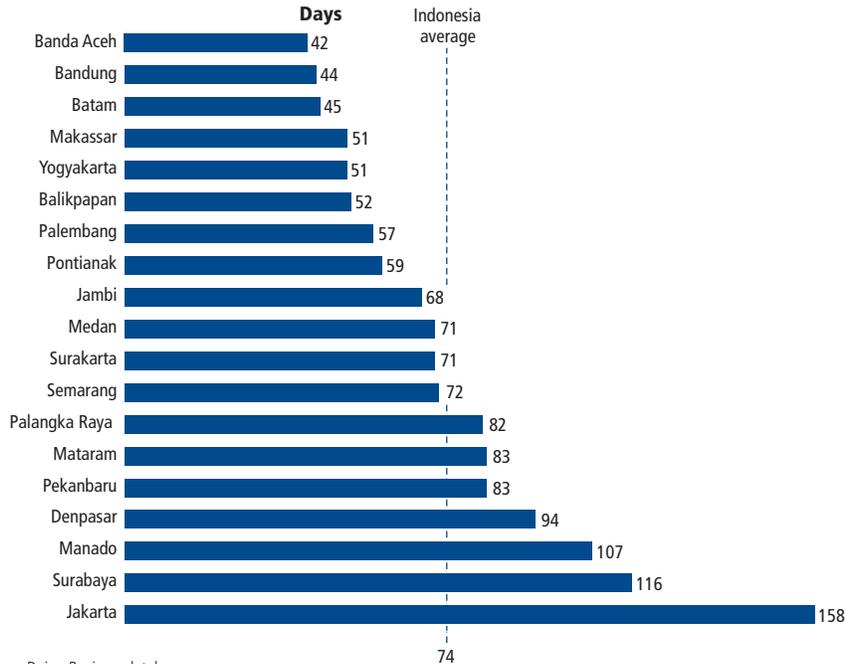
Across Indonesia there are staggering differences in the cost of obtaining the building construction permit (*IMB*). Cities set the fees for the building permit taking into account multiple factors—such as the use of the building, its size and the number of stories. The building permit costs IDR 4,942,280 (\$475) in Jambi and more than 6 times more in Makassar—IDR 31,761,209 (\$3,053). Other pre-construction procedures—such as the obtainment of zoning clearances, the

FIGURE 3.3 Palembang has fewer preconstruction procedures than other cities in Indonesia



Source: Doing Business database.

FIGURE 3.4 Dealing with construction permits is fastest in Banda Aceh



Source: Doing Business database.

notarization of land ownership certificate, and the preparation of environmental plans by an external consultant (as seen in Jakarta)—can add up to IDR 16,507,000 (\$1,586).

Postconstruction requirements are free of charge in Balikpapan, Banda Aceh, Palembang, Pekanbaru, Pontianak, Semarang, Surakarta and Yogyakarta. Other cities charge fees that range from IDR 62,500 (\$6) to IDR 2,041,275 (\$196) to register the warehouse with the local Industry and Trade Agency (or local one-stop shop), obtain a report of compliance with the building permit (as seen in Manado, Jakarta and Surabaya) and/or a nuisance permit (as seen in Jambi, Manado and Palangka Raya).

Doing Business in Indonesia 2010 identified good practices, pointed out bottlenecks and provided recommendations. Progress over the past 2 years is impressive: 10 of the 14 cities measured a second time introduced improvements that made it easier to deal with construction permits (table 3.2). As a result, the average time to deal with construction permits dropped from 106 to 77 days. The average cost decreased from IDR 22,093,645 (\$2,123) to IDR 19,247,290 (\$1,850).³

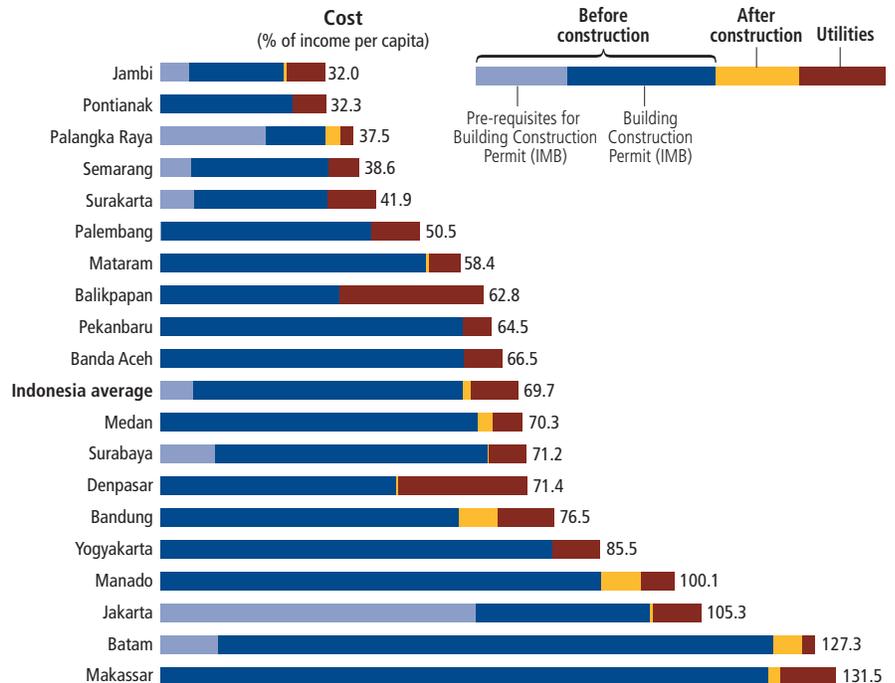
Banda Aceh transformed its construction permit system radically (figure 3.6). After the

implementation of 2 new local regulations in January 2010,⁴ preconstruction clearances were merged with the building construction permit (IMB) application. Location and zoning clearances, architectural assessments, planned infrastructure and border

verifications are now carried out internally through the coordination of the Civil Works Agency, in charge of the technical aspects, and a one-stop shop, which calculates the fees and issues the permits. Back in 2010, companies had to go through 9 different steps, pay a total of IDR 19,501,063 (\$1,874) and wait for 103 days before they could start construction. Now construction starts after only 5 procedures carried out over 26 days at a cost of IDR 15,851,063 (\$1,523). Once construction is over, the local Industry and Trade Agency requires companies to obtain a warehouse license. This new procedure, aimed at monitoring the urban development of the city, has been paired with increased coordination between agencies involved in the process—specifically, relevant agencies now hold regular meetings to update each other on their work. As a result, the processing time for postconstruction procedures has been shortened by 22 days. Moreover, the successful reconstruction of the city’s water-delivery system and telephone network cut the time to connect to these utilities by 13 days and 55 days, respectively.

Surabaya also rationalized its construction permit system. Since passing a new local

FIGURE 3.5 Staggering differences in the cost of the building construction permit (IMB) across Indonesia



Source: Doing Business database.

TABLE 3.2 Business reforms improving the ease of dealing with construction permits over the last two years

	Improved administrative efficiency (through better coordination, use of technology, and staff training)	Improved utility infrastructure	Streamlined procedures	Reduced fees	Introduced or improved one-stop shop	Simplification of administrative requirements for simple commercial buildings
Banda Aceh	✓	✓	✓	✓	✓	
Bandung	✓					
Makassar				✗		
Manado				✓		
Palangka Raya			✓	✓		
Palembang						✓
Pekanbaru						✓
Semarang					✓	
Surabaya				✓	✓	✓
Surakarta				✓		✓
Yogyakarta				✓	✓	

✓ *Doing Business* reforms making it easier to deal with construction permits

✗ *Doing Business* reforms making it more difficult to deal with construction permits

Note: This table records all *Doing Business* reforms that occurred between August 2009 and July 2011.

Source: *Doing Business* database.

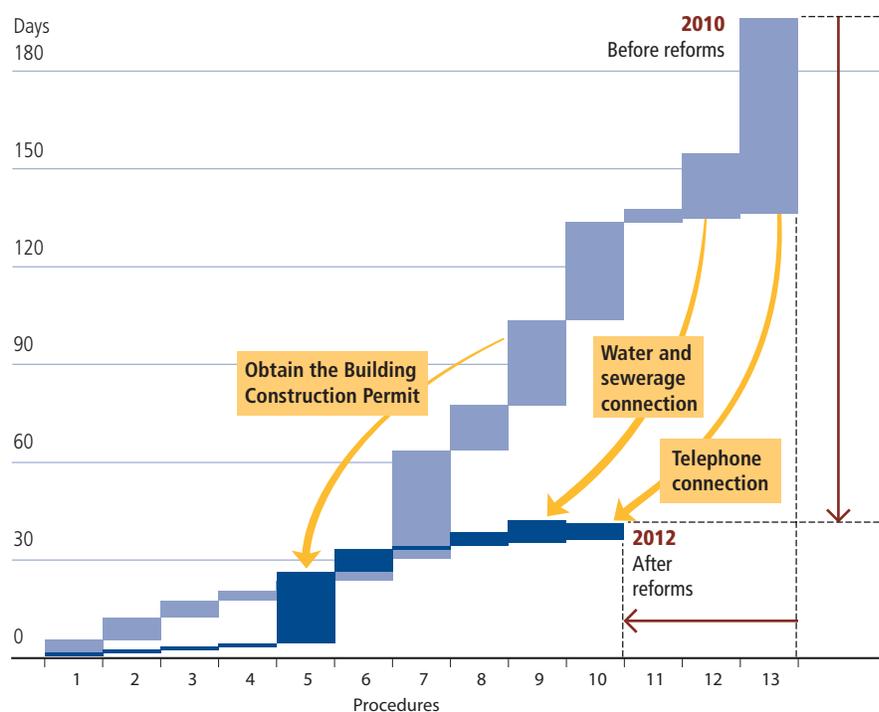
regulation in 2009,⁵ the city planning statement is the only location clearance needed to apply for the building permit. Surabaya's one-stop shop issues the city planning statement in exchange for an application including a notarized copy of the land ownership certificate, the ID of the applicant and a receipt attesting that the company is current with the property tax payments. As a result, preconstruction procedures take 64 days—just half the time required 2 years ago. The same regulation eliminated the need to apply for a separate building usage permit (*IPB*), saving another 49 days. In 2010 the registration of new buildings was transferred from the Ministry of the Industry and Trade to the one-stop shop—thus reducing the processing time for this procedure by 7 days and eliminating its cost altogether.⁶

In Surakarta the administrative procedures for the building construction permit (*IMB*) were simplified and a building usage permit (*IPB*) is no longer necessary. Building projects that meet zoning requirements now just need to obtain a zoning usage permit and a print-out of the city master plan from Surakarta's one-stop shop.⁷ Such documents are considerably less expensive than the "Advis Planning,"⁸ a location permit that was mandatory for all buildings 2 years ago and is now required only for projects that are not in line with the city masterplan.

Palangka Raya also reformed. Since May 2010, its local authorities have combined zoning requirements and plot-ownership verifications with procedures to obtain a principal permit (*Izin Prinsip*)⁹—thus eliminating 2 procedures and reducing the time to deal with construction permits by 11 days.

Overall, processing times improved in most of the cities that introduced a one-stop shop or increased coordination in the existing one. At the end of 2009, Semarang transferred preconstruction clearances, building permits and warehouse registrations to its one-stop shop—thus reducing the overall time to

FIGURE 3.6 Banda Aceh transformed its construction permit system radically



Source: *Doing Business* database.

carry out these procedures by 26 days. In Yogyakarta, the same policy reduced the time for environmental clearances and warehouse registration by 4 and 3 days, respectively. In Bandung, the increased efficiency of the one-stop shop—achieved through training personnel to better use the computerized system to process applications for building permit and warehouse registration—resulted in a reduction of time for these procedures by 32 days altogether.

Over the past 2 years, central and local governments also made efforts to simplify environmental compliance rules for low-risk buildings. In 2010, the central government introduced a risk-based approach to environmental clearances, providing basic guidance for local governments. Acting upon these guidelines, most local governments reviewed their regulations and standard operating procedures. Such modifications often resulted in a reduction of costs, sometimes by as much as IDR 15,000,000 (\$1,442). Currently, Yogyakarta's one-stop shop provides user-friendly templates of the environmental management plan (UKL) and the environmental monitoring plan (UPL). The templates can be populated in-house by the construction company before being submitted to the local Environmental Agency through the one-stop shop at no charge. Similar approaches have been implemented in Surabaya, Manado and Palangka Raya. Surakarta has adopted an even simpler solution: building companies prepare a statement letter—*Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup (SPPL)*—that is cleared by the local Environmental Agency and then attached to the application for the building permit. Since January 2011, simple commercial buildings in Palembang do not require any environmental clearance altogether.

Additional curbs on costs have been introduced by the enactment, at the local level, of the Law on Regional Tax and User-Charges.¹⁰ However, as of July 2011, only 2 cities—Surakarta and Pekanbaru—eliminated fees associated with the construction permit system. Surakarta cancelled charges to register a warehouse. Authorities in Pekanbaru also eliminated the cost for the “Advis Planning” and the report of completion and compliance of the warehouse—a reduction of IDR

7,112,590 (\$684). These cost savings, however, were offset by the doubling of the cost for the building construction permit (IMB), now IDR 15,802,290 (\$1,519). An even greater price increase has been registered in Makassar, where the cost of the building construction permit (IMB) increased from IDR 15,210,517 (\$1,462) to IDR 31,761,209 (\$3,053).

WHAT TO REFORM

Doing Business in Indonesia 2010 recommended: (a) streamlining of pre-approval clearances, (b) the creation of single access points or one-stop shops for pre-approval clearances, (c) the introduction of online permit applications and electronic processing and (d) risk-based approvals. These reform recommendations remain valid for most of the cities, additional recommendations also apply:

Simplify construction permit fees

In many cities, construction permit (*IMB*) fees are calculated through complex formulas. Each project is assigned a base rate covering the processing costs. The base rate is multiplied by a series of coefficients. Depending on the city, these coefficients take into account design, structure, size, location, number of stories and whether the proposed building is going to be permanent or not. Additional fees are sometimes levied for the review and the issuance of the permit. Even when local regulations contain information about base rates and coefficients, entrepreneurs find it difficult to anticipate construction permit costs.

Simplifying permit fees increases transparency. For example, in Canada, where building permit fees are straightforward and based solely on the size of the warehouse, costs can be estimated easily by the applicant. Banda Aceh, Pekanbaru and Jakarta already apply similar criteria. The other cities in Indonesia should follow suit.

Increase involvement of local one-stop shops in the construction permit system

Before a building plan is approved, appropriate clearances are needed to ensure quality and safety. Often several agencies are involved.

To prevent overlap and ensure efficiency, it is a good practice to put the agencies under the same roof. One-stop shops improve the organization of the review process and help coordinate the interactions of different agencies. In this way, more resources can be devoted to safety checks rather than to multiple interactions between the entrepreneur and the various agencies.

In 17 out of the 20 Indonesian cities measured, entrepreneurs interact with an entity referred to as a one-stop shop. The role that this entity plays in the permit processing system, however, varies from city to city. Building companies in Balikpapan, Bandung, Yogyakarta and Pontianak use the local one-stop shop as a single-access point for all construction-related procedures, except 1—the registration of the building at the local Tax Office. In other cities, the one-stop shop can only be used for some of the procedures related to the construction process. Very often, land ownership verifications and environmental clearances are carried out through different offices—such as the local Environmental Agency, the National Land Board or the head of the village. Cities in Indonesia should expand the involvement of their one-stop shops in the construction permit system, for example, by increasing their coordinating power in the building permitting process.

Further consolidate location clearances

In many cities, building companies need to obtain location clearances before applying for the construction permit (*IMB*). The agency issuing them is often that same agency that later issues the permit—the city's one-stop shop. However, in Banda Aceh, Bandung, Medan, Denpasar and Makassar, location clearances are now part of the procedures to obtain the construction permit. The one-stop shop checks whether the location of the plot can accommodate the warehouse at the same time as processing the application for the building permit. No intermediate confirmation is needed, thus saving companies a considerable amount of time and separate visits to the one-stop shop. Provided that there is an updated and comprehensive land-use plan and the public is informed about

its requirements, other cities in Indonesia should follow suit.

Increase computerization of the building permitting process

The computerization of the building permitting process in Indonesia is lagging behind other countries. At the moment, only Balikpapan, Bandung, Denpasar, Banda Aceh, Makassar, Medan, Palembang, Pekanbaru and Yogyakarta have websites providing updated regulations and a comprehensive description of the building requirements. Since 2008, Jakarta has a computerized tracking system for the internal monitoring of permit applications. Other cities have extended the tracking function to be accessible to customers. Balikpapan, Denpasar, Palembang, Pekanbaru and Yogyakarta followed the example set by Bandung a few years ago when it introduced a tracking system to allow companies to monitor the progress of their applications, either online or through text messages. However, to date, no Indonesian city allows permit applications to be submitted online.

In many economies across the world, regardless of location and income level, policy makers are adopting technology to make it easier to do business, lower transaction costs and increase transparency. In Singapore—globally the best performing city on the ease of dealing with construction permits—the Building and Construction Authority provides easy access to relevant information and allows online submission of all paperwork. In the United States, more than 20 cities use “e-Plan Review.” This system of online submission for building plans has shortened the review period by 40%, eliminated the risk of lost plans and reduced by 80% the number of in-person visits made to building authorities by out-of-state owners and architects.¹¹

3. The data is back calculated because of the methodology change.
4. Mayor Regulation No. 64 of 2009 and Mayor Decree No. 317 of 2009.
5. Local Regulation No. 7 of 2009.
6. Local Regulation No. 1 of 2010 and Mayor Regulation No. 35 of 2010.
7. Local Regulation No. 8 of 2009.
8. The “Advis Planning” is a certificate that confirms the planning parameters for the specific plot of land, such as the allowed building height or size. In other cities, such as Pontianak and Surabaya, a certificate with similar features is called city planning statement—*Surat Keterangan Rencana Kota (SKRK)*.
9. The principal permit (*Izin Prinsip*) is a general clearance which confirms that the project abides by the zoning requirements for that particular area of the city.
10. Law No. 28 of 2009.
11. Information available online at <http://www.natlpartnerstreamline.org/>.

NOTES

1. In 2040, the urban population of Indonesia will be 170 million people. Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2008 Revision and World Urbanization Prospects: The 2009 Revision*.
2. In Gorontalo, no building permit for separate commercial warehouses has been issued

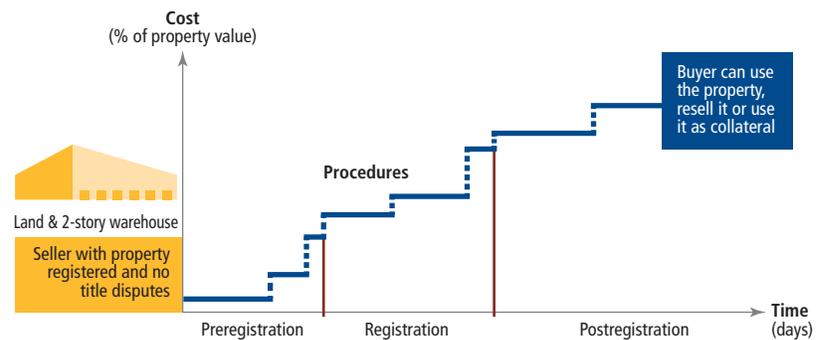
Registering property

Anyone living on the island of Java knows the value of space. Although Java represents only about 7% of Indonesia's total land area, it is home to over 60% of the country's population of nearly 240 million—making it one of the most densely populated areas in the world. For businesses a big market means big opportunities as the economy grows. But it also presents challenges in terms of access to land and property. For local governments, balancing the need to generate tax revenues from properties with the private sector's demand for a simple and inexpensive property-registration process is a challenge. According to the World Bank's Enterprise Surveys, Indonesian firms identified "access to land" as 1 of the top 10 constraints to firm investment.¹

Entrepreneurs across Java looking to buy or sell property face similar regulatory requirements, in theory. However, in practice, the time to complete the transaction varies considerably from one city to another. In Bandung, it takes 19 days to complete the legal transfer of property. Meanwhile, the process takes 36 days in Yogyakarta and 43 days in Semarang. The range is even wider when considering Indonesian cities measured outside Java: 12 days in Manado versus 54 days in both Surakarta and Batam.

The benefits of having an efficient property registration system are numerous. Formal land titles allow entrepreneurs to use land as collateral, thus increasing credit supply²—which fosters more investment and economic growth. Countries with efficient property registration systems tend to also have better property-rights protections, which is of particular significance for small firms that may not be able to invest in security systems or other costly measures to defend their property. In addition, property registration

FIGURE 4.1 What are the time, cost and number of procedures required to transfer property between 2 local companies?



may benefit governments through higher numbers of formally registered properties—and greater tax revenues as a result. Following a land-titling project in Thailand, property values increased by 75% to 197% after being registered.³

Doing Business records the procedures necessary for a business to purchase a property from another business and to transfer the property title to the new buyer's name. The process starts with obtaining the necessary documents—such as a copy of the seller's title—and conducting due diligence, if required. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property as collateral for a bank loan or resell it (figure 4.1).

The ease of registering property varies greatly among economies around the world. It is easiest to register property in Saudi Arabia, where the entire process can be completed with just 2 procedures, in 2 days, at no cost. Some economies in the East Asia and the Pacific region are not far behind. In Thailand, it also takes only 2 procedures and 2 days; in New Zealand, it costs just 0.1% of the

property value to transfer the property from one domestic private company to another.

Registering property in Indonesia is lengthier and considerably more expensive with an average of 6 procedures, 33 days and a cost of 11% of the property value across the 20 Indonesian cities measured. When compared to the East Asia and the Pacific regional average—5 procedures, 81 days and a cost of 4.1% of property value—Indonesian cities have, on average, more procedures and

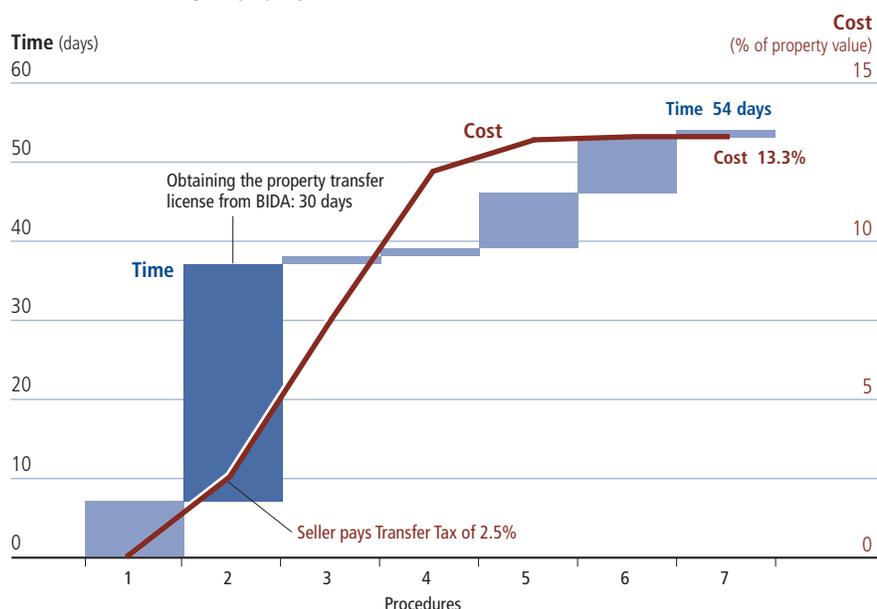
TABLE 4.1 Where is it easy to register property—and where not?

RANK	City	RANK	City
1	Bandung	11	Surabaya
1	Jakarta	12	Balikpapan
3	Palembang	12	Banda Aceh
4	Mataram	12	Denpasar
5	Gorontalo	15	Manado
6	Yogyakarta	16	Palangka Raya
7	Jambi	17	Surakarta
7	Medan	18	Pekanbaru
9	Makassar	19	Semarang
9	Pontianak	20	Batam

Note: Rankings are based on the average city percentile rankings on the procedures, time and cost to register property. See Data notes for details.

Source: *Doing Business* database.

FIGURE 4.2 Obtaining the property transfer license in Batam



Source: *Doing Business* database.

a higher cost, but are faster. In relation to the Asia-Pacific Economic Cooperation (APEC) economies, Indonesia is the most expensive place to register property among the 21 economies covered (the APEC average is just 3.7% of property value).

Comparing the results of *Doing Business in Indonesia 2010* to the current report, Bandung and Jakarta remain the cities where it is easiest to transfer property (table 4.1). Manado is still the fastest city, but it dropped on the overall ease-of-property-transfer ranking because other cities reduced the tax on land and building, while Manado did not. For example, in Palembang and Yogyakarta the 2009 tax-free allowance of IDR 20 million (\$1,922) and IDR 15 million (\$1,442) respectively were increased to IDR 60 million (\$5,767) tax-free in 2011, lowering the cost to register properties in these 2 cities. Meanwhile, among the 6 cities covered for the first time, Mataram and Gorontalo rank within the top 5 on the ease of property transfer.

Among the 20 cities measured, 18 require 6 procedures to complete the legal transfer of a property between 2 companies. The standard procedures shared by all cities are: (1) passing the land-certificate examination at the local land agency office—*Badan Pertanahan Nasional (BPN)*, (2) paying the transfer tax, (3) paying the tax on the acquisition of

land and building, (4) having a land deed official execute the sale and purchase of the land deed, (5) registering the land deed with the local land agency office (BPN), and (6) registering the deed at the Tax on Land and Building Office under the name of the new owner. However, 2 cities, Batam and Semarang,⁴ require a 7th procedure.

While in most cities the parties can proceed to execute the sale with a land deed official once tax payments are made and required documents submitted, that is not the case in Semarang. In Semarang, the land deed official must previously visit the local revenue office—*Dinas Pengelolaan Keuangan dan Aset Daerah (DPKAD)*—and obtain a note certifying that the price is in line with market value. Although there is no legal basis for this procedure, it is required in practice.

Meanwhile, in Batam, the buyer must obtain a property transfer license from the Batam Industrial Development Authority (BIDA) after the land certificate has been examined at the local land agency office (figure 4.2). In order to obtain the license, the buyer visits the Directorate of Land Management at BIDA to request approval for the property license transfer. BIDA officials make an on-site inspection of the property in the following days to assess the location, use and value. The parties to the transaction

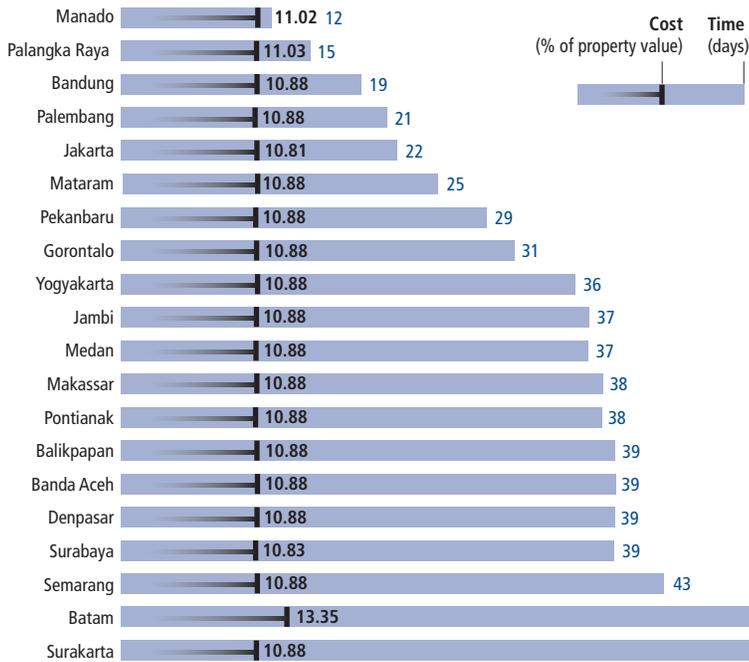
need not be present. Once completed and cleared, the buyer is informed that he/she can proceed to make the payment at BIDA and obtain the license. This additional procedure has its historical roots in Batam's status as a special territory, where legally all land belongs to BIDA and therefore any transfer of property must be approved. The license enables the buyer to lease the land from the city of Batam.

Despite a mostly standardized property registration process defined by national regulations, local factors—such as the volume of new registrations and transfers and the level of administrative efficiency—lead to considerable time variations among cities. Manado remains the fastest city with just 12 days, while in Batam and Surakarta the process takes 54 days (figure 4.3).

Even though national regulations aim to expedite the land registration process at local land agency offices (BPN) across Indonesia, the differences in efficiency across local offices continues to be the main reason for variations in time—from 5 days in Manado to 45 days in Surakarta. A regulation passed in 2010⁵ reinforced a similar regulation in 2008⁶ that set a maximum time for local land agency offices (BPN) to deliver registered land deeds in the new owner's name. In 2008, these time limits helped Jakarta speed up property transfer from 39 days to 22 days.⁷ However, despite renewed national legislation to reduce delays and homogenize performance across BPN locations, implementation and enforcement remain major challenges. A high volume of registrations in fast-growing cities, the lack of institutional capacity and inadequate technological support explain some of these ongoing bottlenecks.

The BPN office of Batam is the second fastest, registering land deeds in just 7 days. However, obtaining the property transfer license from the Batam Industrial Development Authority adds an extra 30 days to the process. On the other hand, in Surakarta, completing the registration of the land deed at BPN takes 45 days—the longest among all cities surveyed. According to the Head of the Business Licensing Office, the staff at Surakarta's local BPN (numbering around 90) handles a very large workload, which is the main cause of

FIGURE 4.3 Registering property is fastest in Manado and least expensive in Jakarta



Source: Doing Business database.

delays. Citizens' frustration with the delays resulted in protests in front of Surakarta's local BPN offices in 2010.⁸

In an effort to extend coverage in a country with a geography as complex as Indonesia's, BPN continues to implement mobile land-registration services—called "Larasita"—in villages and rural areas. BPN reaches remote areas by car and motorcycle, providing services using laptops with wireless connections to the main database. In addition, in late 2008, BPN also launched its "Online Map"⁹—sharing spatial and non-spatial data online, including links to search land transactions across Indonesia with the goal to help solve more than 2,810 land disputes.

Registering property continues to be expensive—with an average cost amounting to 11% of the property value (figure 4.4). In neighboring economies—such as Vietnam, Thailand, Malaysia and Singapore—property transfers cost between 0.6% and 6.3% of the property value.

The 2 main components of the cost are the transfer tax (5% of property value), which is paid to the national government, and the tax on the acquisition of land and building (5% of property value minus the

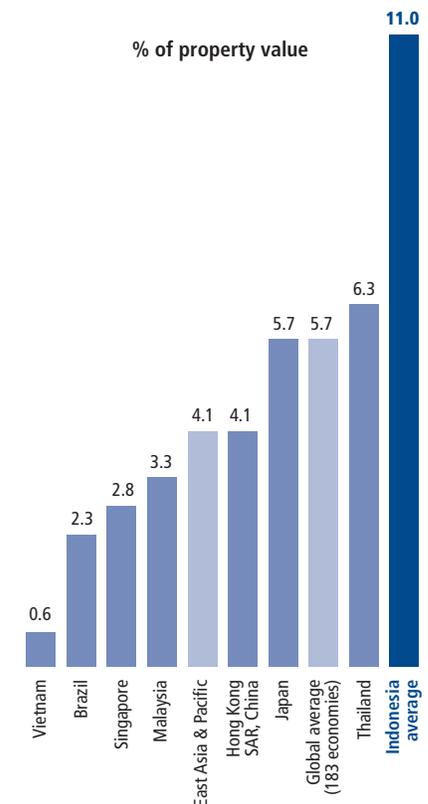
tax-free value), paid to local governments. In addition, entrepreneurs must pay the land deed official at the time of the execution of the sale-purchase deed, at the regulated maximum rate of 1% of the property value. Jakarta is the least expensive city at 10.8%. Meanwhile, Batam is the most expensive city—costing 13.3% of the property value due to the property-transfer license, which adds an additional 2.5% to the total cost.

Other minor cost variations stem from differing tax exemptions on property, used to determine the total tax on the acquisition of land and building. Specifically, the tax exemption ranges from IDR 20 million (\$1,922) in Palangka Raya to IDR 80 million (\$7,689) in Jakarta. Back in 2008, national regulation capped the amount of the sale price that could be declared as tax-exempt at IDR 60 million (\$5,767). But rising market values for properties across Indonesia convinced the government to raise the tax-free limit, to provide incentives to entrepreneurs to pay their taxes and register their land. A new national regulation, enacted in 2009, set this amount as a minimum and allowed local governments to freely raise the tax-free limit. According to the new law,¹⁰ as of January 1, 2010, local governments had to

pass new regulations in order to specify the tax-free limit. Among the 20 cities covered in this report, all but 4 cities¹¹ have passed and implemented the local regulations to be in line with the national law. In the case of Palangka Raya, the local regulation was passed, but in practice, the old tax-free amount is still being applied. Among the 14 cities previously measured, 11 cities¹² raised the tax-free value, although in most cases only up to the minimum.

Over the past 7 years, *Doing Business* reported that 56 economies around the world lowered transfer taxes and other government fees, reducing the average cost to register property by 4% of the property value.¹³ Twenty-three of these reformers were in Sub-Saharan Africa, the region with the highest average cost—although it's now below 10% of property value, lower than Indonesia's. But Indonesia need not look so far for reform inspiration. Numerous economies within the East Asia and the Pacific region—like

FIGURE 4.4 Registering property in Indonesia is expensive, compared to the East Asia and the Pacific region and the global average



Source: Doing Business database.

Singapore or Malaysia—have significantly lowered costs for transferring property. The region's average cost is now just 4.1% of the property value.

When it comes to finding inspiration to reduce delays in the property transfer process, good practices can be found not only abroad but also at home. For example, in 9 out of 20 Indonesian cities, the land certificate examination procedure at the local land office can be completed within 1 day, while in others it can take up to a week. In cities such as Manado, Palangka Raya and Bandung, the entire process can be completed in less than 20 days—setting an example for other Indonesian cities. Sharing the same legal framework for property registration procedures at a national level makes it easier for Indonesian cities to emulate good practices from peer-to-peer learning. But broader and deeper reforms may also be necessary to streamline procedures and improve the efficiency of the property registration process throughout Indonesia.

WHAT TO REFORM

Doing Business in Indonesia 2010 recommended (a) reducing transfer taxes and the tax on the acquisition of land and buildings or replacing them with fixed fees, (b) improving coordination between government agencies, (c) monitoring implementation of national regulations across Indonesia and speeding up procedures at the land office, and (d) making the registry electronic. All these recommendations remain valid.

Reduce transfer taxes and the tax on the acquisition of land and buildings or replace them with fixed fees

Indonesia is among the most expensive economies in the world for transferring property. According to *Doing Business 2012*, the average cost in the top ten economies in the ease-of-property-transfer ranking is just 0.6% of the property value. For example, New Zealand imposes a fee of just 0.1% of property value to transfer property title.

The government should consider reducing the percentage of the property value charged or replacing the current transfer tax and the tax on the acquisition of land and building with a fixed fee based on a

sliding scale according to the property size. Reducing fees does not necessarily mean reducing revenues. In fact, the Indian state of Maharashtra experienced an increase in government revenues after reducing fees—due to an increased number of registrations. Maharashtra's stamp duty revenues jumped by 20% after the state reduced the stamp duty from 10% to 5% of property value.¹⁴ Globally, 17 economies have low fixed taxes and fees for property transfer—ranging from around \$20 to \$300, regardless of the property value.¹⁵

The new national legislation establishing a minimum tax-free value for the tax on the acquisition of land and building is a step in the right direction, since it allows local governments more room to reduce costs for businesses. But this applies only to local taxes; the national tax rate for the transfer tax remains at 5% of the property value. At the local level, cities yet to enact the necessary local regulations to set tax-free limits should do so quickly in order to avoid uncertainty for businesses.

Improve coordination between government agencies

After registering a property transfer at the local land office, a buyer must notify the tax office. This step could be eliminated through better inter-agency information sharing. Streamlining the process administratively and informing the public that a procedure is no longer required will not only ease the process for buyers, but also avoid losing title transfers, if buyers fail to notify all the agencies involved.

Monitor and enforce implementation of national regulations across cities to speed up procedures at the land office

The time needed to register property at the land office is the main bottleneck in Indonesia. The land office regulations from 2008 and 2010 need to be better implemented and enforced in all cities. In both regulations, 5 days is set as the time limit for BPN to complete the registration of the land deed with the name of the buyer, but in practice the local land offices are not complying. Sanctions should be levied if deadlines are not respected. Or, fees could be reduced

when time limits are not respected. For example, Spain has an innovative way to ensure compliance: the registry's fees are cut by 30% if registration takes more than 15 days. Improving the efficiency of the offices would reduce registration time across cities.

Keeping statistical information and conducting a workload analysis helps assess how the process could be faster. For example, cities could consider having separate windows for the registration of new properties and for the transfers of existing properties, with separate staffs. The government could also consider placing 1 or 2 land office employees in a local one-stop shop dealing with business startup and/or construction permits.

Make the registry electronic

Title searches, registration and payment are done manually at land offices across Indonesia. Economies that transferred paper records to electronic forms benefit from shorter processing times. For example, in 2006 Tunisia computerized its land registry, reducing the time it takes to check for encumbrances from up to 10 days in 2006 to just 1 day in 2010.¹⁶ Other economies that have computerized their property registries have seen the time to register property drop by 45%, on average.¹⁷ Worldwide, 60% of economies have electronic files for their property registries. All 31 OECD high-income economies have electronic registries, and 11—including France, the Netherlands and New Zealand—offer electronic registration.¹⁸

Going electronic also makes it easier to identify errors and overlapping titles, improving title security. This works best when people using the registration services (i.e., land deed officials and the public at large) have Internet access. And digital records can be backed up and maintained more easily than paper ones. In Banda Aceh, many land books were lost or destroyed during the Tsunami, making it difficult to identify properties' rightful owners.

The online registration of properties and payment of taxes saves time—an entrepreneur can avoid unnecessary visits to government offices or commercial banks and can visit a virtual registry to register a deed from his or her own desk. This reform would cut at least 2 procedures across Indonesia.

NOTES

1. World Bank. Enterprise Surveys. Indonesia Country Profile. 2009. Available at www.enterprisesurveys.org.
2. World Bank. 2009. *Doing Business in 2010: Reforming through difficult times*. Washington, DC: World Bank Group.
3. Burns, Anthony. 2002. "Land Registration to Improve Security, Transparency, Governance & Sustainable Resource Management." In "Comparative Study of Land Administration Systems," World Bank Asia Regional Workshop on Land Policy and Administration working paper, World Bank, Washington, DC.
4. In *Doing Business in Indonesia 2010*, this additional procedure for Semarang was not counted. For *Doing Business in Indonesia 2012* the procedure "Verification of the property market value at the Local Revenue Office (DPKAD)" was added (duration: 5 days; no cost).
5. Regulation of the Head of National Land Agency No. 1 of 2010 on the Standard for Land Administration Service and Land Regulation.
6. Regulation No. 6 of 2008 on the Simplification and Acceleration of the Standard Operating Procedures on Land Regulation and Services for Certain Types of Land Services.
7. World Bank. 2009. *Doing Business in 2010: Reforming through difficult times*. Washington, DC: World Bank Group.
8. Solo Pos newspaper, December 2010.
9. Peta Online at <http://map.bpn.go.id/>
10. Law No. 28 of 2009.
11. These 4 cities are: Manado, Palangka Raya, Gorontalo and Medan.
12. These 11 cities are: Balikpapan, Banda Aceh, Denpasar, Jakarta, Makassar, Palembang, Pekanbaru, Semarang, Surabaya, Surakarta and Yogyakarta. Bandung implemented this law, but the tax-free value remained the same as in 2009, at IDR 60 million.
13. World Bank. 2011. *Doing Business in 2012: Doing business in a more transparent world*. Washington, DC: World Bank Group.
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16. World Bank. 2010. *Doing Business in the Arab World 2011*. Washington, DC: World Bank Group.
17. World Bank. 2008. *Doing Business 2009: Comparing regulations in 181 economies*. Washington, DC: World Bank Group.
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Data notes

The indicators presented and analyzed in *Doing Business in Indonesia 2012* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. The indicators document the degree of regulation, such as the number of procedures to start a business or to register and transfer commercial property. They also gauge the time and cost of achieving a regulatory goal or complying with regulation, such as the time and cost to enforce a contract.

In this report, *Doing Business* indicators have been created for 20 cities in Indonesia, 14 of which, were benchmarked in *Doing Business in Indonesia 2010*. The data presented in this report for Jakarta and other economies are based on the global report *Doing Business 2012—Doing business in a more transparent world*. The data for all sets of indicators in *Doing Business in Indonesia 2012* are current as of July 2011. The data for all sets of indicators taken from *Doing Business 2012* are current as of June 2011.

METHODOLOGY

The *Doing Business in Indonesia 2012* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across countries and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Then the questionnaire is customized to the particular case of Indonesia.

Questionnaires are administered through more than 210 local experts, including lawyers, business consultants, construction firms, engineers, local and national-level government officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts have several rounds of interaction

with the *Doing Business in Indonesia 2012* team, through face-to-face interviews, conference calls and written correspondence. The data from questionnaires are subjected to numerous tests for robustness, which lead to revisions or expansions of the information collected. For example, the preliminary findings are presented to the local governments through right of reply consultations with administrators and other local government officials.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue: *Doing Business* is not a statistical survey, and the texts of relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to doing business but also identify their source and point to what might be reformed.

LIMITS TO WHAT IS MEASURED

The *Doing Business* methodology has 4 limitations that should be considered when interpreting the data. First, the data often focus on a specific business form—a limited liability company of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Second, transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. Third, the measures of time involve an element of judgment by the

ECONOMY CHARACTERISTICS

Gross national income (GNI) per capita

Doing Business in Indonesia 2012 reports 2010 income per capita as published in the International Monetary Fund's World Economic Outlook database (April 2011). Indonesia's GNI per capita in 2010 = US\$ 2,580.

Exchange rate

The exchange rate used in this report is: 1 US\$ = 10,405 IDR.

Region and income group

Doing Business uses the World Bank regional and income group classifications available at <http://www.worldbank.org/data/countryclass>.

expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business in Indonesia 2012* would differ from the perceptions of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

CHANGES IN WHAT IS MEASURED

The methodology for the dealing with construction permits indicator was updated this year. The global *Doing Business* report now includes getting electricity indicators in its overall analysis of the ease of doing business. For this reason, the procedures, time and cost related to obtaining an electricity connection were removed from the dealing with construction permits indicator. In line with *Doing Business* methodology and to allow for international and subnational comparability, *Doing Business in Indonesia 2012* has also removed procedures, time, and cost related to getting an electricity connection from the dealing with construction permits indicator.

STARTING A BUSINESS

Doing Business in Indonesia 2012 records all procedures that are officially required for an entrepreneur to start up and formally operate a commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking on the ease of starting a business is the simple average of the percentile rankings on its component indicators (figure 5.1).

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost of complying with each

procedure under normal circumstances and the paid-in minimum capital requirements if applicable. Subsequently, local incorporation lawyers, notaries and government officials complete and verify the data.

Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that all agencies involved in the start-up process function without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across countries, several assumptions about the business and the procedures are used.

Assumptions about the business

The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the limited liability form most popular among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistical office.
- Operates in the commercial district of the selected city.
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita at the end of 2010, paid in cash.
- Performs general commercial activities, such as the production or sale of products or services to the public. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant and offices and is not a proprietor of real estate.
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees 1 month after the commencement of operations, all of them nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

Procedures

A procedure is defined as any interaction of the company founder with external parties (for example, government agencies, lawyers, auditors or notaries). Interactions between company founders or company officers and employees are not counted as procedures. Procedures that must be completed in the same building but in different offices are counted as separate procedures. If founders have to visit the same office several times for different sequential procedures, each is counted separately. The founders are assumed to complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law. If the services of professionals are required, procedures conducted by such professionals on behalf of the company are counted separately. Each electronic procedure is counted separately. If 2 procedures can be completed through the same website but require separate filings, they are counted as 2 procedures. Both pre- and post incorporation procedures that are officially required for an entrepreneur to formally operate a business are recorded (table 5.1).

Procedures required for official correspondence or transactions with public agencies are also included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining the seal or stamp is counted. Similarly, if a company must open a bank account before registering for sales tax or value added tax, this transaction is included

FIGURE 5.1
STARTING A BUSINESS: GETTING A LOCAL LIMITED LIABILITY COMPANY UP AND RUNNING
Rankings are based on 4 indicators

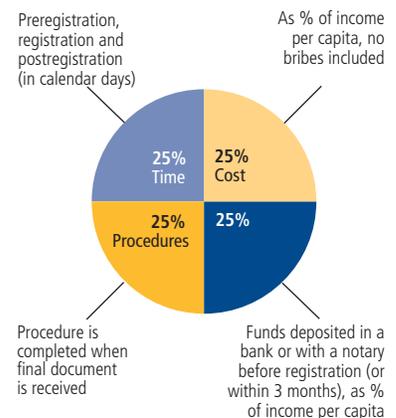


TABLE 5.1
WHAT DO THE STARTING A BUSINESS
INDICATORS MEASURE?

Procedures to legally start and operate a company
(number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city

Postregistration (for example, social security registration, company seal)

Time required to complete each procedure
(calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

Procedure completed once final document is received

No prior contact with officials

Cost required to complete each procedure
(% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

Funds deposited in a bank or with a notary before registration (or within 3 months)

as a procedure. Shortcuts are counted only if they fulfill 4 criteria: they are legal, they are available to the general public, they are used by the majority of companies, and avoiding them causes substantial delays.

Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses conducting general commercial or industrial activities. Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included.

Time

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). A procedure is considered completed once the company has received the final document, such as the company registration certificate or tax number. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not

waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning but has had no prior contact with any of the officials.

Cost

Cost is recorded as a percentage of the economy's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law. Fees for purchasing and legalizing company books are included if these transactions are required by law. The company law, the commercial code and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

Paid-in minimum capital

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration and up to 3 months following incorporation and is recorded as a percentage of the economy's income per capita. The amount is typically specified in the commercial code or the company law. Many countries have a minimum capital requirement but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation.

*The data details on starting a business can be found for each economy at <http://www.doingbusiness.org> by selecting the economy in the drop-down list. This methodology was developed in Djankov, Simeon, Rafael la Porta, Florencio López-de-Silanes and Andrei Schleifer. 2002. "The Regulation of Entry." *Quarterly Journal of Economics* 117(1):1-37, and is adopted here with minor changes.*

DEALING WITH CONSTRUCTION PERMITS

Doing Business in Indonesia 2012 records all procedures required for a business in the construction industry to build a standardized warehouse. These procedures include submitting all relevant project-specific documents (for example, building plans and site maps) to the authorities; obtaining all necessary clearances, licenses, permits and certificates; completing all required notifications; and receiving all necessary inspections. *Doing Business in Indonesia 2012* also records procedures for obtaining connections for water, sewerage, and a fixed telephone landline. Procedures necessary to register the property so that it can be used as collateral or transferred to another entity are also counted. The survey divides the process of building a warehouse into distinct procedures and calculates the time and cost of completing each procedure. The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators (figure 5.2).

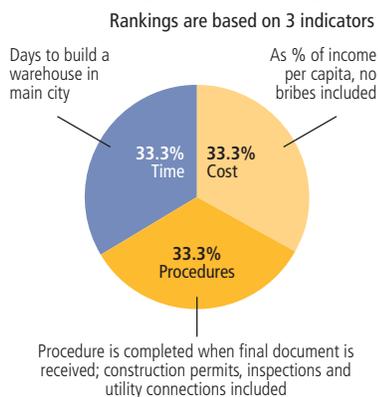
Information is collected from experts in construction licensing, including architects, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations, including approvals and inspections. To make the data comparable across economies, several assumptions about the business, the warehouse project and the utility connections are used.

Assumptions about the construction company

The business (BuildCo):

- Is a limited liability company.
- Operates in the selected city.
- Is 100% domestically and privately owned.
- Has 5 owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.
- Has 60 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to obtain construction permits and approvals.
- Has at least 1 employee who is a licensed architect and registered with the local association of architects.

FIGURE 5.2
DEALING WITH CONSTRUCTION PERMITS:
BUILDING A WAREHOUSE



- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability insurance).
- Owns the land on which the warehouse is built.

Assumptions about the warehouse

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Has 2 stories, both above ground, with a total surface of approximately 14,000 square feet (1,300.6 square meters). Each floor is 9 feet, 10 inches (3 meters) high.
- Has road access and is located in the peri-urban area of the selected city (that is, on the fringes of the city but still within its official limits).
- Is not located in a special economic or industrial zone. The zoning requirements for warehouses are met by building in an area where similar warehouses can be found.
- Is located on a land plot of 10,000 square feet (929 square meters) that is 100% owned by BuildCo and is registered in the cadastre and land registry.
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will include all technical equipment required to make the warehouse fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Assumptions about the utility connections

The water and sewerage connection:

- Is 32 feet 10 inches (10 meters) from the existing water source and sewer tap.
- Does not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Has an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day.
- Has a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.

The telephone connection:

- Is 32 feet, 10 inches (10 meters) from the main telephone network.
- Is a fixed telephone landline.

Procedures

A procedure is any interaction of the company's employees or managers with external parties, including government agencies, notaries, the land registry, the cadastre, utility companies, public and private inspectors and technical experts apart from in-house architects and engineers. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. Procedures that the company undergoes to connect to water, sewerage and telephone services are included. All procedures that are legally or in practice required for building a warehouse are counted, even if they may be avoided in exceptional cases (table 5.2).

Time

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete the procedure in practice. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen. It is assumed that BuildCo does not

waste time and commits to completing each remaining procedure without delay. The time that BuildCo spends on gathering information is ignored. It is assumed that BuildCo is aware of all building requirements and their sequence from the beginning.

Cost

Cost is recorded as a percentage of the economy's income per capita. Only official costs are recorded. All the fees associated with completing the procedures to legally build a warehouse are recorded, including those associated with obtaining land use approvals and preconstruction design clearances; receiving inspection before, during and after construction; getting utility connections; and registering the warehouse property. Nonrecurring taxes required for the completion of the warehouse project are also recorded. The building code, information from local experts and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used.

The data details on dealing with construction permits can be found for each economy at <http://www.doingbusiness.org> by selecting the economy in the drop-down list.

TABLE 5.2
WHAT DO THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE?

Procedures to legally build a warehouse (number)
Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
Completing all required notifications and receiving all necessary inspections
Obtaining utility connections for water, sewerage and a fixed telephone landline
Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)
Time required to complete each procedure (calendar days)
Does not include time spent gathering information
Each procedure starts on a separate day
Procedure completed once final document is received
No prior contact with officials
Cost required to complete each procedure (% of income per capita)
Official costs only, no bribes

REGISTERING PROPERTY

Doing Business in Indonesia 2012 records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name so that the buyer can use the property for expanding its business, as collateral in taking new loans or, if necessary, sell to another business. The process starts with obtaining the necessary documents, such as a copy of the seller's title if necessary, and conducting due diligence if required. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators (figure 5.3).

Every procedure required by law or necessary in practice is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf. Local property lawyers, notaries and property registries provide information on procedures as well as the time and cost to complete each of them.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

Assumptions about the parties

The parties (buyer and seller):

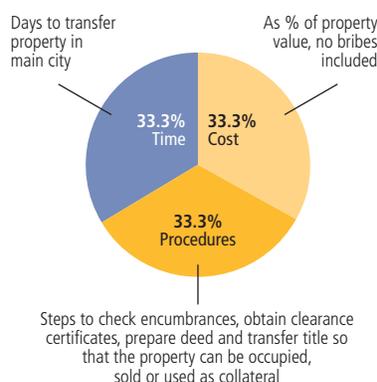
- Are limited liability companies.
- Are located in the periurban area of the selected city.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

Assumptions about the property

The property:

- Has a value of 50 times income per capita. The sale price equals the value.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.

FIGURE 5.3
REGISTERING PROPERTY: TRANSFER OF PROPERTY BETWEEN 2 LOCAL COMPANIES
Rankings are based on 3 indicators



- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 6,000 square feet (557.4 square meters). A 2-story warehouse of 10,000 square feet (929 square meters) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements. The property of land and building will be transferred in its entirety.
- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants (legal or illegal), and no other party holds a legal interest in it.

Procedures

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if

TABLE 5.3
WHAT DO THE REGISTERING PROPERTY INDICATORS MEASURE?

Procedures to legally transfer title on immovable property (number)
Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
Registration procedures in the economy's largest business city
Postregistration procedures (for example, filing title with municipality)
Time required to complete each procedure (calendar days)
Does not include time spent gathering information
Each procedure starts on a separate day
Procedure completed once final document is received
No prior contact with officials
Cost required to complete each procedure (% of property value)
Official costs only, no bribes
No value added or capital gains taxes included

they may be avoided in exceptional cases. It is assumed that the buyer follows the fastest legal option available and used by the majority of property owners. Although the buyer may use lawyers or other professionals where necessary in the registration process, it is assumed that it does not employ an outside facilitator in the registration process unless legally or in practice required to do so (table 5.3).

Time

Time is recorded in calendar days. The measure captures the median duration that property lawyers, notaries or registry officials indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the majority of property owners is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all regulations and their sequence from the beginning. Time spent on gathering information is not considered.

Cost

Cost is recorded as a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded, including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. Both costs borne by the buyer and those borne by the seller are included. If cost estimates differ among sources, the median reported value is used.

The data details on registering property can be found for each economy at <http://www.doingbusiness.org> by selecting the economy in the drop-down list.

RANKINGS

The ranking on each topic is the simple average of the percentile rankings on its component indicators. The ease of starting a business is a simple average of the city rankings on the number of procedures, and the associated time and cost (% of income per capita) required to start a business. The ease of dealing with construction permits is a simple average of the city rankings on the number of procedures, and the associated time and cost (% of income per capita) required to build a warehouse. The ease of registering property is a simple average of the city rankings on the number of procedures, associated time and cost (% of the property value) required to register property.

The rankings are limited in scope. They do not account for an economy's proximity to large markets, the quality of its infrastructure services (other than services related to construction permits), the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions. There remains a large unfinished agenda for research into what regulation constitutes binding constraints, what package of reforms is most effective and how these issues are shaped by the context of an economy. The *Doing Business* indicators provide a new empirical data set that may improve understanding of these issues.

DISTANCE TO FRONTIER MEASURE

This year's report, *Doing Business 2012—Doing business in a more transparent world*, introduces a new measure to illustrate how the regulatory environment for local businesses in each economy has changed over time. The distance to frontier measure illustrates the distance of an economy to the "frontier" and shows the extent to which the economy has closed this gap over time. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 9 *Doing Business* indicator sets (excluding the employing workers and getting electricity indicators) by any economy since 2005. In starting a business, for example, New Zealand has achieved the highest performance on the time (1 day), Canada and New Zealand on the number of procedures required (1), Denmark and Slovenia on the cost (0% of income per capita) and Australia on the paid-in minimum capital requirement (0% of income per capita).

Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit. To do so, each of the 32 component indicators y is rescaled to $(y - \text{min}) / (\text{max} - \text{min})$, with the minimum value (min) representing the frontier—the highest performance on that indicator across all economies since 2005. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score. An economy's distance to the frontier is indicated on a scale from 0 to 100, where 0 represents the frontier and 100 the lowest performance.

The difference between an economy's distance to frontier score in 2005 and its score in 2011 illustrates the extent to which the economy has closed the gap to the frontier over time. The maximum (max) and minimum (min) observed values are computed for the 174 economies included in the *Doing Business* sample since 2005 and for all years (from 2005 to 2011). The year 2005 was chosen as the baseline for the economy sample because it was the first year in which data were available for the

majority of economies (a total of 174) and for all 9 indicator sets included in the measure. To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (max) is defined as the 95th percentile of the pooled data for all economies and all years for each indicator.

City tables

Balikpapan, East Kalimantan

Starting a business (rank)	7	Dealing with construction permits (rank)	1	Registering property (rank)	12
Procedures (number)	8	Procedures (number)	8	Procedures (number)	6
Time (days)	28	Time (days)	52	Time (days)	39
Cost (% of income per capita)	26.3	Cost (% of income per capita)	62.8	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Banda Aceh, Aceh Province

Starting a business (rank)	5	Dealing with construction permits (rank)	4	Registering property (rank)	12
Procedures (number)	9	Procedures (number)	10	Procedures (number)	6
Time (days)	29	Time (days)	42	Time (days)	39
Cost (% of income per capita)	19.3	Cost (% of income per capita)	66.5	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Bandung, West Java

Starting a business (rank)	12	Dealing with construction permits (rank)	8	Registering property (rank)	1
Procedures (number)	9	Procedures (number)	10	Procedures (number)	6
Time (days)	30	Time (days)	44	Time (days)	19
Cost (% of income per capita)	24.3	Cost (% of income per capita)	76.5	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Batam, Riau Islands

Starting a business (rank)	15	Dealing with construction permits (rank)	10	Registering property (rank)	20
Procedures (number)	9	Procedures (number)	9	Procedures (number)	7
Time (days)	39	Time (days)	45	Time (days)	54
Cost (% of income per capita)	22.7	Cost (% of income per capita)	127.3	Cost (% of the property value)	13.35
Minimum capital (% of income per capita)	46.6				

Denpasar, Bali

Starting a business (rank)	9	Dealing with construction permits (rank)	17	Registering property (rank)	12
Procedures (number)	8	Procedures (number)	12	Procedures (number)	6
Time (days)	31	Time (days)	94	Time (days)	39
Cost (% of income per capita)	22.9	Cost (% of income per capita)	71.4	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Gorontalo, Gorontalo

Starting a business (rank)	6	Dealing with construction permits (rank)	np	Registering property (rank)	5
Procedures (number)	9	Procedures (number)	np	Procedures (number)	6
Time (days)	27	Time (days)	np	Time (days)	31
Cost (% of income per capita)	22.2	Cost (% of income per capita)	np	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Jakarta, DKI Jakarta

Starting a business (rank)	8	Dealing with construction permits (rank)	19	Registering property (rank)	1
Procedures (number)	8	Procedures (number)	13	Procedures (number)	6
Time (days)	45	Time (days)	158	Time (days)	22
Cost (% of income per capita)	17.9	Cost (% of income per capita)	105.3	Cost (% of the property value)	10.81
Minimum capital (% of income per capita)	46.6				

Jambi, Jambi

Starting a business (rank)	18	Dealing with construction permits (rank)	2	Registering property (rank)	7
Procedures (number)	10	Procedures (number)	10	Procedures (number)	6
Time (days)	44	Time (days)	68	Time (days)	37
Cost (% of income per capita)	20.2	Cost (% of income per capita)	32	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Makassar, South Sulawesi

Starting a business (rank)	17	Dealing with construction permits (rank)	11	Registering property (rank)	9
Procedures (number)	10	Procedures (number)	8	Procedures (number)	6
Time (days)	35	Time (days)	51	Time (days)	38
Cost (% of income per capita)	22	Cost (% of income per capita)	131.5	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Manado, North Sulawesi

Starting a business (rank)	20	Dealing with construction permits (rank)	18	Registering property (rank)	15
Procedures (number)	11	Procedures (number)	14	Procedures (number)	6
Time (days)	34	Time (days)	107	Time (days)	12
Cost (% of income per capita)	30.8	Cost (% of income per capita)	100.1	Cost (% of the property value)	11.02
Minimum capital (% of income per capita)	46.6				

Mataram, West Nusa Tenggara

Starting a business (rank)	10	Dealing with construction permits (rank)	12	Registering property (rank)	4
Procedures (number)	9	Procedures (number)	10	Procedures (number)	6
Time (days)	31	Time (days)	83	Time (days)	25
Cost (% of income per capita)	22.4	Cost (% of income per capita)	58.4	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Medan, North Sumatra

Starting a business (rank)	19	Dealing with construction permits (rank)	6	Registering property (rank)	7
Procedures (number)	11	Procedures (number)	7	Procedures (number)	6
Time (days)	39	Time (days)	71	Time (days)	37
Cost (% of income per capita)	21.2	Cost (% of income per capita)	70.3	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Palangka Raya, Central Kalimantan

Starting a business (rank)	2	Dealing with construction permits (rank)	14	Registering property (rank)	16
Procedures (number)	8	Procedures (number)	11	Procedures (number)	6
Time (days)	27	Time (days)	82	Time (days)	15
Cost (% of income per capita)	22	Cost (% of income per capita)	37.5	Cost (% of the property value)	11.03
Minimum capital (% of income per capita)	46.6				

Palembang, South Sumatra

Starting a business (rank)	11	Dealing with construction permits (rank)	3	Registering property (rank)	3
Procedures (number)	10	Procedures (number)	9	Procedures (number)	6
Time (days)	34	Time (days)	57	Time (days)	21
Cost (% of income per capita)	19	Cost (% of income per capita)	50.5	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Pekanbaru, Riau

Starting a business (rank)	16	Dealing with construction permits (rank)	15	Registering property (rank)	18
Procedures (number)	10	Procedures (number)	10	Procedures (number)	6
Time (days)	29	Time (days)	83	Time (days)	29
Cost (% of income per capita)	26.6	Cost (% of income per capita)	64.5	Cost (% of the property value)	10.89
Minimum capital (% of income per capita)	46.6				

Pontianak, West Kalimantan

Starting a business (rank)	13	Dealing with construction permits (rank)	7	Registering property (rank)	9
Procedures (number)	10	Procedures (number)	11	Procedures (number)	6
Time (days)	42	Time (days)	59	Time (days)	38
Cost (% of income per capita)	17.8	Cost (% of income per capita)	32.3	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Semarang, Central Java

Starting a business (rank)	4	Dealing with construction permits (rank)	8	Registering property (rank)	19
Procedures (number)	9	Procedures (number)	10	Procedures (number)	7
Time (days)	28	Time (days)	72	Time (days)	43
Cost (% of income per capita)	19.7	Cost (% of income per capita)	38.6	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Surabaya, East Java

Starting a business (rank)	14	Dealing with construction permits (rank)	16	Registering property (rank)	11
Procedures (number)	9	Procedures (number)	11	Procedures (number)	6
Time (days)	32	Time (days)	116	Time (days)	39
Cost (% of income per capita)	23.5	Cost (% of income per capita)	71.2	Cost (% of the property value)	10.83
Minimum capital (% of income per capita)	46.6				

Surakarta, Central Java

Starting a business (rank)	3	Dealing with construction permits (rank)	12	Registering property (rank)	17
Procedures (number)	8	Procedures (number)	11	Procedures (number)	6
Time (days)	29	Time (days)	71	Time (days)	54
Cost (% of income per capita)	20.5	Cost (% of income per capita)	41.9	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Yogyakarta, DI Yogyakarta

Starting a business (rank)	1	Dealing with construction permits (rank)	5	Registering property (rank)	6
Procedures (number)	8	Procedures (number)	7	Procedures (number)	6
Time (days)	29	Time (days)	51	Time (days)	36
Cost (% of income per capita)	18.5	Cost (% of income per capita)	85.5	Cost (% of the property value)	10.88
Minimum capital (% of income per capita)	46.6				

Indicator tables

Starting a business

	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in minimum capital (% of income per capita)	Ease of starting a business (rank)
Balikpapan <i>East Kalimantan</i>	8	28	26.3	46.6	7
Banda Aceh <i>Aceh Province</i>	9	29	19.3	46.6	5
Bandung <i>West Java</i>	9	30	24.3	46.6	12
Batam <i>Riau Islands</i>	9	39	22.7	46.6	15
Denpasar <i>Bali</i>	8	31	22.9	46.6	9
Gorontalo <i>Gorontalo</i>	9	27	22.2	46.6	6
Jakarta <i>DKI Jakarta</i>	8	45	17.9	46.6	8
Jambi <i>Jambi</i>	10	44	20.2	46.6	18
Makassar <i>South Sulawesi</i>	10	35	22	46.6	17
Manado <i>North Sulawesi</i>	11	34	30.8	46.6	20
Mataram <i>West Nusa Tenggara</i>	9	31	22.4	46.6	10
Medan <i>North Sumatra</i>	11	39	21.2	46.6	19
Palangka Raya <i>Central Kalimantan</i>	8	27	22	46.6	2
Palembang <i>South Sumatra</i>	10	34	19	46.6	11
Pekanbaru <i>Riau</i>	10	29	26.6	46.6	16
Pontianak <i>West Kalimantan</i>	10	42	17.8	46.6	13
Semarang <i>Central Java</i>	9	28	19.7	46.6	4
Surabaya <i>East Java</i>	9	32	23.5	46.6	14
Surakarta <i>Central Java</i>	8	29	20.5	46.6	3
Yogyakarta <i>DI Yogyakarta</i>	8	29	18.5	46.6	1

Dealing with construction permits

Procedures (number)	Time (days)	Cost (% of income per capita)	Ease of dealing with construction permits (rank)
8	52	62.8	1
10	42	66.5	4
10	44	76.5	8
9	45	127.3	10
12	94	71.4	17
No practice	No practice	No practice	No practice
13	158	105.3	19
10	68	32	2
8	51	131.5	11
14	107	100.1	18
10	83	58.4	12
7	71	70.3	6
11	82	37.5	14
9	57	50.5	3
10	83	64.5	15
11	59	32.3	7
10	72	38.6	8
11	116	71.2	16
11	71	41.9	12
7	51	85.5	5

Registering property

	Procedures (number)	Time (days)	Cost (% of property value)	Ease of registering property (rank)
Balikpapan <i>East Kalimantan</i>	6	39	10.88	12
Banda Aceh <i>Aceh Province</i>	6	39	10.88	12
Bandung <i>West Java</i>	6	19	10.88	1
Batam <i>Riau Islands</i>	7	54	13.35	20
Denpasar <i>Bali</i>	6	39	10.88	12
Gorontalo <i>Gorontalo</i>	6	31	10.88	5
Jakarta <i>DKI Jakarta</i>	6	22	10.81	1
Jambi <i>Jambi</i>	6	37	10.88	7
Makassar <i>South Sulawesi</i>	6	38	10.88	9
Manado <i>North Sulawesi</i>	6	12	11.02	15
Mataram <i>West Nusa Tenggara</i>	6	25	10.88	4
Medan <i>North Sumatra</i>	6	37	10.88	7
Palangka Raya <i>Central Kalimantan</i>	6	15	11.03	16
Palembang <i>South Sumatra</i>	6	21	10.88	3
Pekanbaru <i>Riau</i>	6	29	10.89	18
Pontianak <i>West Kalimantan</i>	6	38	10.88	9
Semarang <i>Central Java</i>	7	43	10.88	19
Surabaya <i>East Java</i>	6	39	10.83	11
Surakarta <i>Central Java</i>	6	54	10.88	17
Yogyakarta <i>DI Yogyakarta</i>	6	36	10.88	6

LIST OF PROCEDURES

STARTING A BUSINESS

Balikpapan, East Kalimantan

Standard company legal form: Limited Liability Company (LLC)– Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 4,520,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval. Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 3 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant

when the NPWP and NPPKP cards are ready for pick up. NPPKP needs further verification beyond application but NPWP can be obtained in 1 day.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 6. Apply for the nuisance permit (HO), the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) at the Investment and Licensing Agency (BPMP2T)

Time: 5 days

Cost: IDR 750,000 (for HO)

Comments: Since April 2010, following the new SOP of BPMP2T, the licenses can be obtained as a package. The applicant submits only 1 complete document to the licensing agency, which will verify the documents and issue the registration number for the applicant. The technical team will conduct an inspection of the business location at which the entrepreneur does not have to be present. Based on the inspection minutes (BAPL), the licenses are approved or not. After approval, the licenses are printed and signed by the Head of the Licensing Agency. The applicant will be informed by phone to pick up the licenses.

The following copies of documents should be attached to obtain the licenses:

- Application letter;
- Articles of association;
- Copy of ID card;
- Proof of the lease of premises;
- Map of the business location;
- Copy of the deed establishment;
- Passport photo size 3x4;
- Letter of no objection from the neighborhood (for HO);
- Copy of IMB or leases the premises;
- Copy of NPWP & NPWPD (Local fiscal charges);
- Balance sheet of company (stamp IDR 6,000);
- Copy of technical permit related to the business type.

Based on the local regulation No. 10 of 2008 regarding HO levy, the following formula to calculate HO permit: Business area x location index x total of the nuisance index x Tarif

$100 \text{ m}^2 \times 3 \times (1+1) \times \text{IDR } 1,250 = \text{IDR } 750,000.$

According to the new law No 28 of 2009 and based on Mayor instruction No. 1 of 2011, enacted January 2011, SIUP & TDP is free of charge and according to the mayor instruction, the statutory time to complete this procedure is 14 days, but in practice, it can be done faster within 5 days.

Procedure 7*. Register with the Ministry of Manpower at the local Manpower Office

Time: 1 day

Cost: No cost

Comments: According to Law 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a

verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration. For a company with less than 50 employees, the verification process can be done on the spot.

Procedure 8*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 2 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Banda Aceh, Aceh Province

Standard company legal form: Limited Liability Company (LLC)- Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation

and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,020,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval. Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;

- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 3 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up. NPPKP needs further verification beyond application but NPWP can be obtained in 1 day only. Both NPWP and NPPKP can be obtained in 2-3 days. Obtaining NPPKP could take 7-14 days if the company is selected randomly for physical inspection.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 6. Obtain a location permit (SITU) from the One Stop Service (KPPTSP)

Time: 1 day

Cost: IDR 50,000

Comments: City regulation (Qanun Kota Banda Aceh 4/2003) governs the SITU process in Banda Aceh. SITU is a requirement to obtain the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP). The applicant submits the complete documentation to KPPTSP, obtains a registration number, and pays the registration fee at the Bank located within KPPTSP. The license is issued same day if the documents are complete. The following documents should be attached:

- Letter of application signed on stamp by the applicant;

- b. Copy of ID card from applicant;
- c. The deed company establishment for the legal entity;
- d. Passport photo color size 3 x 4 cm (2 pieces);
- e. The status of the office space.

Procedure 7. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) at the One Stop Service (KPPTSP Banda Aceh City)

Time: 3 days

Cost: IDR 275,000 (IDR 75,000 for SIUP + IDR 200,000 for TDP)

Comments: SIUP and TDP can be arranged as a package, at the same time, with the same Officer at the One Stop Service (KPPTSP Banda Aceh City). The applicant submits the completed application forms, along with the required documents, gets a confirmation receipt, and pays the official user charges. After verification, the licenses will be issued. The time to obtain both SIUP and TDP is sometimes faster which is 2–3 days.

Based on Local Regulation No. 6/2004 and Local Regulation No. 7/2004, the fee for obtaining TDP is IDR 200,000 and fee for SIUP is IDR 75,000 for a medium company (PT). Payment is made at the local government's bank which is located in the One Stop Service, KPPTSP.

Both SIUP and TDP are valid for 5 years. The following documents should be attached to the application:

- a. Letters of application;
- b. Passport photo size 3 x 4 (4 pieces);
- c. Copy of ID card;
- d. Copy of SITU;
- e. Copy of the receipts of payment;
- f. Copy of the Deed of Establishment and proof of the court registration if the company is Limited Liability Company (Perseroan Terbatas, PT);
- g. Copy of the approval from Ministry of Law and Human Rights if the company is Limited Liability Company (Perseroan Terbatas, PT);
- h. Copy of NPWP;
- i. Copy of nuisance permit (HO) only for specific industries.

Procedure 8*. Report company employment to the Ministry of Manpower through the One Stop Service (KPPTSP)

Time: 1 day

Cost: IDR 50,000

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed by filing the compulsory report with the Office of Social and Manpower Affairs for the city of Banda Aceh. The office conducts a verification process and issues the official copy of the registration to the applicant. For a company with less than 50 employees, the verification process can be done on the spot.

Based on Mayor Decree No. 56 of 2010 concerning the delegation of authority for signing of employment, this procedure is now conducted at the One Stop Shop, KPPTSP. The applicant only visits the office to fill out the form.

The fee depends on the number of the employees:

- a. 1–25 employees: IDR 25,000;
- b. 25–50 employees: IDR 50,000;
- c. 50–99 employees: IDR 75,000.

Procedure 9*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 3 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- a. Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- b. Visit the Jamsostek Office to submit the filled-in form;
- c. Jamsostek official conducts data input to Jamsostek data base;
- d. The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28/2002).

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Bandung, West Java

Standard company legal form: Limited Liability Company (LLC)– Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 4,020,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Obtain a certificate of company domicile from the Village Office

Time: 2 days

Cost: No cost

Comments: This certificate is issued by the Head of the village (the Lurah) where the company is located or by the building management, if office space is leased. The application form for domicile certificate should be completed with the number and date of the deed of establishment and the name of the notary, the type of business, and a declaration mentioning the company has informed its neighbors. A copy of the signed deed of establishment should also be attached. There is no official fee to obtain this certificate in Bandung. Instead, a "voluntary social contribution" for the development of the community can be made.

Procedure 4. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval.

Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 5. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of “no objection” from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 6. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 3 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 7. Apply for the nuisance permit (Hinder Ordinantie- HO/SITU), the permanent business trading license (Surat Izin Usaha Perdagangan- SIUP), and the registration certificate (Tanda Daftar Perusahaan- TDP) at the Bandung One Stop Shop (BPPT)

Time: 5 days

Cost: IDR 726,000 (IDR 306,000 for SITU/HO + IDR 420,000 for TDP)

Comments: The applications for HO/SITU, SIUP and TDP can be submitted at the same time, at the same window, with the same Officer at Bandung One Stop Shop (BPPT). The detailed process will take place as follows:

- The applicant submits the completed documents to BPPT and gets the registration number;
- BPPT will verify the documents;
- A technical team will conduct the field survey to check the business location and the type of business (the applicant doesn't need to be present);
- Based on the technical team report, the application can be approved or not;
- If the application has been approved, BPPT will issue the license.

HO will be processed first because HO is prerequisite for SIUP. By the time HO has been approved, SIUP & TDP will start to be processed. The process is usually completed within 5 days.

The following documents should be attached to apply for HO, SIUP & TDP:

- Application form;
- Copy of the deed establishment legalized by the Ministry of Law and Human Rights (Kemenhukham);
- An attestation of location and address of the company's offices;
- Copy of NPWP;
- Copy of ID card;
- Agreement/approval letter with the land/building owner and/or leasing agreement between land/building owner and the applicant;
- Domicile letter (prerequisite for HO);
- Letter of no objection from the Head of neighborhood;
- Letter of ability to meet the environmental preservation (prerequisite for HO);
- Passport photo 4x6 (2 pcs).

According to Regulation of Ministry of Trade No. 46/2009, and Mayor regulation of Bandung, SIUP is free of charge. Based on local regulation No. 12/2002, fee for TDP is IDR 420,000. Based on local regulation No. 27 of 2002 concerning nuisance permit (HO), the formula cost to calculate fee for HO is:

$$= \text{Business area} \times \text{location index} \times \text{nuisance index} \times \text{tariff}$$

$$= 100 \text{ m}^2 \times 3 \times 2 \times 510 = \text{IDR } 306,000$$

Although the application process can be done electronically (www.boss.or.id), the applicant still has to visit the office to submit the original documents.

Procedure 8*. Register with the Ministry of Manpower at the local Manpower Office

Time: 4 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. For a company with less than 50 employees, the verification process can be done on the spot.

Although there is no official fee, an unofficial administrative fee may be charged, which usually starts at IDR 150,000.

Procedure 9*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 1 day

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Batam, Riau Islands

Standard company legal form: Limited Liability Company (LLC)- Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue

payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,800,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Obtain a certificate of company domicile from the Village Office

Time: 7 days

Cost: No cost

Comments: The domicile letter is required as pre requisite for other procedures. There is no official fee for this procedure but in practice, the applicant usually pays IDR 300,000–IDR 600,000. The following copies of documents should be attached:

- Copy of the deed establishment;
- Copy of the ID card of the director;
- Passport photo size 3x4 (2pcs);
- A recommendation letter from the Head of neighborhood;
- Map of business location;
- The proof of the leasing the business premises.

As of January 2011, based on Mayor instructions, the Head of the Sub district is prohibited to issue the Domicile Letter but in practice this procedure is still required by the notaries.

Procedure 4. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval. Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 5. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of “no objection” from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry’s Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 6. Obtain a taxpayer registration number (NPWP) from the local Tax Office

Time: 3 days

Cost: No cost

Comments: This procedure is required as a pre-requisite for SIUP. NPWP can be applied for online at: www.pajak.go.id. But, in practice, most applicants do not use the online system. Even if the service is available online, the applicant still has to visit the Tax Office in person to submit the original documents.

The following copies of documents should be attached:

- Copy of deed of establishment;
- Copy of ID card;
- Copy of domicile letter from the Head of Village;
- Receipt of payment of Land and Building Tax (PBB);
- Proof of land ownership or the leases premises.

Time to complete this procedure is 2-7 days and there is no official cost. In practice, the applicant usually pays IDR 50,000–200,000.

In Batam, based on the circular letter of the General Director of Tax No. 37 of 2009, NPPKP is no longer needed.

Procedure 7. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and registration certificate (Tanda Daftar Perusahaan-TDP) at the one-stop shop

Time: 3 days

Cost: IDR 500,000 (for TDP)

Comments: Based on Mayor Decree No. 8 of 2001 and the standard procedure (SOP) in the integrated licensing services (<http://www.bpbatam.go.id/ini/aboutBida/pemko2.jsp>), the requirements to obtain SIUP are:

- Application form, including the phone number and the stamp of the company;
- Copy of deed establishment;
- Original and copy of the company approval from the Ministry of Law and Human Rights (3 copies);
- Copy of ID card;
- Copy of NPWP PT;
- Copy of the domicile letter from the Head of Village with the original letter attached for processing;
- Proof of land ownership or lease of premises;
- Map of business location;
- The original balance sheet of the company;
- Passport photo size 3x4 (4 pcs).

The official time to complete this procedure is 3 days and it is implemented in practice.

Procedure 8*. Register with the Ministry of Manpower at the local Manpower Office

Time: 3 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

Although there is no official fee, an unofficial administrative fee may be charged, which usually starts at IDR 150,000.

Procedure 9*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 7 days

Cost: No cost

Comments: According to legal provisions on workers’ social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;

d. The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Denpasar, Bali

Standard company legal form: Limited Liability Company (LLC) - Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,520,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval. Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 2 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 6. Obtain a package licensing system: Location Permit (SITU), business trading license (Surat Izin Usaha Perdagangan, SIUP) and registration certificate (Tanda Daftar Perusahaan, TDP) at Denpasar City Licensing Agency

Time: 3 days

Cost: IDR 850,000 (IDR 500,000 for SITU + IDR 250,000 for SIUP + IDR 100,000 for TDP)

Comments: Based on the Mayor Regulation no.6 of 2010 (enacted on January 28 2010) concerning a single package licensing system, this procedure can be done as one package.

The official fee schedule for SITU, based on Local regulation No. 7 from 2005, is:

- Big Company (start-up capital above IDR 500,000,000): IDR 700,000;
- Middle company (start-up capital above IDR 200,000,000): IDR 500,000;
- Small Company (start-up capital below IDR 200,000,000): IDR 300,000.

The official fee schedule for SIUP, as per local regulation No 13. from 2002, is:

- Big Company (start-up capital above IDR 500,000,000): IDR 500,000;
- Middle company (start-up capital above IDR 200,000,000): IDR 250,000;
- Small Company (start-up capital below IDR 200,000,000): IDR 100,000.

The list of fees for TDP is:

- TDP (Limited Liability Company (PT)): IDR 100,000;
- TDP (Foreign Direct Investment): IDR 250,000;
- TDP (civil partnership/CV or cooperation/Firma) IDR 25,000;
- TDP (sole proprietorship /PO) IDR 10,000;
- TDP (other form of business entities/BUL) IDR 100,000;
- TDP (Cooperative/Koperasi) IDR 5,000;
- TDP (local state owned firm/BUKMD) IDR 50, 000.

The following documents should be attached:

- Application Form with stamp duty of IDR 6,000;
- Copy of NPWP;

- c. Location map;
- d. Balance sheet of company;
- e. Environmental recommendation from technical team;
- f. Copy of the deed of establishment approved by Ministry of Human Rights;
- g. Copy of ID card;
- h. Certificate of business license (only for renewal license);
- i. Copy of certificate of land acquisition and ownership of land;
- j. Photographs.

Procedure 7*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 3 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- a. Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- b. Visit the Jamsostek Office to submit the filled-in form;
- c. Jamsostek official conducts data input to Jamsostek data base;
- d. The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

Procedure 8*. Register with the Ministry of Manpower at the local Manpower Office

Time: 7 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Gorontalo, Gorontalo

Standard company legal form: Limited Liability Company (LLC)– Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,300,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval. Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas- PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- a. The application should be filled no later than 60 days from the date of the deed;
- b. Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- c. Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- d. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- e. The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 2 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 6. Pay the local fiscal charges at the Local Revenue and Asset Management Office (Dinas Pendapatan Pengelolaan Keuangan & Aset Daerah-DPPKAD)

Time: 1 day

Cost: IDR 37,500 (for billboard size of 1x1 square meters)

Comments: This is a pre-requisite for applying for operating licenses. The following documents should be submitted:

- Copy of ID card;
- Receipt of payment of land and building tax;
- Proof of advertisement payment.

Procedure 7. Apply for the location permit (SITU), the permanent business trading license (SIUP) and the certificate of company registration (TDP) at the Licensing office (Kantor Pelayanan Perijinan Terpadu-KPPT)

Time: 2 days

Cost: IDR 835,000 (IDR 500,000 for SIUP + IDR 250,000 for TDP + IDR 75,000 for SITU + IDR 10,000 local fiscal charges)

Comments: This can be done as a package at the Licensing office (Kantor Pelayanan Perijinan Terpadu-KPPT). The following copies of documents should be attached to obtain SITU, SIUP, and TDP:

- Copy of ID card;
- Copy of deed of company establishment;
- Duty stamp IDR 6,000 4 pcs;
- Copy of SITU (only for extension of SIUP & TDP);
- Proof of payment of local fiscal charges;
- Balance sheet of the company (If there is no information regarding this in the deed of establishment).

The applicant submits the complete documents to KPPT and pays the fee. KPPT will verify the documents and will inform the applicant by phone that the applicant can pick up the licenses (SITU, SIUP, and TDP).

The official fee schedule for SIUP based on the local regulation No. 21 of 2001 is:

Company capital IDR 50,000,000- IDR 100,000,000
IDR 150,000

Company capital IDR 150,000,000-IDR 200,000,000
IDR 350,000;

Company capital IDR 200,000,000-IDR 500,000,000
IDR 500,000;

Company capital above IDR 500,000,000
IDR 750,000.

The fee for TDP (PT) is IDR 250,000.

Based on local regulation No. 12 of 2003 concerning SITU, the fee for SITU is IDR 75,000. A new local Regulation No. 10 of 2011 regarding SITU will be implemented by July 2011.

Procedure 8*. Register with the Ministry of Manpower at the local Manpower Office

Time: 2 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official

copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

Procedure 9*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 2 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

*** This procedure can be completed simultaneously with previous procedures.**

STARTING A BUSINESS

Jakarta, DKI Jakarta

Standard company legal form: Limited Liability Company (LLC)- Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Obtain the standard form of the company deed; arrange for a notary electronically; obtain clearance for the Indonesian company's name at the Ministry of Law and Human Rights.

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Justice and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a notary public (because the new computerized system for nontax state

revenue payments may be accessed only by a notary public). The reserved name will be blocked for 60 days. If the founding shareholders are confident that the same name has not been used by another Indonesian company, this procedure is not necessary.

Procedure 2. Notarize company documents before a notary public

Time: 4 days

Cost: IDR 2,526,816 (notary fee)

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: Because the new computerized system for nontax state revenue payments (PNBP)—which has been implemented by the Ministry of Justice and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally easier through the notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a PT is obtained from the information stated in the website of the Legal Entity Administration System (known as SABH (Sistem Administrasi Badan Hukum) (www.sisminbakum.go.id), where it is informed that there is a PBNP fee to be paid for the purpose of company establishment in the amount of IDR 200,000 and to be paid through the Notary.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 7 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Article 9, 10, 29 and 30 Indonesian Company Law No. 40 year 2007, the application for approval of Ministry of Law and Human Rights (the "Ministry of Law") on establishment of company should be able to file electronically by attaching with the certificate of bank account, copy of the relevant bank transmittal advice, NPWP (Tax Registration Number), and Certificate of Company Domicile. The process will be taken as follows:

- The application should be filled at the latest 60 days from the date of establishment deed;
- Since the application has already been fulfilled, the Ministry of Law directly electronically stated no objection on said application. However, if the application is not fulfilled, the Ministry of Law will directly electronically stated his objection on said application;
- Within 30 days from the date of no objection by Ministry of Law, the applicant should submit the original application and supporting documents;
- 7 days after fulfillment of above requirements, Ministry of Law will issue the approval on the establishment of the company;
- Data of company whose establishment has been approved by Ministry of Law (i.e name, domicile, object and purpose, period, and capital) will be inserted into Company Registry;
- The Ministry of Law will announce the establishment of company in Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

The cost of this procedure is based on the Schedule of the Government Regulation Number 38 of 2009 concerning Types and Tariffs on Non-Tax State Revenues Applied in the Department of Law and Human Rights which came into effect on 28 May 2009.

Procedure 5. Apply at the One Stop Service for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the company registration certificate (Tanda Daftar Perusahaan/TDP)

Time: 15 days

Cost: IDR 500,000

Comments: The Surat Izin Usaha Perdagangan (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company (normally the President Director). The Ministry of Industry and Trade, which issues the SIUP for a non facility company, may require a letter of good conduct from the Indonesian police in support of the person in charge of the company. Normally, the following copy of documents should be attached for the application for a SIUP:

- The articles of association (copy);
- An attestation of location and address of the company's offices;
- Identity card of the company President Director;
- Notary deeds.

After reviewing the application, the Municipality passes it to the technical agency at the regional office for cooperatives for further review. It takes 2 days to get the signature of the head of that office as the authority is not delegated. Once the application is back, the SIUP is provided.

Although there is no official charge, there is usually an unofficial administrative fee. Fees depend on negotiation and usually start from IDR 400,000 to 500,000 for a small company, IDR 600,000 to IDR 700,000 for a medium-size company; and IDR 750,000 to IDR 1,000,000 for a large company. The cost is included in procedure 2. SIUP and TDP can be obtained at the One Stop Shop Service, through the Standard Operating Procedure.

Based on Regulation of Ministry of Trading No. 36/M-Dag/PER/9/2007 on Issuing Business Trading License (SIUP), the SIUP will be issued within 3 days of receiving the completed documents but in practice it takes 3-7 days.

Procedure 6. Register with the Ministry of Manpower

Time: 14 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the manpower compulsory report and company regulations with the Ministry of Manpower. Although there is no official fee, there may be an unofficial administrative fee that depends on negotiation and usually starts at IDR 100,000.

Procedure 7*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 7 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million a month to apply for the Workers Social Security Program (Jamsostek), operated by the executing agency. This social security program covers occupational accident security, death security, old age security, and health maintenance.

A company or an individual is not obligated to enroll its employees in the social security program if it offers an independent employee social security program with benefits comparable or better than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28/2002).

Procedure 8*. Obtain a taxpayer registration number (NPPWP) and a VAT collector number (NPPKP)

Time: 1 day (1-2 days)

Cost: No cost

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Jambi, Jambi

Standard company legal form: Limited Liability Company (LLC)– Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,526,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Obtain Domicile Letter for business location from the Head of Village

Time: 3 days

Cost: No cost

Comments: The Domicile letter is designated as controlling instrument for companies operating in Jambi. The letter must be approved by the Head of Village and Sub District office at the advice of the Head of Village. The applicant only needs to bring a copy of the ID card.

Procedure 4. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval. Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 5. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 6. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 2 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

There is no official cost regarding this procedure, but in practice the applicant usually pay the unofficial fee IDR 50,000.

Procedure 7. Apply for location permit (SITU) at the City Planning Office

Time: 7 days

Cost: No cost

Comments: This procedure is required as a prerequisite for SIUP & TDP.

Procedure 8. Apply for the nuisance permit (Hinder Ordinantie- HO), the permanent business trading (SIUP) and the registration certificate (TDP) at the One Stop Shop (Kantor Perizinan Terpadu Satu Pintu, KPTSP)

Time: 7 days

Cost: IDR 120,000 (for HO)

Comments: SIUP, HO & TDP can be arranged as a package at KPTSP. There is no inspection required for the issuance of these 3 licenses. The inspection takes place during the application for location permit (SITU). The following documents should be attached to obtain HO, SIUP & TDP:

- Application form;
- Passport photo size 3x4 (3 pcs);
- Copy of ID card;

- Copy of land ownership (leases the premises);
- Receipt of payment of the land and building tax;
- Copy of deed establishment;
- Letter of no objection from the neighborhood
- Copy of domicile letter;
- Copy of SITU;
- Copy of Nuisance Permit (for SIUP & TDP);
- Copy of NPWP.

Based on local regulation No. 9 of 2005 regarding Nuisance Permit (HO) for trading business and industry, the formula cost to calculate the retribution is: Environmental tariff X Business space area X Location index X Nuisance index.

The classification of environmental tariff index is:

- Big nuisance: IDR 500/square meter;
- Medium nuisance: IDR 400/square meter;
- Small nuisance: IDR 300/square meter.

The classification of nuisance index is:

- Big: 4;
- Medium: 3;
- Small: 2.

The classification of road index is:

- Provincial road: 4;
- City road: 3;
- Local road: 2.

If we assume a business space of 100 square meters, the cost to obtain HO is:

$$= \text{Environmental tariff} \times \text{Business space area} \times \text{Location index} \times \text{Nuisance index}$$

$$= 300 \times 100 \times 2 \times 2 \times 2$$

$$= \text{IDR } 120,000$$

Based on the new regulation of the Ministry of Trade, there is no cost to obtain SIUP & TDP. The fee only applies for the renewal of these licenses. But in practice the applicant still pays a fee of around IDR 500,000-IDR 800,000.

Procedure 9*. Register with the Ministry of Manpower at the local Manpower Office

Time: 11 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

There is no official cost regarding this procedure but in practice, the applicant pays IDR 100,000.

Procedure 10*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 7 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Makassar, South Sulawesi

Standard company legal form: Limited Liability Company (LLC) - Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights.

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 4,020,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Obtain a certificate of company domicile from the Village Office

Time: 1 day

Cost: No cost

Comments: This certificate is issued by the Head of the village (the Lurah) where the company is located or by the building management, if office space is leased. The application form for domicile certificate should be completed with the number and date of the deed of establishment and the name of the notary. A copy of the signed deed of establishment should also be attached.

Although there is no official fee for this certificate, an unofficial administrative fee may be charged. The fee varies from IDR 100,000 to IDR 500,000, depending on the Village Office.

Procedure 4. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval. Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 5. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days from the notice of “no objection” from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 6. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 3 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 7. Obtain the nuisance permit (Hinder Ordinance- HO) at the Licensing Office (Kantor Pelayanan Administrasi Perijinan-KPAP)

Time: 6 days

Cost: IDR 100,000 (100 square meters x 2 (road index) x 1 (nuisance index) x IDR 500/square meter)

Comments: The applicant is required to get a statement of non objection from the neighbors. An inspector will visit the company location the same day or one day after the application is made. The entrepreneur doesn't have to be present to receive the inspection. The cost of the permit depends on the size of the business space and the location. It's stipulated in Local Regulation 6/2004 regarding HO levy. The cost formula is: size of location/office space x road index x nuisance index x IDR 500/square meter.

The following copies of documents should be attached for the application for HO/SITU:

- A letter of information from the Head of Village (Domicile Letter from the Head of Village);
- Copy of ID card;
- Recommendation letter from related technical agency;
- Copy of the deed of establishment;
- Copy of Land and Building Tax;
- Copy of certificate of business location;
- Copy of Construction permit and Map of the Building;
- A statement letter from the applicant stating that the business does not produce a negative impact to the surrounding area;
- Passport photos size 3 x 4 cm (4 pcs).

The applicant will bring the documents to the Licensing office (Kantor Pelayanan Administrasi Perizinan-KPAP) and KPAP will verify the documents. The documents will be processed further in the Local Industry and Trade agency. The process takes place as follows:

- The applicant submits the application form to the Licensing agency (Kantor Pelayanan Administrasi Perizinan-KPAP);
- KPAP will verify the documents within 1 day;
- If the documents are complete, KPAP will bring the complete documents on the same day to the local Ministry of Industry and Trade office for further processing;
- The technical team from the Local Industry and Trade agency (Disperindag) will do the field survey, and the result will be written in the minutes of field observation (Berita Acara Peninjauan Lapangan, BAPL). This process takes usually 4-5 days;
- The field minutes (BAPL) will determine whether the application will be approved or not. If the application is approved, Disperindag will issue a recommendation letter containing the amount of fees to be paid;
- KPAP will inform the applicant by mail or telephone to pay the levy at the Bank which is located in the same area with KPAP;
- After the payment process, Disperindag will bring the recommendation letter to KPAP as a recommendation to issue the license;
- The applicant can pick up the license at KPAP on the same day with the payment process.

Procedure 8. Obtain the permanent business trading license (Surat Izin Usaha Perdagangan-SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) at the Licensing office (Kantor Pelayanan Administrasi Perijinan-KPAP)

Time: 5 days

Cost: No cost

Comments: As per Mayor Regulation 14/2005, the applications for the 2 licenses (SIUP and TDP) can be submitted at the same time. The applicant submits the documents to the licensing office (Kantor Pelayanan Administrasi Perizinan-KPAP), and then

KPAP will do the verification of the documents. After the verification is done by KPAP (1 day), KPAP will bring the documents to the Local Industry and Trade Agency to be processed (3–4 days). After processing and internal communication between KPAP and the Local Industry and Trade Agency, the applicant can return to KPAP and obtain the licenses.

The Surat Izin Usaha Perdagangan (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company. The following copies of documents should be attached to the application for SIUP/TDP:

- Copy of the deed of establishment;
- Copy of ID card;
- Copy of the taxpayer registration number (NPWP);
- Copy of SITU/HO;
- Copy of balance sheet of the company;
- Duty stamp IDR 6,000 (4 pcs);
- Passport photos size 3x4 (3 pcs).

According to the National Law No.28 of 2009, implemented in January 2011 in Makassar, SIUP & TDP are free of charge.

Procedure 9*. Register with the Ministry of Manpower at the local Manpower Office

Time: 1 day

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration. For a company with less than 50 employees, the verification process can be done on the spot.

Although there is no official fee, an unofficial administrative fee may be charged, which is usually between IDR 100,000 and IDR 200,000.

Procedure 10*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 3 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28/2002).

*** This procedure can be completed simultaneously with previous procedures.**

STARTING A BUSINESS

Manado, North Sulawesi

Standard company legal form: Limited Liability Company (LLC)– Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 4,520,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Obtain a certificate of company domicile from the Village Office

Time: 1 day

Cost: No cost

Comments: The certificate of domicile in Manado is known as recommendation letter. It is obtained from the Head of the village (the Lurah) where the company is located. It is a pre-requisite for obtaining a nuisance permit (HO) and a location permit (SITU). The application form for domicile certificate should be completed with the number and date of the deed of establishment and the name of the notary. A copy of the sign deed should also be attached.

An unofficial administrative fee may apply. The fee varies from IDR 200,000 to IDR 500,000, depending on the municipality (Head of village policy).

Procedure 4. Apply for the nuisance permit (Hinder Ordinance, HO) and the location permit (SITU) at the One Stop Shop (Badan Pelayanan Perijinan Terpadu-BP2T)

Time: 4 days

Cost: IDR 355,000 (user charges IDR 300,000 for both permits + administrative costs of IDR 27,500 for each permit)

Comments: The entrepreneur applies for both HO and SITU at the village or sub-district office. There is only one application needed to obtain both permits.

Procedure 5. Pay local / fiscal charges at the Local Revenue Office

Time: 2 days

Cost: IDR 513,281 (billboard minimum one meter IDR 125,781 + cleaning levy for 12 month IDR 360,000 + administration fee IDR 27,500)

Comments: The charges are related to services such as trash collection and advertisement. This procedure is a prerequisite to obtain the local tax identification number (NPWPD), the tax identification number (NPWP), and the business trading license (SIUP).

Procedure 6. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval. Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 7. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 8. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 2 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 9. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) at the One Stop Shop (BP2T)

Time: 3 days

Cost: IDR 1,105,000 (IDR 300,000 for SIUP + IDR 27,500 for administrative fees + IDR 750,000 for TDP + IDR 27,500 administrative fees)

Comments: SIUP and TDP can be arranged as a package, at the same time, with the same Officer, at the One Stop Shop (BP2T) in Manado. The applicant submits two different application forms, along with the required documents. The applicant gets a confirmation receipt and pays the official user charges. After verification, the licenses are issued simultaneously. As per Local Regulation 6/2001 regarding licenses on industry and trade, the maximum time to complete this procedure is 5 days. In practice, the licenses can be obtained in 3 days.

The Surat Izin Usaha Perdagangan (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company. The following copies of documents should be attached to the application for SIUP:

- The articles of association;
- An attestation of location and address of the company's offices;
- The tax registration number;
- The identity card of the company president or director.
- Proof of payment of Local fiscal;
- SITU/HO.

Procedure 10*. Register with the Ministry of Manpower at the local Manpower Office

Time: 1 day

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration. For a company with less than 50 employees, the verification process can be done on the spot.

Although there is no official fee, an unofficial administrative fee (around IDR 200,000) may be charged.

Procedure 11*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 3 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28/2002).

*** This procedure can be completed simultaneously with previous procedures.**

STARTING A BUSINESS

Mataram, West Nusa Tenggara

Standard company legal form: Limited Liability Company (LLC)- Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 4,220,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval.

Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days since the notice of “no objection” from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry’s Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Apply for location permit (Surat Izin Tempat Usaha-SITU) at One Stop Shop (Kantor Pelayanan Perijinan Terpadu-KPPT)

Time: 4 days

Cost: No cost

Comments: Local regulation No. 6 of 2003 governs the SITU process in Mataram. The Letter of Business location permit (SITU) can be obtained from the One Stop Service. SITU is a requirement to obtain the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP). This procedure can be done in 4 days (statutory time limit based on local regulation is 15 days) if the documents are complete. The following documents should be attached:

- Application form;
- Copy of ID card;
- Copy of deed of establishment;
- Map of the business location;
- Proof of payment of tax on land and building (if the company leases the premises, proof of payment by the owner would be required);
- Passport Photo size 3x4 color 2pcs.

Procedure 6. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 2 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 7. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) at the One Stop Shop (KPPT)

Time: 5 days

Cost: No cost

Comments: The Business Trading License (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company. The following copies of documents should be attached to the application for SIUP and TDP:

- Copy of the deed of establishment;
- Map of business location;
- NPWP of the applicant;
- Copy of ID card of the director;
- Passport photo size 4x6;
- Copy of articles association and company approval from Ministry of Law and Human Rights;
- Copy of SITU;
- Copy SIUP (for TDP);
- Application letter with stamp duty (IDR 6,000).

For a new company, the application for SIUP and TDP can be arranged at the same time, with the same officer, at the One Stop Shop Agency (KPPT). The applicant submits the same application form along with the required documents. After verification, the licenses will be issued. This procedure is governed by local regulation No. 3 of 2001 concerning the business trading license and is based on local regulation No. 4 of 2006 concerning the certificate company registry (TDP).

Procedure 8*. Register with the Ministry of Manpower at the local Manpower Office

Time: 4 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

As per new Local Regulation, the official time to obtain the registration in Mataram is 4 days.

Procedure 9*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 1 day

Cost: No cost

Comments: According to legal provisions on workers’ social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn’t pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Medan, North Sumatra

Standard company legal form: *Limited Liability Company (LLC)– Perseroan Terbatas (PT)*

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,125,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval.

Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Obtain Domicile Letter from the Head of Village

Time: 2 days

Cost: No cost

Comments: Based on local Regulation No. 22 of 2002 regarding nuisance permit, this procedure is required as a prerequisite to apply nuisance permit (HO).

Procedure 5. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 6. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 3 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 7. Apply for the nuisance permit (HO) at the Integrated Licensing Agency (Badan Perijinan Pelayanan Terpadu, BPPT)

Time: 5 days

Cost: IDR 191,250

Comments: Based on the local regulation No. 22 of 2002 concerning the nuisance permit (article 1 point 1&2), the following copies of documents should be attached to apply for HO:

- Filled out application form;
- Copy of ID card;
- Passport photos in color size 3x4 (3 pcs);
- Copy of NPWP;
- Copy of the deed of establishment legalized by Kemenhukham;
- Copy of status of the building (lease or owned);
- Copy of proof of payment of land and building tax (PBB) and yearly taxes (SPPT);
- Copy of domicile letter from the Head of Village and letter of no objection from the neighborhood (especially for non industry company).

The cost for HO is based on the formula below:

Environmental tariff x location index x nuisance index x business area x business area index x type of business index x type of building index
 = IDR 425 (mix) x 1 (Environmental city road) x 1 (minor) x 100m² x 2,25 (up to 100) x 1 (trade) x 2 (permanent)
 = IDR 191,250.

Procedure 8. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) at the Integrated Licensing Agency (Badan Perijinan Pelayanan Terpadu, BPPT)

Time: 3 days

Cost: IDR 300,000

Comments: Based on Mayor Regulation No. 6 of 2010 concerning the function of the Integrated Licensing Agency (BPPT), SIUP can be arranged in BPPT. According to the local Regulation No. 10 of 2002 article 7 point 2, the following documents should be attached to apply for SIUP:

- Filled out application form;
- Copy of ID card;
- Passport photo in color size 3x4 (3 pcs);
- Copy of NPWP;
- Copy of nuisance permit legalized;
- The company balance sheet;

- g. Copy of the deed establishment legalized by Kemenhukham.

The list of fees for SIUP is based on the capital of the company:

1. Small SIUP
 - a. IDR 5,000,000 - IDR 50,000,000 = IDR 75,000
 - b. IDR 50,000,000 - IDR 200,000,000 = IDR 150,000
2. Middle SIUP: IDR 300,000
3. Large SIUP: IDR 450,000.

Procedure 9*. Register with the Company Register and obtain a registration certificate (Tanda Daftar Perusahaan, TDP) at the Integrated Licensing Agency (Badan Perijinan Pelayanan Terpadu, BPPT)

Time: 2 days

Cost: IDR 300,000

Comments: Based on local regulation No. 10 of 2002 article 22 (points 4, 5, and 6), the cost for TDP (for PT) is IDR 300,000. The following copies of documents are needed to apply for TDP:

- a. Filled out application form;
- b. Letter of power of attorney if the applicant uses a service company;
- c. Copy of ID card;
- d. Copy of NPWP;
- e. Copy of SIUP;
- f. Copy of nuisance permit (HO) legalized by the related agency;
- g. Copy of the deed of establishment legalized by Kemenhukham.

Procedure 10*. Register with the Ministry of Manpower at the local Manpower Office

Time: 7 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

Procedure 11*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 6 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- a. Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- b. Visit the Jamsostek Office to submit the filled-in form;

- c. Jamsostek official conducts data input to Jamsostek data base;
- d. The applicant receives the company membership certificate.

The membership certificate is mailed to the applicant. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Palangka Raya, Central Kalimantan

Standard company legal form: Limited Liability Company (LLC)- Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

An additional unofficial fee of 500,000 might apply.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 4,020,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval.

Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- a. The application should be filled no later than 60 days from the date of the deed;
- b. Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- c. Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- d. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- e. The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 2 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Although there is no official fee, an unofficial administrative fee of IDR 200,000 may apply.

Procedure 6. Apply for the location permit (SITU), the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP), and the registration certificate (Tanda Daftar Perusahaan, TDP) at the One Stop Shop (KPPT)

Time: 5 days

Cost: No cost

Comments: The applications for SITU, SIUP and TDP can be submitted at the same time, at the same window, and with the same Officer at One Stop Shop (KPPT). Following the application, a field inspection takes place to ensure the location of the company. The entrepreneur doesn't need to be present at the time of inspection. The inspection usually happens on the same day of the application or one day after. Following the inspection, those 3 permits are issued simultaneously.

1. The application form for domicile certificate (SITU) should be accompanied by:

- A copy of the signed deed of establishment;
- A copy of the rental agreement;
- Proof of payment of Land and Building Tax (PBB) by the owner of the place where the company operates;
- Proof of building permit of the place where the company operates;
- The tax registration number (NPWP).

2. The Surat Izin Usaha Perdagangan (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company. The following copies of documents should be attached to the application for SIUP:

- The articles of association;
- An attestation of location and address of the company's offices;
- The tax registration number;
- The identity card of the company president or director.

According to the National Law No. 28 of 2009, in January 2010, the City of Palangkaraya issued a new policy eliminating the fees for SIUP, SITU & TDP. There is no local Regulation governing this new policy. This policy was issued during a coordinating meeting between the related agencies.

Procedure 7*. Register with the Ministry of Manpower at the local Manpower Office

Time: 4 days

Cost: IDR 100,000 (as per Local Regulation)

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

Procedure 8*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 3 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28/2002).

*** This procedure can be completed simultaneously with previous procedures.**

STARTING A BUSINESS

Palembang, South Sumatra

Standard company legal form: Limited Liability Company (LLC)- Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,020,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Obtain a certificate of company domicile from the local municipality

Time: 2 days

Cost: No cost

Comments: This procedure is a pre-requisite for the location permit (SITU), the permanent business trading license (SIUP), and the registration certificate (TDP), which are arranged at the Licensing Office (Kantor Pelayanan Perijinan Terpadu-KPPT). According to Law No. 28 of 2009 and Mayor letter No. 1 of 2011 (enacted in January 2011), there is no longer a fee for this procedure.

Procedure 4. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval.

Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 5. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of “no objection” from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry’s Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 6. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 3 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 7. Obtain a location permit (SITU) from the Licensing office (Kantor Pelayanan Perijinan Terpadu, KPPT)

Time: 3 days

Cost: IDR 300,000

Comments: SITU is a pre-requisite for obtaining the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP).

The following copies of documents should be attached to the application for SITU:

- Copy of ID card;
- Passport photo size 3x4 2 pcs;
- Copy of the deed of establishment;
- Copy of the payment of the land and building tax;
- Recommendation letter from the Head of Sub district;
- Business location map.

The list of fees for SITU for minor nuisance is:

- Type I 25 square meters: IDR 125,000;
- Type II 50 square meters: IDR 200,000;
- Type III 100 square meters: IDR 300,000;
- Type IV 200 square meters: IDR 400,000;
- Type n V 300 square meters: IDR 450,000;
- Type VI 400 square meters: IDR 500,000;
- Type VII >400 square meters: IDR 2,500,000.

Procedure 8. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) at the Licensing office (Kantor Pelayanan Perijinan Terpadu, KPPT)

Time: 5 days

Cost: No cost

Comments: The statutory time limit is 7 days, but usually SIUP and TDP can be obtained in less than 7 days.

The following copies of documents should be attached to the application for SIUP and TDP:

- Application form;
- Copy of ID card;
- Original and copy of the deed of establishment;
- Copy of the approval from the Ministry of Law and Human Rights;
- Original and copy of annulment of the deed of establishment (if any);

f. Original and copy of approval of the deed of establishment;

g. Copy of a taxpayer registration number (NPWP) and SITU;

h. The balance sheet of the company.

According to the new Law No. 28 of 2009 and Mayor letter No. 188.342/002031, enacted in October 2010, there is no fee to apply for SIUP or TDP.

Procedure 9*. Register with the Ministry of Manpower at the local Manpower Office

Time: 2 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

Although there is no official fee, an unofficial administrative fee may be charged, which is usually between 100,000 and 250,000.

Procedure 10*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 4 days

Cost: No cost

Comments: According to legal provisions on workers’ social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Pekanbaru, Riau

Standard company legal form: Limited Liability Company (LLC)– Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 4,520,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval.

Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 2 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the

receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Although there is no official fee, an unofficial administrative fee of IDR 50,000 might apply.

Procedure 6. Obtain a local taxpayer registration number (NPWPD) and pay local/fiscal charges at the Local Revenue Office

Time: 1 day

Cost: IDR 77,000

Comments: The applicant brings a proof of payment of the land and building taxes (PBB) for the last 2 years and pays the billboard tax. This procedure is governed by a local regulation which mandates that every company must have a billboard complete with the company address. The documents needed to apply are:

- Copy of ID card;
- The deed of company establishment;
- Proof of payment of land and building tax;
- Copy of lease of the building.

Procedure 7. Obtain a location permit (SITU) from the Integrated Service Agency (BPT)

Time: 2 days

Cost: IDR 750,000 (see comments)

Comments: As per Local Regulation 7/2000 concerning location permit (Surat Izin Tempat Usaha-SITU), and according to Instruction of Mayor No. 503 of 2002, the applicant should submit, along with the official application form, the following documents:

- Location map;
- Land Certificate;
- Agreement/approval letter of the land/building owner and/or leasing agreement between land/building owner and the applicant (if the land/building doesn't belong to the applicant);
- Proof of payment of tax on land and building (if the company leases the premises, proof of payment by the owner would be required);
- Letter issued by the local Fire Department office;
- Commercial tax on billboards (local fiscal charges), which is mandatory for all companies;
- Copy of deed of company establishment;
- Copy of ID card;
- Passport photos size 3x4 (2 pcs).

As per new regulation from May 2009, the statutory time limit to obtain SITU is 5 days, but practically it can be done within 2-3 days. An inspection of the premises, following the application, is mandatory for all new buildings. The entrepreneur does not have to be present during the inspection since this is only for address verification. The inspection done as randomly, especially for the company which is not includes the complete address.

The payment for SITU is done at a bank counter located at the Integrated Service Agency. The formula to calculate the cost is specified in article 11 (2), point b, as follows: (business area) x (tariff) x (location index).

1. Business area:

- For a business area of 1 to 100 square meters, the official fee is IDR 7,500;

- b. For a business area of 101to 200 square meters, the official fee is IDR 10,000;
- c. For a business area above 200 square meters, the official fee is IDR 20,000;
- d. Any additional square meter costs IDR 200.

2. Location index:

- a. For a road width of 6 meters, the location index is 1;
- b. For a road width of 6 to 12 meters, the location index is 1.5;
- c. For a road width above 12 meters, the location index is 2.

For a company with a business space of 100 square meters, the cost for SITU is $100 \times \text{IDR } 7,500 \times 1 = \text{IDR } 750,000$.

Procedure 8. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) at the Integrated Service Agency (BPT)

Time: 4 days

Cost: No cost

Comments: SIUP and TDP can be arranged as a package, at the same time, with the same Officer at the Integrated Service Agency (BPT). The applicant submits two different application forms, along with the required documentation, gets a confirmation receipt, and pays the official user charges. After verification, the licenses are issued. Payment for SIUP and TDP is done at the bank counter located inside the BPT office.

1. The Surat Izin Usaha Perdagangan (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company. The following copies of documents should be attached to the application for SIUP:

- a. The articles of association;
- b. An attestation of location and address of the company's offices (location permit- SITU);
- c. The tax registration number;
- d. The identity card of the company president or director;
- e. The ministerial decree on the legalization of the business entity.

According to the Law No. 28 of 2009, since January 2011, in Pekanbaru, SIUP & TDP are issued free of charge. This new policy was determined during a coordinating meeting of all related agencies in Pekanbaru. There is no local regulation governing this new policy, the annulment of the previous regulation is still under way.

Procedure 9*. Register with the Ministry of Manpower at the local Manpower Office

Time: 1 day

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration. For a company with less than 50 employees, the verification process can be done on the spot.

Although there is no official fee, an unofficial administrative fee may be charged, which is usually between IDR 50,000 and IDR 500,000. The fee can depend on the number of pages in the Working Contract (KK) and in the Standard of Procedures (SOP) of the company.

Procedure 10*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 1 day

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- a. Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- b. Visit the Jamsostek Office to submit the filled-in form;
- c. Jamsostek official conducts data input to Jamsostek data base;
- d. The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 76 /2007).

*** This procedure can be completed simultaneously with previous procedures.**

STARTING A BUSINESS

Pontianak, West Kalimantan

Standard company legal form: Limited Liability Company (LLC) - Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of as-

sociation. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,000,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval.

Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Obtain the location permit (SITU) at the One Stop Shop (Badan Pelayanan Perijinan Terpadu-BP2T)

Time: 10 days

Cost: No cost

Comments: The location permit (Surat Izin Tempat Usaha-SITU) is required for a company which has no direct impact to the surrounding environment. The following copies of documents should be attached to the application for SITU:

- a. Copy of ID card;
- b. Passport photos in color size 3x4 (3 pieces);
- c. Original and copies of proof of payment of land and building tax;
- d. Copy of land ownership/lease of the premises;
- e. Copy of IMB (if the company owned the business space);

- f. Copy of deed of establishment;
- g. Map of location.

Based on Mayor Regulation No. 469 of 2011, concerning this procedure and the mechanism for the business licensing process in Pontianak, and based on local Regulation No. 10 of 1989 concerning SITU, the detail process is as follows:

- a. The applicant fills in the application form and submits the complete documentation to the BP2T counter;
- b. The documents will be verified by BP2T together with the technical team;
- c. If the documents are complete and the permit is approved, BP2T will print the license and the applicant can obtain the license at the counter of BP2T.

Based on the Mayor regulation, the time to complete this procedure is 10 days.

Procedure 5. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- a. The application should be filled no later than 60 days from the date of the deed;
- b. Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- c. Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- d. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- e. The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 6. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 2 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 7. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) at the One Stop Shop (Badan Pelayanan Perijinan Terpadu-BP2T)

Time: 7 days

Cost: No cost

Comments: The Surat Izin Usaha Perdagangan (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company. Based on the Local Regulation No. 21 of 2002 concerning SIUP and Mayor Regulation No. 62 of 2005 concerning the licensing process in Pontianak, the following copies of documents should be attached to the application for SIUP:

- a. Copy of ID card;
- b. Passport photos in color size 3x4, (4 pcs);
- c. Copy of NPWP;
- d. Copy of the deed of establishment;
- e. Copy of SITU/HO;
- f. Copy of the Company approval from the Ministry of Law and Human Rights;
- g. Copy of the receipt payment of PNBP.

The process will take place as follows:

- a. The applicant fills in the application form and submits the complete documents to the BP2T;
- b. BP2T will verify the documents;
- c. The complete documents will be further processed by the licensing service sector and the technical team. The team will conduct the field survey and the result will be discussed to determine whether the license can be issued or not;
- d. BP2T will print the license and will be signed by the Head of BP2T;
- e. The applicant obtains the document at the counter of BP2T.

According to the national law and Mayor Regulation No. 469 of 2011, enacted in June 2011, there is no fee to apply for SIUP.

Procedure 8*. Apply for the registration certificate (Tanda Daftar Perusahaan, TDP) at the One Stop Shop (Badan Pelayanan Perijinan Terpadu-BP2T)

Time: 7 days

Cost: No cost

Comments: To obtain a TDP certificate, the following copies of documents should be attached:

- a. Copy of ID card;
- b. Passport photos in color size 3x4 (4 pcs);
- c. Copy of NPWP;

- d. Copy of the deed of establishment;
- e. Copy of SITU/HO;
- f. The amendment of the company (if there is a change);
- g. Copy of the Company approval from the Ministry of Law and Human Rights.

The application process is similar to obtain the SIUP (see above).

Procedure 9*. Register with the Ministry of Manpower at the local Manpower Office

Time: 3 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

The statutory time limit for this procedure is 30 days. Although there is no official fee for this procedure, the applicant usually pays around IDR 200,000.

Procedure 10*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 7 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- a. Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- b. Visit the Jamsostek Office to submit the filled-in form;
- c. Jamsostek official conducts data input to Jamsostek data base;
- d. The applicant receives the company membership certificate.

The membership certificate will be mailed to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 76/2007).

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Semarang, Central Java

Standard company legal form: Limited Liability Company (LLC)– Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,520,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval.

Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 2 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the

receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

There is no official fee but in practice, unofficial fees may apply (around IDR 50,000).

Procedure 6. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) at the One Stop Shop (Badan Pelayanan Perijinan Terpadu, BPPT)

Time: 3 days

Cost: No cost

Comments: The Surat Izin Usaha Perdagangan (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company. Based on Local Regulation No. 6 of 2009 regarding SIUP, the following copies of documents should be attached to the application for SIUP:

- Proof of payment of PNBP;
- An attestation of location and address of the company's offices made by the entrepreneurs;
- Photo of the Director size 3x4 ;
- The identity card of the company president or director.

Procedure 7*. Register with the Company Register (Department of Trade) and obtain a registration certificate (Tanda Daftar Perusahaan, TDP) at the One Stop Shop (BPPT)

Time: 3 days

Cost: No cost

Comments: To obtain a TDP certificate, the application has to be accompanied by:

- Proof of company legal status;
- Deed of establishment;
- Business permanent license (SIUP).

SIUP & TDP can be submitted at the same time, but SIUP will be processed first, and will be followed by TDP, because SIUP is pre requisite to obtain TDP.

Procedure 8*. Register with the Ministry of Manpower at the local Manpower Office

Time: 3 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report at the local Manpower and Transmigration (Disnakertrans) office, in accordance to Mayor's Regulation- SPM. The applicant gets a receipt of document submission. The office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

Procedure 9*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 3 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes 1 day. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 78/2007).

*** This procedure can be completed simultaneously with previous procedures.**

STARTING A BUSINESS

Surabaya, East Java

Standard company legal form: Limited Liability Company (LLC) - Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 4,520,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval.

Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days of the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;

- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 3 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

In practice, unofficial fees may apply and range from IDR 50,000 to IDR 300,000 specifically for the technical surveyor.

Procedure 6. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) at the City Agency of Trade and Industry Affairs

Time: 3 days

Cost: No cost

Comments: The Surat Izin Usaha Perdagangan (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company. The following documents should be attached (based on local regulation No. 1 of 2010, enacted in April 2010):

- Copy of ID card;
- An attestation from the applicant (stamp duty IDR 6,000) regarding the business area;
- Copy of the deed of company establishment;
- Passport photo size 3 x 4 cm (2 pieces);
- Copy of NPWP.

Based on Mayor Regulation No. 35 of 2010 and Local regulation No.1 of 2010, SIUP for middle size company is obtained at the Industry and Trade Office. Only small companies (below IDR 50,000,000) can apply at the One Stop Shop (Unit Pelayanan Terpadu Satu Pintu, UPTSA).

Procedure 7*. Obtain Registration Certificate (Tanda Daftar Perusahaan/ TDP) at the City Agency of the Trade and Industry Affairs

Time: 3 days

Cost: No cost

Comments: TDP cannot be applied for at the same time as SIUP because SIUP is a pre-requisite for TDP. The following documents should be attached:

- Copy of deed of establishment;
- Copy of ID card;
- Copy of technical permit related the business;
- Copy of NPWP;
- Copy of SIUP.

Based on Mayor Regulation No. 35 of 2010 concerning the business services industry and the trade sector, it is mandatory to register the company no later than 3 month after the business operations started. According to the Decree, TDP for a middle size company is obtained from the Trade and Industry office and not the One Stop Shop (UPTSA).

Procedure 8*. Register with the Ministry of Manpower at the local Manpower Office

Time: 7 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

Procedure 9*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 3 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28/2002).

*** This procedure can be completed simultaneously with previous procedures.**

STARTING A BUSINESS

Surakarta, Central Java

Standard company legal form: Limited Liability Company (LLC)- Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,520,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval. Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- The application should be filled no later than 60 days from the date of the deed;
- Within 30 days since the notice of "no objection" from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 3 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 6. Apply for the nuisance permit (Hinder Ordinantie- HO), the permanent business trading license (Surat Izin Usaha Perdagangan- SIUP), and the registration certificate (Tanda Daftar Perusahaan- TDP) at the One Stop Shop (KPPT)

Time: 6 days

Cost: IDR 200,000 (for HO)

Comments: HO, SIUP and TDP can be arranged as a package, at the same time, with the same Officer, at the One Stop Shop (KPPT). The applicant submits different application forms, along with the required documents, gets a confirmation receipt, and pays the official user charges. After verification, the licenses are issued. A provincial regulation establishes a 7 days' time limit for issuance of licenses.

1. HO: the applicant is required to get a statement of non objection from the neighbors. After the submission of all required documents, the One Stop Shop (OSS) Officer verifies the documents. OSS coordinates internally with the technical agency (Planning Agency) to conduct a field inspection to verify the company address. The inspection usually happens 2 days after the receipt of the application. The entrepreneur presence during the inspection is not needed. The inspection team will recommend to OSS management whether to approve or reject the application. The official cost is calculated based on several factors such as: office space, company scale, and business location.

2. The Surat Izin Usaha Perdagangan (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company. The following copies of documents should be attached to the application for SIUP:

- The articles of association;
- An attestation of location and address of the company's offices;
- The tax registration number;
- The identity card of the company president or director.

Based on the Letter of Secretary of Surakarta City No. 974/364, there is no fee for obtaining SIUP and TDP.

Procedure 7*. Register with the Ministry of Manpower at the local Manpower Office

Time: 3 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by

filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

Although there is no official fee, an unofficial administrative fee may be charged, which is usually between IDR 50,000 and IDR 100,000.

Procedure 8*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 3 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- Visit the Jamsostek Office to submit the filled-in form;
- Jamsostek official conducts data input to Jamsostek data base;
- The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

* This procedure can be completed simultaneously with previous procedures.

STARTING A BUSINESS

Yogyakarta, DI Yogyakarta

Standard company legal form: Limited Liability Company (LLC)– Perseroan Terbatas (PT)

Paid-in minimum capital requirement: IDR 12,500,000 = USD 1,201

Data as of: July 2011

Procedure 1. Arrange for a notary; obtain the standard form of the company deed; obtain clearance for the company name electronically from the Ministry of Law and Human Rights

Time: 4 days

Cost: IDR 200,000 (name clearance and reservation)

Comments: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and articles of association. Because the process must be done through a computerized processing system, the reservation and clearance must be done by a public notary (the new computerized system for nontax state revenue payments may be accessed only by a public notary). Upon payment and verification, the applicant receives an online notification (via email) with the cleared company name. The reserved name will be blocked for 60 days.

Based on the Government Regulation Number 38 of 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, the fee for this procedure is IDR 200,000.

Procedure 2. Notarize company documents before a notary public

Time: 1 day

Cost: IDR 3,020,000 (notary fee)

Comments: Once the notary gets the company name approval from the Ministry of Law and Human Rights, the founders can sign the deed of establishment. Standard articles of association are available at the notary office.

The notary fees associated with this procedure cover the following services: name check, deed drafting and approval, and payment of non tax state revenue (PNBP) fees. Commonly, local notary associations set the scale of notary fees. In practice, the fee depends on the agreement between notary and client.

The costs for accessing the Electronic Administration System of Legal Status (SABH), name checking, and PNBP are counted separately.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a Bank

Time: 1 day

Cost: No cost

Comments: This payment is for name clearances and company approval.

Because the new computerized system for non-tax state revenue payments (PNBP)—which has been implemented by the Ministry of Law and Human Rights—may be accessed only by a notary public, payment for registering or establishing a company is normally done through a notary.

The requirement to pay the non-tax state revenue (PNBP) fee for legal services in relation to the establishment of a small company (Perseroan Terbatas-PT) is based on Government Regulation No. 38 of 2009 concerning types and tariffs on non-tax state revenues replacing the previous regulation which is regulation No. 19 of 2007.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment

Time: 14 days

Cost: IDR 1,580,000 (IDR 1,000,000 for validation of company as legal entity + IDR 30,000 for publication in the State Gazette, BNRI + IDR 550,000 for publication in the Supplement to the State Gazette, TBNRI)

Comments: Based on Articles 9, 10, 29 and 30 of the Indonesian Company Law No. 40/ 2007, the public notary preparing the company deed of establishment must electronically file the required documents with the Ministry of Law and Human Rights. The process will take place as follows:

- a. The application should be filled no later than 60 days from the date of the deed;
- b. Within 30 days of the notice of “no objection” from the Ministry of Law and Human Rights, the original application and supporting documents should be submitted;
- c. Seven days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
- d. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
- e. The Ministry of Law and Human Rights will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

By virtue of Government Regulation 38/ 2009 (enacted on May 28, 2009 and entered into force on June 3, 2009) regarding the Non Tax State Revenue for the Ministry of Law and Human Rights, a new schedule of official fees was enforced for the establishment of a domestic limited liability company (PT).

Delays depend on the workload of the Ministry and on the approved courier service used by the Ministry to deliver its approval to the notary. The process usually takes 7 days for processing and approximately 7 days for courier service. There is improvement in quality of courier service, by using Pos or TIKI express services now the process to deliver the documents is faster within 4-7 days.

Procedure 5. Obtain a taxpayer registration number (NPWP) and a Value Added Tax (VAT) collector number (NPPKP) from the local Tax Office

Time: 2 days

Cost: No cost

Comments: Maximum one month from the start of business operations, the company must register with the Tax Office. The company must also obtain a VAT collector number (NPPKP) if it anticipates annual revenue of more than IDR 600 million from the sales of goods and services. The company domicile certificate, articles of association, and identity cards of the directors must be submitted to obtain the tax numbers. NPWP and NPPKP can be arranged simultaneously in one package. The applicant submits the required documents to the Tax Office and gets the receipt of application. The Tax Officer will inform the applicant when the NPWP and NPPKP cards are ready for pick up.

The NPWP application can also be arranged on-line but the applicant still needs to provide hard copies of documents and visit the Tax Office to pick up the NPWP Card. Most applicants visit the Tax Office in person.

Procedure 6. Apply for the nuisance permit (Hinder Ordinantie, HO), the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP), and the registration certificate (Tanda Daftar Perusahaan, TDP) at the Licensing Agency (One Stop Shop)

Time: 5 days

Cost: IDR 166,000 (for HO- see comments)

Comments: The applications for HO, SIUP and TDP can be submitted at the same time, at the same window, with the same Officer at the Licensing Agency (One Stop Shop).

1. The Surat Izin Usaha Perdagangan (SIUP) constitutes the business license for a non-facility company engaging in trading business. The SIUP contains details about the company activities and the person in charge of the company. The following copies of documents should be attached to the application for SIUP:

- a. Copy of ID card;
- b. Copy of the nuisance permit (HO);
- c. The balance sheet of the company;
- d. Copy of Taxpayer number (NPWP);
- e. Copy of the deed of establishment;
- f. Copy of technical license (for TDP);
- g. Power of attorney must be enclosed if the applicant cannot apply on his own.

According to the National Law No. 28 of 2009 and as per Local Regulation 5/2009 regarding “User Charges for SIUP/ TDP”, there is no official fee to obtain SIUP and TDP. An official charge is implemented only for extension of SIUP and TDP.

2. As per local Regulation No. 2 of 2005, HO is required for any type of business except for companies located in special designated areas such as traditional markets. Based on Local Regulation 7/1999, concerning levy of HO, the component costs for HO are:

- a. Environmental index;
- b. Location index;
- c. Index on the size of disturbance;
- d. The businesses space area.

Based on Decree of Mayor No. 37 of 2011, enacted on 12th of May 2011, the nuisance permit (HO) can be arranged as a package with SIUP and TDP. The following copies of documents should be attached to the application for HO:

- a. Copy of ID card;
- b. Map of the business space and business location;
- c. Field survey (exception for the small nuisance);
- d. Copy of the deed of establishment;
- e. A letter of no objection from the owner of the building or the leasing agreement if the company leases the building.

The schedule of fess for the business space tariff is:

1. Businesses space up to 100 square meters = IDR 2,000/ square meter;
2. Businesses space more than 100 square meters = imposed tariffs as stated above, plus multiplication of the tariff over the rest of the business surface, as follows:

- a. above 100 square meters and up to 500 square meters = IDR 1,500/ square meter;
- b. above 500 square meters and up to 1,000 square meters = IDR 1,000/ square meter;
- c. above 1000 square meters = IDR 500/ square meter.

The schedule of fees for the three indexes is:

- A. Environmental Index (weight 30%):
 - a. Special area: 1.2;
 - b. Education area: 1.1;
 - c. Settlement area: 1.0;
 - d. Office area: 0.9;
 - e. Trade/Tourism area: 0.8;
- B. Location Index (weight 20%):
 - a. Street Environment: 1.2;
 - b. Local Road: 1.0;
 - c. Collector Road: 0.9;
 - d. Arterial Road: 0.8;
- C. Interference Index (weight 50%):

- a. Large: 1.2;
- b. Medium: 1.0;
- c. Minor: 0.8.

To calculate the cost for HO:

Business space X Tariff X ((Environmental Index X weighted environmental index 0.3 + Location Index X weighted location index 0.2 + Interference Index X weighted interference index 0.5) =

100 X 2000 X (0.9 (office space) x 0.3 + 0.8 (arterial road) x 0.2 + 0.8 (Minor) x 0.5) = IDR 166,000

Procedure 7*. Register with the Ministry of Manpower at the local Manpower Office

Time: 6 days

Cost: No cost

Comments: According to Law No. 13/2003, companies with more than 10 workers or a monthly payroll of IDR 1 million must register with the Ministry of Manpower. This procedure can be completed concurrently with other post-registration procedures by filing the compulsory report with the local office of the Ministry of Manpower. The applicant gets a receipt of document submission. The Manpower office conducts a verification process and issues an official copy of the registration to the applicant. The applicant returns to the office to pick up the official copy of the registration.

As per new Local Regulation, the official time to obtain the registration in Yogyakarta is 6 days.

Procedure 8*. Apply for the Workers Social Security Program (Jamsostek Program)

Time: 3 days

Cost: No cost

Comments: According to legal provisions on workers' social security (Law No. 3/1992), it is mandatory for every company or individual employing 10 workers or more or generating a monthly payroll of at least IDR 1 million to apply for the Workers Social Security Program (Jamsostek). This social security program covers occupational accidents, death, old age, and health security. It is arranged after the company starts to recruit workers.

Arranging for Jamsostek is the same for all Indonesian locations:

- a. Fill out the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
- b. Visit the Jamsostek Office to submit the filled-in form;
- c. Jamsostek official conducts data input to Jamsostek data base;
- d. The applicant receives the company membership certificate.

From submitting the application form until obtaining the membership certificate it usually takes between 1 and 3 days. In practice, if the company doesn't pick up the certificate, the local Jamsostek Office will mail it to the applicant no later than 7 days from the date of the application. In 30 days, the company should pay the first insurance premium. Having received the first payment, the Jamsostek Office will issue membership certificates for each employee.

A company is not obliged to enroll its employees in the Jamsostek social security program if it offers an independent social security program to its employees, with comparable or better benefits than those offered by the Package of Basic Health Maintenance Security (according to Government Regulation No. 14/1993, as amended by Government Regulation No. 28 /2002).

* This procedure can be completed simultaneously with previous procedures.

LIST OF PROCEDURES

DEALING WITH CONSTRUCTION PERMITS

Balikpapan, East Kalimantan

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Request Principal Permit (Izin Prinsip) from Balikpapan one-stop shop (Badan Penanaman Modal dan Pelayanan Perizinan Terpadu / BPMP2T)

Time: 1 day

Cost: No cost

Comments: In order to obtain the Principal Permit, BuildCo must submit the following documents to the Balikpapan one-stop shop:

- Application form;
- Project proposal;
- Copy of land certificate;
- Copy of identity card of directors and company establishment deeds;
- Copy of Taxpayer registration number (NPWP).

Procedure 2. Receive inspection from Balikpapan one-stop shop (Badan Penanaman Modal dan Perizinan Terpadu)

Time: 1 day

Cost: No cost

Comments: This inspection is conducted jointly by several agencies. Such agencies include: One-stop shop (BPMP2T), local City Planning (BAPPEDA), local Environmental Agency, City Planning Agency, local Civil Works Agency, local Transportation Office (Dinas perhubungan), local Land Office (BPN), Fire Agency, Public Health Agency and Sub-district staff and Head of Village staff.

Procedure 3. Obtain Principal Permit from Balikpapan one-stop shop (Badan Penanaman Modal dan Perizinan Terpadu)

Time: 15 days

Cost: No cost

Comments: After the inspection, the inspecting team prepares a report with recommendations for approval and submits it to the one-stop shop. The one-stop shop receives the report and prepares the permit. After the reports are ready, BuildCo receives a notification letter/call with an invitation to visit the one-stop shop to collect the permit.

Procedure 4. Obtain Building Construction Permit (IMB) from Balikpapan one-stop shop (Badan Penanaman Modal dan Perizinan Terpadu)

Time: 15 days

Cost: IDR 9,363,057 (Floor size coefficient x building storey coefficient x building usage coefficient x building construction coefficient x base valuation)

Comments: In order to apply for the Building Construction Permit, BuildCo must submit an application to the one-stop shop along with the following documents:

- Principal permit, obtained from Balikpapan one-stop shop;
- Photocopy of identification card of the applicant;
- Structural calculations;

- Design drawings in 1:50, 1:100, and 1:200 scale (which include: site plan, side projection, cut projection, foundation drawings, foundation details, roof drawings, and landscape drawings).

The one-stop shop reviews the documents submitted and distributes them to the other agencies involved. More specifically: the City Planning Agency registers the application and evaluates the documents; the Sub-Agency of Construction Control assesses the structure, recommends the building ratio to land (in size and number of storeys), draws the voids, and, if necessary, carries out an additional inspection; the Sub-Agency of Zoning reviews the location clearance, makes the landscaping, plots the map and prepares its recommendation. Once the process is completed the agencies send their feedback to Balikpapan one-stop shop (BPMPPT) that signs the permit. Under the coordination of the one-stop shop, the City Planning Agency calculates the fees that have to be paid in order to obtain the permit. BuildCo pays the fees and collects the permit directly at the Balikpapan one-stop shop.

Procedure 5. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 11 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 6. Register the warehouse with Balikpapan one-stop shop (Badan Penanaman Modal dan Perizinan Terpadu)

Time: 9 days

Cost: No cost

Comments: In order to register the warehouse, BuildCo must submit the following documents to the Balikpapan one-stop shop:

- Permanent Business Trading License (SUIP);
- Company Registration (TDP);
- Warehouse Inventory Report, prepared by BuildCo.

Procedure 7*. Request and connect to water and sewage with PDAM

Time: 7 days

Cost: IDR 7,000,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 8*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 4 days

Cost: IDR 500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Banda Aceh, Aceh Province

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Verify land ownership with the Head of the Village (Geuchik)

Time: 1 day

Cost: No cost

Comments: The tsunami of 2004 has modified the landscape making it impossible to determine the borders of each property. Because of this, in order to be able to obtain the Construction Permit (IMB), BuildCo needs to verify the ownership of the plot of land with the Head of the Village (Geuchik).

In order to verify the ownership of the plot, BuildCo has to submit the following documents to the Head of the Village:

- Photocopy of the Land Ownership Certificate;
- Photocopy of the applicant's identity card;
- Building Permit application form, obtained from the Banda Aceh one-stop shop (KPPTSP).

After verifying that the land belongs to BuildCo, the Head of the Village signs the application for the building permit and returns it to BuildCo.

Procedure 2. Verify land ownership with the Head of the Sub-district (Camat)

Time: 1 day

Cost: No cost

Comments: The tsunami of 2004 has modified the landscape making it impossible to determine the borders of each property. Because of this, in order to be able to obtain the construction permit (IMB), BuildCo needs to verify the ownership of the plot of land with the Head of the Sub-district (Camat).

In order to verify the ownership of the plot, BuildCo has to submit the following documents to the Head of the Sub-district:

- Photocopy of the Land Ownership Certificate;
- Photocopy of the applicant's identity Card;
- Building Permit application form, obtained from the Banda Aceh one-stop shop (KPPTSP).

After verifying that the land belongs to BuildCo, the Head of the Sub-district signs the application for the building permit and returns it to BuildCo.

Procedure 3. Request Building Construction Permit (IMB) from Banda Aceh one-stop shop (KPPTSP)

Time: 1 day

Cost: No cost

Comments: In order to obtain the Building Construction Permit, BuildCo must submit the following documents to Banda Aceh one-stop shop:

- Completed application form (obtained from KPPTSP), signed by Head of the Village (Geuchik) and the Head of the Sub-district (Camat);
- Photocopy of the applicant's identity card;
- Photocopy of Land Ownership Certificate;
- Statement indicating that the warehouse owner might give up the ownership of part of the land if it overlaps with road expansion plans (specifically for commercial buildings);
- Site plan of the building and technical specifications, prepared by BuildCo's architect.

After the Banda Aceh one-stop shop receives all the documents required, the application is registered and forwarded to the Civil Works Agency. The Civil Works Agency coordinates with the local Office of the National Land Board for the location clearances and carries out the necessary internal verifications.

Procedure 4. Receive inspection by Civil Works Agency

Time: 1 day

Cost: No cost

Comments: A technical team composed by representatives of the different agencies (Transportation Agency, Banda Aceh one-stop shop, Local Environment Control Agency, Civil Service) lead by a representative of the Civil Works Agency carries out an inspection on the future building site. The inspection aims at evaluating the area mentioned in the application, measuring the future building site and confirming its conditions. The presence of BuildCo representatives is necessary during the inspection.

Procedure 5. Obtain Building Construction Permit (IMB) from Banda Aceh one-stop shop (KPPTSP)

Time: 22 days

Cost: IDR 15,851,063 [(tariff for first floor: IDR 9,750 multiplied by area of first floor) + (tariff for second floor: IDR 14,625, multiplied by area of second floor)]

Comments: After the inspection has taken place, the Agency personnel evaluate the application, confirm its adherence to the zoning requirements and existing or planned roads, and prepare Advis Planning and Border Clearance Statement (KSB). If the application is approved, the Civil Works Agency forwards the Advis Planning and Border Clearance Statement to the Banda Aceh one-stop shop. Based on the Advis Planning and the Border Clearance Statement, and considering the size and type of building, the Banda Aceh one-stop shop calculates the fees to be paid for the building construction permit. After the fees have been paid by BuildCo, the Banda Aceh Mayor's Office signs the building permit. The permit is filed by the Banda Aceh one-stop shop and collected by BuildCo. Together with the Building Construction Permit, BuildCo receives the following documents:

- Advis Planning and Border Clearance Statement;
- Spatial approval;
- Road clearances.

Procedure 6. Obtain official report on completion of construction and compliance with building permit from City Works Agency (Dinas Tata Kota, DTK)

Time: 7 days

Cost: No cost

Procedure 7. Obtain warehouse license with local Industry and Trade Agency (Disperindag)

Time: 1 day

Cost: No cost

Comments: In order to obtain the warehouse license from the local Industry and Trade Agency, BuildCo needs to submit the following documents to the local Industry and Trade Agency:

- Building Construction Permit (IMB);
- Official report on completion of construction and compliance with the building permit.

Procedure 8. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 4 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 9*. Request and connect to water and sewage with PDAM

Time: 7 days

Cost: IDR 1,500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 10*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 5 days

Cost: IDR 500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Bandung, West Java

Warehouse value: IDR 4,552,100,000 = USD 437,498

Data as of: July 2011

Procedure 1. Request Building Construction Permit (IMB) from the Bandung one-stop shop (Badan Pelayanan Perijinan Terpadu, BPPT)

Time: 1 day

Cost: No cost

Comments: In order to obtain the Building Construction Permit (IMB), BuildCo must submit the following documents to the Bandung one-stop shop:

- Application form, duly filled;
- Photocopy of land ownership certificate;
- Copy of company articles of association and establishment deed;
- Technical drawing of the warehouse with scale 1 : 100 (4 copies);
- Technical drawing and steel construction calculation if the warehouse is more than 1 floor (2 copies);
- Technical plan/drawing of electrical, clean water, and sewerage system;
- Photocopy of identity card of the applicant;
- Property tax receipt of the latest year;
- Supporting documents: Permanent Business Trading License (SIUP), Company Registration (TDP), and Construction Business License (SIUJK).

Depending on the case, some additional documents may be required:

- Statement/agreement letter for land use (if applicant is not the owner of the land);

- Authorization letter (if applicant is renting the property);

- License to use the land (IPPT, Izin Prinsip Peruntukan Tanah: required if the project is not in line with the City masterplan).

Once all documents have been submitted to the Bandung one-stop shop (BPMPPPT), the officer in charge checks completeness of the documents and registers the application.

Procedure 2. Receive inspection from Zoning (Dinas Tata Ruang) and Construction Control Agency (Cipta Karya)

Time: 1 day

Cost: No cost

Comments: Officers from the Zoning and Construction Control Agencies (Dinas Tata Ruang dan Cipta Karya, Distarcip) inspect the site in order to gather the necessary data, such as, for instance the location of the border. Representatives of BuildCo must be present during the inspection in order to show the borders of the plot and sign the inspection minutes.

Procedure 3. Make payment for Building Construction Permit at Bank Jabar Banten (BJB)

Time: 1 day

Cost: No cost

Comments: BuildCo carries out the payment after receiving a notification by Bandung one-stop shop (BPPT). After paying the relevant fees, BuildCo receives a payment receipt that must be submitted at Bandung one-stop shop (BPPT) in order to obtain the Building Construction Permit.

The relevant laws that apply to this procedure are the following:

- Local regulation No. 14/1998 on building permits;
- Local regulation No. 24/1998 on construction permit retribution;
- Mayor Decree No. 640/Kep.554-Huk/2004 on building base tariff.

Procedure 4. Obtain Building Construction Permit (IMB) from the Bandung one-stop shop (Badan Pelayanan Perijinan Terpadu, BPPT)

Time: 16 days

Cost: IDR 15,594,194 (building size x base tariff of 1,100,000 x coefficient 1.09 x 1%)

Comments: After paying the relevant fees at the Bank Jabar Banten (BJB), BuildCo submits the receipt of payment to the Bandung one-stop shop (BPPT) and obtains the Building Construction Permit (IMB). The statutory time for the Bandung one-stop shop to issue the Building Construction Permit is 12 working days.

Procedure 5. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 11 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;

- c. Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 6. Request the registration of the warehouse with Bandung one-stop shop (Badan Pelayanan Perijinan Terpadu, BPPT)

Time: 1 day

Cost: No cost

Comments: In order to register the warehouse, BuildCo must submit the following documents to the Bandung one-stop shop (BPMPTT):

- Application form, duly filled;
- Site location map of the warehouse, prepared by BuildCo;
- Photocopy of applicant identity card;
- Trading license (SIUP);
- Company registration license (TDP);
- Tax Registration Number of Applicant/Company (NPWP);
- Nuisance Permit (HO);
- Copy of designer's license.

The statutory time for this procedure to be carried out by the Bandung one-stop shop is 10 working days. Usually, however, the procedure is carried out in a shorter amount of time.

This procedure is based on:

- Bandung Local Regulation No. 12/2002, regarding regulations and procedures for issuing Industrial Business Permit (Ijin Usaha Industri), Starting Business Permit (SIUP), Registering Business and Registering Warehouses.
- Bandung Local Regulation No. 13/2002 regarding retribution charges on Industrial Business Permit (Ijin Usaha Industri), Starting Business Permit (SIUP), Registering Business and Registering Warehouses.

Procedure 7. Receive inspection from Bandung one-stop shop (Badan Pelayanan Perijinan Terpadu, BPPT)

Time: 1 day

Cost: No cost

Comments: After BuildCo submits the application, the technical team from the Bandung one-stop shop conducts the inspection. The presence of BuildCo representatives is required as they have to sign the minutes of the inspection.

Procedure 8. Register the warehouse with Bandung one-stop shop (Badan Pelayanan Perijinan Terpadu, BPPT)

Time: 8 days

Cost: IDR 2,025,000 [First Component 1: construction size (first 100m²) x location index (3) x base tariff (IDR 750)] + [Second Component: construction (remaining 1200 m²) x location index (3) x base tariff (IDR 500)]

Comments: After receiving the inspection, BuildCo obtains the warehouse registration document from the Bandung one-stop shop (Badan Pelayanan Perijinan Terpadu, BPPT).

Procedure 9*. Request and connect to water and sewage with PDAM

Time: 11 days

Cost: IDR 2,202,000 (IDR 2,190,000 for connection cost for category 3B + IDR 12,000 for Stamp Duties)

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 10*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 8 days

Cost: IDR 720,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Batam, Riau Islands

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Obtain City Planning Chart (Fatwa Planologi) from Batam Industrial Development Authority (Badan Pengusahaan Batam, BP Batam)

Time: 7 days

Cost: IDR 3,000,000

Comments: In order to obtain the City Planning Chart (Fatwa Planologi), BuildCo must submit the following documents to the Batam Industrial Development Authority:

- Proof of identity: ID card, company establishment deeds, Trading Business Permit (SIUP), Company Registration (TDP), Taxpayer registration number (NPWP);
- Copy of Location Allocation Drawings (Penetapan Lokasi), obtained when the land was allocated to BuildCo;
- Copy of Commercial Invoice of Land Lease (Uang Wajib Tahunan Otorita), obtained when the land was allocated to BuildCo;
- Copy of Letter of Decree (Surat Keputusan), obtained when the land was allocated to BuildCo;
- Copy of Letter of Agreement (Surat Perjanjian), obtained when the land was allocated to BuildCo;
- Copy of Principal Permit, obtained when the land was allocated to BuildCo;
- Copy of Designer License (SIBP);
- Orientation plan, prepared by BuildCo's architect;
- Site plan, prepared by BuildCo's architect;
- Drainage plan, prepared by BuildCo's architect;
- Utility plan, prepared by BuildCo's architect;
- City Planning Chart with information about number of floors and building coefficient, prepared by BuildCo's architect.

The City Planning Chart contains information (e.g. coordinates and borders of the plot) and provides technical requirements (e.g. allowed building perimeter and size, green areas, drainage system design) that are necessary for planning the construction of the warehouse.

The procedure is regulated by the following laws:

- Decree of Ministry of Home Affairs No. 43/1977 regarding management and usage of Land in the Batam Industrial Area;
- Decree of Ministry of Public Work No. 378/Kpts/1987, attachment No. 22 on Housing Plan Location;
- Decree of Ministry of Industry No. 291/M/Sk/10/1989, Attachment No. 1 regarding Technical Standards of Industrial Estate;

d. Batam Regional Regulation No. 2/2004, Attachment 2 Regarding the Batam Land Area Management Planning, Rencana tata Ruang Wilayah (RTRW);

e. Decree of Chairman of Batam Industrial Development Authority No. 078/Ren/Kpt8/W1994;

f. Decree of Chairman of Batam Industrial Development Authority No. 078/Ren/Ap-Kpts/III/1992.

Procedure 2. Obtain Advis planning from City Planning Agency (Dinas Tata Kota)

Time: 2 days

Cost: No cost

Comments: In order to obtain the Advis Planning, BuildCo must submit the following documents to the City Planning Agency (Dinas Tata Kota):

- Application letter and application form, duly filled;
- Copy of company establishment deeds;
- Copy of Tax Registration (NPWP);
- Copy of identity card of BuildCo's directors;
- Copy of domicile letter, in possession of BuildCo since it started its business;
- Copy of Land Allocation Permit;
- Two recent photographs of BuildCo director(s)-3x4cm.

Procedure 3. Request Building Construction Permit (IMB) from Batam one-stop shop

Time: 1 day

Cost: No cost

Comments: In order to obtain the building construction permit, BuildCo must submit the following documents to the Batam one-stop shop:

- Application form, duly filled;
- Administrative requirements (3 copies):
 - Copy of applicant identity card and company establishment deed;
 - Starting Business License (SIUP), Company Registration (TDP) and Tax registration number (NPWP);
 - Copy of annual authority preemie charge (Uang Wajib Tahunan Otorita, UWTO), obtained when the land was allocated to BuildCo;
 - Copy of Land Allocation Permit (Penetapan Alokasi Lahan, PL), obtained when the land was allocated to BuildCo;
 - Copy the Letter Agreement (Surat Perjanjian, SPJ), obtained when the land was allocated to BuildCo;
 - Copy of Letter of and Decree (Surat Keputusan, SKKP), obtained when the land was allocated to BuildCo;
 - Copy of City Planning Chart (Fatwa Planologi);
 - BuildCo's statement that the waste produced in the warehouse is not dangerous or toxic;
 - Copy of Designer License (SIBP);
- Technical Requirements (3 copies):
 - Architectural drawings;
 - Structure drawings;
 - Shop drawings;
 - Structure calculations;
 - Utility drawings.

After the application has been submitted to the Batam one-stop shop, the files are forwarded to the City Planning Office. The City Planning Office verifies with the local Planning Agency (Bappedo) if the project suits the masterplan of Batam and carries out an inspection of the future construction site in order to evaluate the information contained in the application.

After the site has been approved by the City Planning Agency, BuildCo is invited to pay the fees and collect the permit at the Batam one-stop shop.

Procedure 4. Receive inspection from City Planning Agency (Dinas Tata Kota)

Time: 1 day

Cost: No cost

Comments: A technical team of the City Planning Agency carries out an inspection on the building site.

Procedure 5. Obtain Building Construction Permit (IMB) at Batam one-stop shop

Time: 24 days

Cost: IDR 29,056,801 (Size of building x Integrated Index x 1,00 x Base tariff of charges)

Procedure 6. Register warehouse with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 1 day

Cost: No cost

Comments: The registration is conducted by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Land and Building Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 7. Register the warehouse with Local Industry and Trade Agency (Disperindag)

Time: 7 days

Cost: IDR 1,475,000 (based on Local regulation No. 14/2001: IDR 1,500 each for each square meter of building area up to 100 + IDR 1,250 for each additional square meter of building area up to 500 + IDR 1,000 for each additional square meter)

Comments: In order to register the warehouse with the Local Industry and Trade Agency, BuildCo must submit the following documents:

- Copy of Trading Business License (SIUP) and Company Registration (TDP);
- Land Allocation Permit (PL);
- Domicile statement with location of the warehouse.

Procedure 8*. Request and connect to water and sewage with PDAM

Time: 7 days

Cost: IDR 150,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 9*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 7 days

Cost: IDR 500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Denpasar, Bali

Warehouse values: IDR 4,552,100,000 = USD 437,498

Data as of: July 2011

Procedure 1. Obtain Letter of Introduction (Surat Penyanding) from Head of Sub-district

Time: 3 days

Cost: No cost

Comments: According to Mayor Regulation No. 6/2010, the Letter of Introduction (Surat Penyanding) is now a mandatory requirement for obtaining a building permit. The Letter of Introduction, prepared by the Head of the Sub-district, guarantees that there will be no conflicts with the neighbors once the warehouse is built.

Procedure 2. Obtain statement of land dispute from Local Office of National Land Board (BPN)

Time: 3 days

Cost: No cost

Procedure 3. Request building permit (Package Permit: IMB and PPM) from Licensing Agency (Dinas Perizinan)

Time: 1 day

Cost: No cost

Comments: In order to obtain the Package Permit (IMB and PPM), BuildCo must submit the following documents to the Permit Registration Agency:

- Building Construction Permit (IMB) application form, duly filled;
- Photocopy of identity card;
- Photocopy of land ownership title;
- Letter of Introduction (Surat Penyanding);
- Four copies of building plans (location map, site plan, and shop drawings);
- Photocopy of proof of payment of land and building tax.

Procedure 4. Make payment for Building Construction Permit (IMB) at Bank Pembangunan Daerah (BPD)

Time: 1 day

Cost: IDR 12,310,670 (Cost of construction permit + Border Administrator Service Duty; the Principal Construction Approval is free of cost)

Procedure 5. Obtain building permit (Package Permit: IMB and PPM) from Licensing Agency (Dinas Perizinan)

Time: 11 days

Cost: No cost

Comments: The Package Permit (IMB and PPM) includes the following items:

- Building Construction Permit (IMB);
- Principal Construction Approval (PPM).

There is a 13-day statutory limit for the Licensing Agency to issue the Package Permit (IMB and PPM). The statutory limit is usually respected.

Procedure 6. Notify City Planning and Housing Agency (Dinas Tata Ruang dan Perumahan) about progress of the construction

Time: 1 day

Cost: No cost

Comments: During the construction process, when the ground work is finished, the applicant must report to the City Planning and Construction Agency within 24 hours and the Agency will carry out an inspection. This procedure is based on local regulation No. 6/2001.

Procedure 7. Receive an inspection from City Planning and Housing Agency (Dinas Tata Ruang dan Perumahan)

Time: 1 day

Cost: No cost

Procedure 8. Obtain Environmental Management Plan and Environmental Monitoring Plan (UKL/UPL) approval from local Environmental Agency

Time: 21 days

Cost: No cost

Procedure 9. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 25 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of land certificate;
- Copy of identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 10. Register the warehouse (Package Permit: TDG, SITU, HO) with the Licensing Agency (Dinas Perizinan)

Time: 12 days

Cost: IDR 100,000 (cost for a warehouse that has an area between 36 and 2500 square meters)

Comments: In order to register the warehouse and obtain the package permit (TDG, SITU, HO), BuildCo must submit the following documents:

- Application form, duly filled;
- Site map;
- Photocopy of the identity card of the applicant;
- Number of taxpayer registration (NPWP);
- Environmental Monitoring Plan and Environmental Management Plan (UKL/UPL), approved by the local Environmental Agency;
- BuildCo business licenses;
- Recent photographs of the applicant (4x6cm);
- Photocopy of the Company Establishment Deed.

Procedure 11*. Request and connect to water and sewage with PDAM

Time: 1 day

Cost: IDR 6,255,700

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 12*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 25 days

Cost: IDR 500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Gorontalo, Gorontalo

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

No Practice

DEALING WITH CONSTRUCTION PERMITS

Jakarta, DKI Jakarta

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Request Pre-approval letter from Zoning Department

Time: 1 day

Cost: IDR 1,482,000

Comments: The total cost to obtain Pre-approval letter is IDR 1,482,000 according to Article 123 of the Regional Regulation No. 1 Year 2006.

The following is the detailed calculation:

- Land measurement (based on the land certificate, namely 500-1,000 m²) a retribution of IDR 750,000;
- Print out of the map (scale of 1:10000), a retribution of IDR 1,000/copy x 12 copies or a total of IDR 12,000;
- KRK for plans to use of a land for warehouse construction (Karya pergudangan/Kpg) for a land area of up to 1,000 m² is subject to a fee of IDR 40,000;
- RTLb for plans to build warehouse construction is subject to a fee of IDR 40,000/ 100 m² of floor surface, so the total fee for the RTLb: IDR 40,000.00 x 13 (based on a 1,300.6 m² floor surface) = IDR 520,000;
- Land marking for city planning implementation purposes (pematokan penerapan rencana kota) is subject to a fee of IDR 80,000 x 2 (because the building exceeds 1,000 m²), or a total of IDR 160,000.

Procedure 2. Receive inspection from Zoning Department

Time: 1 day

Cost: No cost

Comments: Zoning Office inspects the site to confirm that the application submitted by the builder meets the requirements.

Procedure 3. Obtain Pre-approval letter from Zoning Department

Time: 20 days

Cost: No cost

Comments: After the inspection, the application is forwarded to different offices within the Zoning Office for approval. The location officer, the roads officer and the architectural officer approve the application. When internal procedures are completed, the builder is notified (by phone, mail or electronically) and can pick up the pre-approval letter. The recommendation letter includes the documents listed in procedure 1.

Procedure 4*. Request and obtain notarized copy of Land Ownership certificate

Time: 1 day

Cost: IDR 25,000

Comments: Builder needs to notarize a copy of the Land Ownership certificate before applying for the building permit.

Procedure 5. Request and obtain the preparation of the Environmental Management Plan (UKL) and Environmental Monitoring Plan (UPL)

Time: 8 days

Cost: IDR 15,000,000

Comments: BuildCo hires an external consultant that will prepare the Environmental Management Plan (UKL) and Environmental Monitoring Plan (UPL). When this is ready BuildCo will submit the documents to the Local Environmental Management Agency (BPLHD) for the Province of DKI Jakarta for approval.

Procedure 6. Request and obtain the approval for the Environmental Management Plan (UKL) and Environmental Monitoring Plan (UPL)

Time: 10 days

Cost: No cost

Comments: The legal basis for this procedure is:

- Law No. 32 of 2009 regarding the Environment;
- Decision of the Minister of the Environment No. 86 of 2002 on Implementation of UKL and UPL.

Procedure 7. Request and obtain Building Construction Permit (IMB)

Time: 21 days

Cost: IDR 9,104,200

Comments: When applicant has the complete set of documents (see below) and the application is submitted, the Permit Office will conduct an inspection. Given that the plot where the warehouse will be built is empty, no representative from BuildCo needs to be present. Officials from the Permit Office will only verify that the plot is vacant.

The legal basis for this procedure is:

- Decree of the Governor of the Province of DKI Jakarta No. 76 Year 2000, Article 2 paragraph (2)b;
- Regulation of the Head of the Local Building Supervision and Control (P2B) Office No. 21 Year 2009, Annex I point I.b;
- The legal basis for the time to complete this step in 14 days working days (21 calendar days) is the Regulation of the Governor of DKI Jakarta No. 85 of 2006, Article 11 paragraph;
- According to the Regional Regulation of the Province of DKI Jakarta No. 1 Year 2006 concerning Regional Retribution, the formula to calculate the fee for this permit is IDR 7,000 per square meter. Since the warehouse considered in the case study has an area of 1,300.6 square meters the cost then will be 7,000 * 1,300.6 = IDR 9,104,200.

The supporting documents required are:

- Photocopy of the ID card;
- Photocopy of the Land Certificate (notarized);
- KRK and RTLb from City Planning Office from the Local City Zoning Office (included in Pre-approval letter);
- As Built Drawing (Architecture; Construction, and Installation) for the Warehouse Construction to be built;
- Photocopy of the license to operate as a Building Planner;
- Statement of uncontested ownership of the land for which IMB is applied;

g. Company's Deed of Establishment;

h. Completed Application Form;

i. Receipt of UKL-UPL or UKL-UPL Recommendation from the BPLHD.

Procedure 8. Request and obtain building completion and compliance minutes

Time: 28 days

Cost: IDR 62,500

Comments: The construction completion and compliance report is a prerequisite for obtaining a usage permit. The party issuing the official report on the completion of the construction and compliance with the building permit is the Supervising Director, who can be an individual, a group of experts, or an entity appointed by the project owner to supervise the construction work. The individual or group of experts must be independent of BuildCo and cannot be its employees.

Procedure 9. Obtain building usage permit (IPB)

Time: 49 days

Cost: No cost

Comments: BuildCo must submit the following documents to the City Planning Office:

- Building drawings;
- Copy of the building permit (IMB);
- Warehouse Construction Completion Report from the Supervising Directors/Consultant appointed by BuildCo;
- An official report from the Supervising Director comprising (Minutes of completion of the warehouse construction and compliance);
- A copy of the letter of appointment of the contractor and Supervising Director and the Coordinator of the Supervising Director;
- A copy of the TDR of the contractor and work permit of the Supervising Director;
- A report on construction stages from the Supervising Director;
- A statement from the Coordinator of the Supervising Director that the warehouse has been completed in accordance with the building permit (IMB).

The legal basis for this procedure is:

- Decree of the Governor of the Province of DKI Jakarta No. 76 Year 2000, Article 9 paragraph (4) b;
- Regulation of the Head of the Local Building Supervision and Control Office No. 21 Year 2009, Annex I point II.b.

Procedure 10. Register with Land and Building Tax Office

Time: 11 days

Cost: No cost

Comments: After the warehouse is built BuildCo needs to update its records at the Land and Building Tax Office. Even if this update is supposed to be done automatically, many builders do it personally to avoid delays. This is critical when the builder wants to sell or obtain a loan with the property.

Procedure 11. Register the warehouse with the regional office of the Ministry of Industry and Trade

Time: 9 days

Cost: IDR 100,000

Comments: The company must submit the following documents:

- Copy of the trade business license;
- Copy of company registration code;
- Copy of the owner's or shareholders' identity card(s);
- Copy of the taxpayer number;
- Copy of warehouse lease agreement (if the warehouse is leased);
- Copy of the building permit (IMB);
- Copy of the map of the warehouse.

Warehouses in a privately owned port, warehouses in a bonded zone, and warehouses adjacent to the plant are exempted from the registration requirement.

Under the new government, the Ministry of Industry and Trade has been divided into the Ministry of Industry and the Ministry of Trade. The warehouse registration is conducted with the regional office of the Ministry of Trade.

Procedure 12*. Obtain water and sewerage connection

Time: 8 days

Cost: IDR 2,000,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 13*. Obtain phone connection

Time: 4 days

Cost: IDR 500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Jambi, Jambi

Warehouse value: IDR 4,552,100,000 = USD 437,498

Data as of: July 2011

Procedure 1. Obtain Legalized Copy of Land Certificate from National Land Board (BPN)

Time: 2 days

Cost: IDR 50,000

Comments: In order to be able to undertake some of the necessary administrative procedures for the construction of the warehouse, BuildCo must legalize a copy of the Land Ownership Certificate at the National Land Board (BPN).

Procedure 2. Request Advis Planning from City Planning Agency (Dinas Tata Kota)

Time: 1 day

Cost: No cost

Comments: In order to obtain the Advis Planning, BuildCo has to submit the following documents to the City Planning Agency:

- Copy of company establishment deed;
- Copy of Land Ownership Certificate;
- Location map;
- Copy Latest Payable Tax Receipt (Surat Tanda Terima Setoran);
- Copy of Permanent Business Trading License (SIUP), Company Registration (TDP), Contractor permit letter (SIJK);
- Drawings.

The procedure is mandatory as per Local Regulation No. 6/2002, effective since March 2002.

Procedure 3. Receive inspection from City Planning Agency (Dinas Tata Kota)

Time: 1 day

Cost: No cost

Comments: After receiving all the required documents, the City Planning Office conducts an inspection on the location of the future construction site.

The purpose of such an inspection is to:

- Check the conditions of the plot (and whether they comply with zoning and road planning requirements);
- Carry out land measurement;
- Carry out land marking.

Procedure 4. Obtain Advis Planning from City Planning Agency (Dinas Tata Kota)

Time: 27 days

Cost: IDR 1,482,000

Comments: After the inspection has taken place, the Advis Planning is processed for approval. After approval, BuildCo receives a notification that the Advis Planning is ready for pick up.

The Advis Planning includes the following items:

- Allowed use of building;
- Allowed size of building;
- Allowed number of storeys;
- Building 's line perimeter (Garis Sempadan Bangunan);
- Base Foundation Coefficient (BFC) and Building Size Coefficient (BSC);
- Minimum green area;
- Building specifications for designated area;
- Requirements and indications for construction supervisor, contractor and controlling method.

Procedure 5. Obtain Building Construction Permit (IMB) from City Planning Agency (Dinas Tata Kota)

Time: 14 days

Cost: IDR 4,942,280 (Application form of IDR 1,500 + Landscape drawing of IDR 10,000 + Measurement and review charges of IDR 400/m² + Supervision charges of IDR 25,000 + IMB retribution charges, calculated by the City Planning Office considering the Construction Base Value, the Size Coefficient, the Number of Floors Coefficient, and the Usage coefficient)

Comments: In order to apply for the Building Construction Permit, BuildCo has to submit the following documents to the City Planning Agency:

- Copy of identity cards of the company's managers;
- Legalized copy of land certificate;
- Advis Planning;
- Construction drawings, prepared by BuildCo's engineer/architect;
- Copy of engineer and/or architect's license;
- Company establishment deeds;
- Application forms duly filled.

The relevant regulations for this procedure are the following:

- Local Regulation No. 05/2002 (Local Gazette No. 06/2002), regarding City masterplan, effective since 2002;
- Local Regulation No. 06/2002 (Local Gazette No. 07/2002), regarding construction procedures, effective since March 2002;
- Mayor Decree No. 07/2009, regarding approval power of the different authorities.

Procedure 6. Obtain Nuisance Permit (HO) from City Planning Agency (Dinas Tata Kota)

Time: 6 days

Cost: IDR 120,000

Comments: The Nuisance Permit (Izin Gangguan) formally acknowledges that the warehouse does not cause any problem to the neighbors. The document has to be obtained from City Planning Office (Dinas Tata Kota), after submitting an application.

Procedure 7. Register the warehouse (Tanda Daftar Gudang, TDG) with Jambi one-stop shop (KPTSP)

Time: 7 days

Cost: No cost

Comments: In order to register the warehouse, BuildCo must submit the following documents to the Jambi one-stop shop:

- Copy of the permanent business trading license (SIUP);
- Copy of registration certificate (TDP);
- Copy of the owner's or shareholders' identity cards (KTP);
- Copy of the taxpayer number (NPWP);
- Copy of the Building Construction Permit (IMB);
- Copy of the Nuisance Permit (Izin HO) for the warehouse;
- Copy of the location map of the warehouse.

Since Law No. 28/2009 has been implemented in Jambi, this procedure is free of cost.

Procedure 8. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 10 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 9*. Request and connect to water and sewerage with PDAM

Time: 7 days

Cost: IDR 1,500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 10*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 5 days

Cost: IDR 500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Makassar, South Sulawesi

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Obtain approval of applicant statement from Head of Village (Peretujuan surat pernyataan pemohon dari Lurah)

Time: 7 days

Cost: No cost

Comments: Based on Mayor regulation No. 14 year 2005, implemented since 2005, BuildCo needs to obtain the approval from the Head of the Village (Lurah) on a statement that will later be submitted to the Makassar one-stop shop when applying for the Building Construction Permit (IMB). In order to obtain such approval, BuildCo must submit a copy of the land ownership certificate to the Head of the Village thus showing that the plot of land where the warehouse is to be built belongs to BuildCo.

Procedure 2. Request Building Construction Permit (IMB) from Makassar one-stop shop (KPAP)

Time: 1 day

Cost: No cost

Comments: In order to obtain the Building Construction Permit, BuildCo submits the following documents to Makassar one-stop shop:

- Application form, duly filled;
- Photocopy of identity card and/or company establishment deeds;
- Copy of land ownership certificate;
- Copy of proof of Land and Building Tax Payment of the current year;
- Approval of applicant statement from Head of Village (Lurah);
- Construction drawings and calculations, made by licensed construction planner (BuildCo's Engineer);
- Photo of the applicant.

The necessary zoning and environmental clearances are processed internally by the municipality, once the application has been submitted. The approvals and the calculation of building construction permit fees are processed by the City Planning Agency. City Planning Agency officials may visit the area of the future building site prior to issuing the permit. Such a visit, however, does not require the presence of BuildCo representatives as all the necessary information has been provided by BuildCo when applying for the permit.

Procedure 3. Make payment for Building Construction Permit (IMB) at BPD South Sulawesi

Time: 1 day

Cost: No cost

Procedure 4. Obtain Building Construction Permit (IMB) from Makassar one-stop shop (KPAP)

Time: 21 days

Cost: IDR 31,761,209 (Size of building x Integrated Index x 1.00 x Base Tariff of Charges)

Comments: Based on Makassar Mayor Regulation No. 12/2008, the statutory time for this procedure is 12 days. In reality, however, the process usually takes a longer amount of time.

Procedure 5. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 11 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 6. Register the warehouse with Makassar one-stop shop (KPAP)

Time: 10 days

Cost: IDR 650,300 (construction area x IDR 500)

Comments: The fees for warehouse registration are based on Mayor Regulation No. 14/2005.

Procedure 7*. Request and connect to water and sewage with PDAM

Time: 8 days

Cost: IDR 2,500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 8*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 3 days

Cost: IDR 380,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Manado, North Sulawesi

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Obtain Advis Planning Permit from the Manado one-stop shop (BP2T)

Time: 1 day

Cost: No cost

Comments: The Advis Planning Permit includes the following items:

- Land usage permit;
- Building usage permit;
- Allowed building size and number of floors;
- Architectural specifications;
- City planning statement (SKRK).

Procedure 2. Obtain statement on land dispute with Head of the Village

Time: 8 days

Cost: IDR 27,500

Comments: BuildCo must obtain a statement from the local Head of the Village indicating that the ownership of the land is not disputed.

Procedure 3. Request Environment Management Plan and Environment Monitoring Plan (UKL/UPL) approval from local Environment Agency (Bapedalda)

Time: 1 day

Cost: No cost

Procedure 4. Receive inspection from local Environment Agency (Bapedalda)

Time: 1 day

Cost: No cost

Procedure 5. Obtain Environmental Management Plan and Environmental Monitoring Plan (UKL/UPL) approval from local Environmental Agency (Bapedalda)

Time: 8 days

Cost: No cost

Procedure 6. Obtain Building Construction Permit (IMB) from the Manado one-stop shop (BP2T)

Time: 30 days

Cost: IDR 23,040,000 [Tot = (3% x coefficient of roads classification x construction estimate valuation, NB) + supervision cost (15% x (3% x coefficient of roads classification x construction estimate valuation, NB))] where NB=Nilai Bangunan = Construction Estimate Valuation

Comments: In order to obtain the Building Construction Permit, BuildCo must submit the following documents to the one-stop shop:

- Advis Planning Permit;
- Statement of land dispute;
- Environmental Management Plan and Environmental Monitoring Plan, approved by local Environmental Agency;
- Drawings;
- Copy of identification card of the applicant.

The cost of this procedure is based on local regulation No. 8/2001 about building construction permit (article 19), implemented in 2001.

Procedure 7. Request official report of completion of construction and compliance with building permit from the Manado one-stop shop (BP2T)

Time: 1 day

Cost: No cost

Procedure 8. Receive inspection from the Manado one-stop shop (BP2T)

Time: 1 day

Cost: No cost

Procedure 9. Obtain official report of completion of construction and compliance with building permit from the Manado one-stop shop (BP2T)

Time: 30 days

Cost: IDR 62,500

Procedure 10. Obtain Nuisance permit (HO) for the warehouse from the Manado one-stop Licensing Service Office (BP2T)

Time: 5 days

Cost: IDR 1,377,500 (IDR 1,350,000 + 27,500 for local fee)

Comments: In order to obtain the Nuisance permit, BuildCo must submit the following documents:

- Copy of identification card;
- Copy of land certificate;
- Building Construction Permit (IMB).

Procedure 11. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 8 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to Local Tax Office (Kantor Pajak Pratama, KPP) in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 12. Register the warehouse with Manado one-stop shop (BP2T)

Time: 1 day

Cost: IDR 601,275

Procedure 13*. Request and connect to water and sewage with PDAM

Time: 12 days

Cost: IDR 1,250,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 14*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 4 days

Cost: IDR 500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Mataram, West Nusa Tenggara

Warehouse value: IDR 4,552,100,000 = USD 437,498

Data as of: July 2011

Procedure 1. Request Principal Permit (Izin Prinsip) at Mataram one-stop shop

Time: 1 day

Cost: No cost

Comments: In order to obtain the Principal Permit, BuildCo must submit the following documents to the Mataram one-stop shop:

- Copy of Land Certificate;
- Copy of Land and Building Tax invoice and receipt;
- Copy of Identity Card;
- Location Map, prepared by BuildCo's architect.

After receiving the application, the Mataram one-stop shop assembles all documents into a file and forwards it to the City Planning Agency.

Procedure 2. Receive inspection from City Planning Agency (Dinas Tata Kota)

Time: 1 day

Cost: No cost

Comments: After receiving the file from the Mataram one-stop shop, the City Planning Agency inspects the future building site to confirm that application and planned construction comply with all planning requirements. Usually the City Planning Agency notifies BuildCo about the inspection two days in advance because the company's representatives must be present during the inspection.

Procedure 3. Obtain Principal Permit (Izin Permit) City from City Planning Agency (Dinas Tata Kota)

Time: 30 days

Cost: No cost

Comments: After the inspection, the file with the application is forwarded to different agencies within the City Office for approval. When all internal procedures are complete, BuildCo receives a notification to visit the City Planning Agency and pick up the permit.

The Principal permit comprises the following items:

- Land measurement;
- Print out of the map (scale of 1:10,000);
- Zoning statement;
- Plotting;
- Land marking.

Procedure 4. Obtain legalized copy of land ownership certificate at the Notary Office

Time: 1 day

Cost: IDR 25,000

Comments: BuildCo needs to authenticate a copy of the Land Ownership Certificate with a notary. The notary provides BuildCo a statement letter together with the authenticated ownership certificate. This is a common practice in Mataram and it is undertaken in order to avoid frauds.

Procedure 5. Obtain Environmental Statement (SPPL) approval from local Environmental Office (Kantor Lingkungan Hidup, KLH)

Time: 14 days

Cost: No cost

Comments: In order to obtain the approval from the Local Environmental Office (Kantor Lingkungan Hidup, KLH), BuildCo must submit the following documents:

- Application form, duly filled;
- Environmental Statement, prepared by BuildCo's architect.

Procedure 6. Obtain Building Construction Permit (IMB) from City Planning Agency (Dinas Tata Kota)

Time: 21 days

Cost: IDR 13,873,667 (Construction value multiplied by service level coefficient, where service level coefficient is calculated considering road coefficient (0.8), building utilization coefficient (1.25), building class coefficient (0.75), size coefficient (0.11), and storey coefficient (2 storeys = 0.185))

Comments: In order to obtain the Building Construction Permit from the City Planning Agency, BuildCo must submit the following documents:

- Application form, duly filled;
- Legalized copy of the Land Certificate;

- Principal permit;
- Drawings of the warehouse, prepared by BuildCo's architect;
- Copy of BuildCo's license to operate as a building planner;
- Copy of the applicant's ID card and Company's Deed of Establishment;
- Copy of Land and Building Tax receipt.

Once all documents have been submitted, the City Planning Agency reviews them and visits the future building site. BuildCo's presence is not necessary during such inspection. After the inspection, BuildCo can be summoned by the City Planning Office if there are significant findings that need to be clarified. Otherwise, the City Planning Agency processes the document, makes the calculations for construction permit charges and prepares the permit. Once the permit is ready, BuildCo receives a notification to pay the building construction permit charges at the City Planning Agency. After BuildCo has paid, the permit is issued.

This procedure is based on:

- Local Regulation No. 11/2000, regarding Building Construction Permit (IMB) charges, implemented since 2000;
- Local Regulation No. 4/1995, regarding environmental and building requirements in Mataram City, implemented since 1995.

Procedure 7. Register the warehouse with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 8 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to Local Tax Office (Kantor Pajak Pratama, KPP) in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 8. Register the warehouse with Local Industry and Trade Agency (Disperindag)

Time: 7 days

Cost: IDR 125,000

Comments: In order to register the warehouse with the local Industry and Trade Agency, BuildCo must submit the following documents:

- Copy of the trade business license (SIUP);
- Copy of the company's registration code (TDP);
- Copy of the owner's or shareholders' identity card(s);
- Copy of the taxpayer number (NPWP);
- Copy of the building construction permit (IMB);
- Map of the warehouse.

Warehouses in a privately-owned port, warehouses in the bonded zone, and warehouses adjacent to the plant are exempted from registration.

As per the assumptions of our case study, the warehouse built by BuildCo needs to undergo registration procedures.

Procedure 9*. Request and connect to water and sewage with PDAM

Time: 3 days

Cost: IDR 1,300,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 10*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 3 days

Cost: IDR 350,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Medan, North Sumatra

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Obtain legalized copy of land ownership certificate from National Land Board (BPN)

Time: 1 day

Cost: IDR 25,000

Comments: In order to be able to undertake some of the necessary administrative procedures for the construction of the warehouse, BuildCo must legalize a copy of the land ownership certificate at the National Land Board (BPN).

Procedure 2. Obtain Environmental Statement (SPPL) approval from local Environmental Agency (BLH)

Time: 14 days

Cost: No cost

Comments: BuildCo's architect prepares an Environmental Preserve Compliance Statement (SPPL) and submits it to the Local Environmental Agency for approval, together with an application form. The Local Environmental Agency visits the future construction site prior to granting its approval. The presence of BuildCo representatives is not required during such visit. If no answer is provided by the Local Environmental Agency within 14 days from the moment in which the application has been submitted, BuildCo can automatically assume the approval has been granted.

This procedure is based on:

- Regulation of Minister of Environmental Ministry No. 11/2006, regarding types of activities that require Environmental Impact Analysis;
- Law No. 32/2009, regarding environment-related issues;
- Mayor Regulation No. 29/2010, dated 24 May 2010, (annex 6), on activities and buildings that require environmental clearances.

Procedure 3. Obtain Building Construction Permit (IMB) from City Planning Agency (Dinas Tata Ruang dan Tata Bangunan Kota Medan)

Time: 40 days

Cost: IDR 16,582,650 [Parameter Index (0.0245) x base tariff (IDR 450,000) x first floor area (650.3 m²) + Parameter Index (0.0245) x base tariff (IDR 450,000) x second floor area (650.3 m²)]

Comments: In order to obtain the Building Construction Permit, BuildCo must submit the following documents:

- Application form, duly filled;
- Copy of identity card(s) of BuildCo's director(s);
- Copy of company establishment deeds;
- Copy of Property tax payment receipt and Payable Tax Notification Letter;
- Copy of Land certificate, legalized by the National Land Board;
- Drawings (hard copy and soft copy), prepared by BuildCo's architect;
- Environmental Preserve Compliance Statement (SPPL), approved by the local Environmental Agency.

This procedure is based on:

- Local Regulation No. 9/2002, regarding Building Construction Permit;
- Mayor Decree No. 34/2002, regarding operational procedures for the implementation of Local regulation No. 9/2002;
- Mayor Decree No. 62/2002, regarding technical procedures for the implementation of Local regulation No. 9/2002;
- Mayor Decree No. 3/2005, on fee schedules for permit-related procedures.

Procedure 4. Register the warehouse (Tanda Daftar Gudang) with Local Industry and Trade Agency (Disperindag)

Time: 5 days

Cost: IDR 750,000

Comments: In order to register the warehouse, BuildCo must submit the following documents:

- Copy of Building Construction Permit (IMB);
 - Copy of Permanent Business Trading License (SIUP);
 - Copy Company Registration (TDP);
 - Copy of ID card of company's directors;
 - Location map;
 - Two recent photographs (3x4cm) of the applicants.
- After receiving the required documents, the local Industry and Trade Agency reviews such documents and registers the warehouse in its database. The cost of this procedure is based on article 22 of Local Regulation No. 10/2002.

Procedure 5. Register the warehouse with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 10 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 6*. Request and connect to water and sewage with PDAM

Time: 10 days

Cost: IDR 1,000,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 7*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 3 days

Cost: IDR 526,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Palangka Raya, Central Kalimantan

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Request Principal Permit from local Planning Office (Bappeda)

Time: 1 day

Cost: No cost

Comments: The Principal Permit verifies that the proposed building and its proposed use comply with the city masterplan. In order to obtain the Principal Permit, BuildCo must submit the following documents:

- Application letter, duly filled;
- Company establishment documents – Starting Business Permit (SIUP), Company Registration (TDP), and Tax Registration (NPWP);
- Land utilization plans prepared by BuildCo's architect;
- Location map, prepared by BuildCo's architect.

After the necessary documents have been submitted, the City Planning Office reviews the documents, inspects the area of the future building site and assesses whether the plans abide by the city masterplan.

Procedure 2. Receive inspection from local Planning Office (BKPRD/Bappeda)

Time: 1 day

Cost: No cost

Comments: The Local Zoning Coordination Division (BKPRD) of the local Planning Office (Bappeda) inspects the future building site. BuildCo's presence during the inspection is mandatory.

Procedure 3. Obtain Principal Permit from local Planning Office (Bappeda)

Time: 6 days

Cost: IDR 50,000

Comments: Once the application has been reviewed and approved in a joint meeting, the local Planning Agency issues the Principal Permit.

Depending on the size of the building, the Principal Permit is officially authorized and signed by different public officials. Namely:

- Area < 5000m²—signed by Head of Local Development and Planning Agency;
- Area 5000-10000m²—signed by Local Administrative Secretary;
- Area > 10000m²—signed by Mayor.

Based on Mayor regulation No. 45/2010, implemented since January 2010, the cost for this procedure is IDR 50,000. The cost includes two registration forms (Leges) that cost IDR 25,000 each.

Procedure 4. Obtain Location Permit from City Secretariat (APU, Administrasi Pemerintahan Umum, Setda)

Time: 14 days

Cost: IDR 5,000,139

Comments: In order to obtain the location permit, BuildCo must submit the following documents to the City Secretariat:

- Application Letter, duly filled;
- Company establishment deeds;
- Land utilization plans (in format set by National Land office), prepared by BuildCo's architect;
- Location map, prepared by BuildCo's architect.

The location permit declares the certainty of land ownership in the Spatial Plan and that the use of the land complies with the company's purpose. Building companies may be required to submit additional documents when they do not own the land (Statement of Land Acquisition) or if they are in the plantation business (Statement that the location is not exceeding the limit of plantation within the province). Such requirements do not apply to our case study.

Once the application is submitted, the City Secretariat gathers the necessary recommendations for the various agencies (road, water control, civil work agency, etc) and processes the application. No inspection takes place during this procedure.

The procedures relating to Location Permit are regulated by:

- Regulation of Ministry of Land/Head of National Land Office No. 2/1999;
- Government Regulation No. 13/2010 about tariff of Non Tax Services at National Land Office.

Procedure 5. Obtain Environmental Management Plan and Environmental Monitoring Plan (UKL/UPL) approval from local Environmental Agency (BLH, Kota Palangka Raya)

Time: 15 days

Cost: IDR 450,000

Procedure 6. Obtain building construction permit (IMB) from Palangka Raya one-stop shop (KPPT)

Time: 21 days

Cost: IDR 3,150,000 (IDR 25,000 x coefficient width x coefficient Height (number of floors) x coefficient Building function x coefficient building/construction quality x coefficient building layout)

Comments: In order to obtain the Building Construction Permit (IMB), BuildCo needs to submit the following documents to the Palangka Raya one-stop shop:

- Principal permit;
- Location permit;
- Shop drawing of first and second floor;
- Proof of payment of "land and building" tax for the past three years;
- Floor Plan;
- Photocopy of identity card of the applicant.

Based on Mayor Decree No. 12/2007, regarding the procedures for obtaining permits and clearances, the statutory time for the Palangka Raya one-stop shop to issue the permit is 8 days. In reality, the process takes longer.

Procedure 7. Obtain Nuisance Permit (Izin HO) from Palangka Raya one-stop shop (KPPT)

Time: 13 days

Cost: IDR 650,000

Comments: In order to obtain the Nuisance Permit (Izin HO), BuildCo must submit the following documents to the Palangka Raya one-stop shop:

- Application letter, duly filled;
- Location map with information about the size of the building;
- Environment Management Plan and Environment Monitoring Plan (UKL/UPL);
- Copy of Land ownership certificate;
- Copy of receipt of tax payment;
- Copy of applicant's ID;
- Recent photographs of the applicant.

Procedure 8. Obtain warehouse license (Tanda Daftar Gudang) from Local Industry and Trade Agency (Disperindag)

Time: 3 days

Cost: IDR 100,000

Comments: In order to receive the warehouse license, BuildCo must submit the following documents to the local Industry and Trade Agency:

- Application form (duly filled and signed);
- Copy of construction building permit (IMB).

Procedure 9. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 8 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 10*. Request and connect to water and sewage with PDAM

Time: 6 days

Cost: IDR 350,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 11*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 3 days

Cost: IDR 320,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Palembang, South Sumatra

Warehouse value: IDR 4,552,100,000 = USD 437,498

Data as of: July 2011

Procedure 1. Obtain statement letter and city planning map (Advis Planning) from Palembang one-stop shop (KPPT)

Time: 10 days

Cost: IDR 55,000 (IDR 50,000 for measurement cost and IDR 5,000 for application fee)

Comments: In order to obtain the Advis Planning, BuildCo must submit the following documents:

- Application form, duly filled;
- Copies of applicant's ID and company establishment deed;
- Photocopy of Land Ownership Certificate.

The Advis Planning is a necessary item for obtaining the Building Construction Permit (IMB). Since Mayor Regulation No. 30/2010 has come into effect, this procedure is carried out at the Palembang one-stop shop (KPTSP).

Procedure 2. Obtain Building Construction Permit (IMB) from Palembang one-stop shop (KPPT)

Time: 10 days

Cost: IDR 11,000,000 (RIMB= LB x lz x lkj x lk x THDB per square meter - LB: the area size, lz: Zone index, lkj: Roads classification index, lk: building height index, and THDB: rate of basic price)

Comments: In order to obtain the Building Construction Permit, BuildCo must submit the following documents to the Palembang one-stop shop:

- Application form, duly filled;
- Photocopy of city planning statement (Advis Planning) (3 copies);
- Photocopy of land ownership certificate;
- Architectural drawings of the building (7 copies);
- Pictures of the plot;
- Structural design and calculations;
- Photocopy of proof of payment of Land and Building tax (tax receipt);
- Photocopy of identity card.

After the application has been submitted and accepted by the one-stop shop, BuildCo receives a Temporary Building Construction Permit (IPB). After obtaining the temporary permit, BuildCo may start the construction process, if necessary. However, the temporary building permit does not guarantee that the building construction permit will be issued. Once the application has been submitted to the Palembang one-stop shop, the Palembang one-stop shop forwards it to the City Planning Office. If there are no issues related to the application, the City Planning Office calculates the charges and notifies the Palembang one-stop shop. The Palembang one-stop shop notifies BuildCo of the charges that have to be paid in order to obtain the permit. The statutory time for issuing the building construction permit (IMB) is 21 days, but the process is usually faster.

Procedure 3. Request official report on completion of construction and compliance with building permit from Palembang one-stop shop (KPPT)

Time: 1 day

Cost: No cost

Procedure 4. Receive inspection to verify compliance with building permit from City Planning Agency (Dinas Tata Kota)

Time: 1 day

Cost: No cost

Procedure 5. Obtain official report on completion of construction and compliance with building permit from Palembang one-stop shop (KPPT)

Time: 10 days

Cost: No cost

Procedure 6. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 16 days

Cost: No cost

Comments: The registration is conducted by completing the Tax Object Notification Letter (SPOP), available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 7. Register the warehouse with the local office of the Industry and Trade Agency

Time: 8 days

Cost: No cost

Comments: To register the warehouse, BuildCo must submit the following documents to the Industry and Trade Agency:

- Copy of the applicant's identity card;
- Application form, duly filled.

Procedure 8*. Request and connect to water and sewage with PDAM

Time: 8 days

Cost: IDR 2,000,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 9*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 4 days

Cost: IDR 500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Pekanbaru, Riau

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Request Advis Planning Permit from City Planning and Construction Agency (Dinas Tata Ruang dan Bangunan)

Time: 1 day

Cost: No cost

Comments: In order to obtain the Advis Planning Permit, BuildCo must submit the following documents:

- Application form, duly filled;
- Photocopy of the applicant's identity card;
- Photocopy of Land Ownership Certificate;

- Site Activity Plan, prepared by BuildCo's architect;
- Building drawings, prepared by BuildCo's architect;
- Location map, prepared by BuildCo's architect.

The Advis Planning Permit provides project planning advice and information about on-site construction requirements. In Pekanbaru, the process to obtain the Advis Planning Permit is regulated by Local Regulation No. 14/2000, implemented since 18 December 2000.

Procedure 2. Receive inspection from City Planning and Construction Agency (Dinas Tata Ruang dan Bangunan)

Time: 1 day

Cost: No cost

Procedure 3. Obtain Advis Planning Permit from City Planning and Construction Agency (Dinas tata Ruang dan Bangunan)

Time: 3 days

Cost: No cost

Procedure 4. Obtain Building Construction Permit (IMB) from City Planning and Construction Agency

Time: 30 days

Cost: IDR 15,802,290 (retribution cost of IDR 12,150 x area of the building)

Comments: In order to apply for the building construction permit (IMB), BuildCo must submit the following documents to the Pekanbaru one-stop shop:

- Copies of Land Certificate Ownership;
- Copies of ID card;
- Copies of Latest Payment Receipt of Land and Tax(es);
- Advis Planning (AP) Letter;
- Shop drawing, signed by Licensed Designer.

After the application has been submitted, the Pekanbaru one-stop shop forwards it to the City Planning and Construction Agency. The City Planning and Construction Agency examines all the documents submitted by BuildCo and decides whether to grant the building construction permit or not.

The building construction permit can be denied for different reasons:

- The project design does not satisfy the technical requirements (as in AP);
- The project design obstructs existing facilities;
- The project design worsens the surroundings area - i.e. obstructs traffic, drainage, lighting or buildings nearby.

While the building construction permit (IMB) application is being processed, BuildCo can obtain an authorization, called Construction Approval (IP), to start the construction works immediately. The Construction Approval, however, does not guarantee that the building construction permit will be granted.

If the planned construction satisfies all requirements, the City Planning and Construction Agency (Dinas Tata Ruang dan Bangunan, DTRB) calculates the Construction Permit (IMB) fees according to Local Regulation No. 1/2010.

TARIFF TABLE :

Procedure 5. Request and obtain final inspection from City Planning and Construction Agency (Dinas tata Ruang dan Bangunan)

Time: 1 day

Cost: No cost

Comments: A surveyor from the City Planning and Construction Agency (DTRB) inspects the building and assesses its compliance with Advis Planning Permit and building construction permit (IMB). After the inspection has taken place, the DTRB Unit Head of Supervision prepares a compliance report.

Procedure 6. Obtain official report on construction completion and compliance with building construction permit from City Planning and Construction Agency (Dinas tata Ruang dan Bangunan)

Time: 30 days

Cost: No cost

Procedure 7. Register the warehouse with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 8 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

Size	# of Storeys	Luxurious	Permanent	Semi Permanent	Non Permanent
		(IDR/m ²)	(IDR/m ²)	(IDR/m ²)	(IDR/m ²)
<100m ²	1	14,550	11,550	4,050	
>100m ²	1	15,000	12,000	4,500	3,900
	2	15,150	12,150	5,250	4,050
	3	15,450	12,450	6,300	4,200
	4	17,250	13,950	9,300	
	5	18,450	15,450	11,550	
	> 5	10,800	7,800	3,750	

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 8. Register the warehouse with the Pekanbaru one-stop shop (Badan Pelayanan Terpadu, BPT)

Time: 5 days

Cost: No cost

Comments: In order to register the warehouse with the Pekanbaru one-stop shop, BuildCo must submit the following documents:

- Application form, duly filled;
- Photocopy of SIUP (trading license);
- Photocopy of TDP (registration license);
- Photocopy of the identification card of BuildCo's director;
- Recent photo of BuildCo's director.

Mayor Decree No. 233/2009, implemented since 31 December 2009, has transferred this procedure from the Local Office of Ministry of Industry and Trade to Pekanbaru one-stop shop. Due to the implementation of Law No. 28/2009 in Pekanbaru, this procedure currently has no cost.

Procedure 9*. Request and connect to water and sewage with PDAM

Time: 8 days

Cost: IDR 1,000,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 10*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 4 days

Cost: IDR 500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Pontianak, West Kalimantan

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Request City Planning Statement (SKRK) from Pontianak one-stop shop (Badan Pelayanan Perizinan Terpadu, BP2T)

Time: 1 day

Cost: No cost

Comments: In order to obtain City Planning Statement (SKRK), BuildCo must submit the following documents to the Pontianak one-stop shop:

- Application form, duly filled;
- Copy of Payment Receipt of Land and Building Tax;
- Copy of applicant's ID;
- Location Map and Drawings, prepared by BuildCo's architect;
- Copy of Land Ownership certificate.

Procedure 2. Receive inspection from Zoning Agency (Dinas Tata Ruang)

Time: 1 day

Cost: No cost

Comments: BuildCo's representatives must be present during the inspection in order to show the borders of the future building site to the inspectors. Once the inspection has taken place, the inspectors file a report that is forwarded to the Pontianak one-stop shop.

Procedure 3. Obtain City Planning Statement (SKRK) from Pontianak one-stop shop (Badan Pelayanan Perizinan Terpadu, BP2T)

Time: 16 days

Cost: IDR 15,000

Procedure 4. Request Building Construction Permit (IMB) and obtain official copy of the permit from Pontianak one-stop shop (Badan Pelayanan Perizinan Terpadu, BP2T)

Time: 14 days

Cost: IDR 6,911,885 (Administrative Costs + Inspection Costs + Supervision Costs + Separation Costs + Project Nameplate Costs)

Comments: In order to obtain the building construction permit (IMB), BuildCo must submit the following documents:

- City Planning Statement (SKRK);
- Drawings and shop drawings (4 copies);
- Application form, duly filled.

After all documents have been submitted, the Pontianak one-stop shop (BP2T) reviews them and prepares the building construction permit (IMB). The original letter that grants the permit is not handed over to BuildCo. Instead, BuildCo receives an "official copy" of the building permit. Such a copy allows BuildCo to start construction of the warehouse. No inspection takes place before the official copy is issued since all the necessary on-site verifications have taken place during the procedures relating to the City Planning Statement.

Requirements for this procedure are based on City Regulation No. 6/1999, implemented since 1999.

Procedure 5. Request final inspection from Pontianak one-stop shop (Badan Pelayanan Perizinan Terpadu, BP2T)

Time: 1 day

Cost: No cost

Comments: BuildCo notifies in writing that the warehouse has been completed and requests a final inspection from the Pontianak one-stop shop.

Procedure 6. Receive final inspection from Pontianak one-stop shop (Badan Pelayanan Perizinan Terpadu, BP2T)

Time: 1 day

Cost: No cost

Comments: Representatives of the Pontianak one-stop shop carry out a joint inspection with the City Planning Office to check whether the warehouse built by BuildCo is in line with the information contained in the application for the building construction permit. At the end of the inspection, BuildCo representatives sign the inspection report produced by the visiting team.

Procedure 7. Obtain original letter of Building Construction Permit (IMB) from Pontianak one-stop shop (Badan Pelayanan Perizinan Terpadu, BP2T)

Time: 2 days

Cost: No cost

Comments: After the final inspection has taken place, the Pontianak one-stop shop reviews the final inspection report and releases the original letter of building construction permit (IMB).

Procedure 8. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 14 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Land and Building Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;

- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 9. Register the warehouse with the local office of the Industry, Cooperation and Trade Agency (Dinas Perindustrian, Perdagangan dan Koperasi, Disperindagkop)

Time: 7 days

Cost: No cost

Comments: In order to register the warehouse with the local office of the Industry, Cooperation and Trade Agency (Dinas Perindustrian, Perdagangan dan Koperasi, Disperindagkop), BuildCo must submit the following documents:

- Application form, duly filled;
- Copy of identity card;
- Starting Business Permit (SIUP) and Company Registration (TDP);
- Corporate Tax Registration (NPWP).

Procedure 10*. Request and connect to water and sewage with PDAM

Time: 7 days

Cost: IDR 1,500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 11*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 7 days

Cost: IDR 250,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Semarang, Central Java

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Request location clearances from Semarang one-stop shop (BPPT)

Time: 1 day

Cost: No cost

Comments: In order to obtain the location clearances from the Semarang one-stop shop, BuildCo must submit the following documents:

- Application form, duly filled;
- Project proposal;
- Copy of land ownership certificate;
- Copy of identity card of the applicant and company establishment deeds;
- Copy of subject to tax registration.

Procedure 2. Receive inspection from Semarang one-stop shop (BPPT)

Time: 1 day

Cost: No cost

Comments: After receiving the application for the location clearances, a technical team is sent by the Semarang one-stop shop to verify the location of the plot and check if the neighbors have any objection to the building project that will be carried out by BuildCo.

BuildCo representatives' presence is mandatory during the inspection as they need to sign the inspection minutes (Berita Acara Verifikasi Lapangan).

Procedure 3. Obtain location clearances from Semarang one-stop shop (BPPT)

Time: 12 days

Cost: No cost

Procedure 4. Obtain statement on land dispute with Head of the Village

Time: 8 days

Cost: No cost

Comments: The statement of land dispute is necessary when applying for the statement letter and the building permit.

Procedure 5. Obtain statement letter and city planning map from Semarang one-stop shop (BPPT)

Time: 15 days

Cost: IDR 1,579,300 (area of the plot, multiplied by IDR 1,700)

Comments: In order to obtain the statement letter and city planning map (Keterangan Rencana Kota, KRK and Peta Rencana Tata Ruang dan Wilayah, Peta RTRW), BuildCo must submit the following documents:

- Application form;
- Copy of identity card of the applicant and company's establishment deed;
- The latest Payable Tax Notification Letter;
- Copy of land ownership certificate;
- Statement on land dispute, obtained from local Head of the Village.

From the end of 2009, the statement letter and city planning map are issued at the Semarang one-stop shop (BPPT). This change is the product of Mayor Decree No. 875.1/57, year 2009, regarding Authority Delegation for Approving Permit and Non Permit to Head of BPPT Semarang. According to Mayor Decree No. 13/2011, the statutory time for the Semarang one-stop shop to issue the statement letter and city planning map is 15 days. Such a statutory limit is usually respected by the authorities. The costs for the statement letter and city planning map are based on Local regulation No. 14/1998.

Procedure 6. Obtain Building Construction Permit (IMB) from Semarang one-stop shop (Badan Pelayanan Perijinan Terpadu, BPPT)

Time: 15 days

Cost: IDR 7,230,035 [0.6% x unit cost x building size x location index x building index]

Comments: In order to obtain the permit, BuildCo needs to submit the following documents:

- Application form, duly filled;
- Statement letter (KRK);
- Photocopy certificate of land ownership;
- Statement on land dispute, obtained from local Head of the Village;
- Photocopy of personal ID of the applicant;
- Photocopy of proof of property tax payments;
- Drawings;
- Photocopy of the establishment deeds, business trade license (SIUP), business construction services license (SIUJK), tax registration.

No inspection is carried out during this procedure because all necessary verifications have been carried out by the Semarang one-stop shop when processing the location clearances. If all documents submitted are complete and correct, BuildCo is notified to proceed with the payment and collect the building permit: both actions are carried out at the Semarang one-stop shop (BPPT).

According to Mayor Decree No. 13/2011, the statutory time for the Semarang one-stop shop to carry out this procedure is 15 days. The authorities usually respect the statutory time limit.

Procedure 7. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 11 days

Cost: No cost

Comments: The registration is conducted by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 8. Register the warehouse with Semarang one-stop shop (BPPT)

Time: 3 days

Cost: No cost

Comments: In order to register the warehouse, BuildCo must submit the following documents to the Semarang one-stop shop:

- Business permit;
- Company Tax Registration Number;
- Building Construction Permit (IMB);
- Location Map;
- Recent photograph of BuildCo's director.

According to Mayor Decree No. 13/2011, the statutory time for the Semarang one-stop shop to carry out this procedure is 5 days. The registration, however, usually takes a shorter amount of time.

Procedure 9*. Request and connect to water and sewage with PDAM

Time: 8 days

Cost: IDR 1,500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 10*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 3 days

Cost: IDR 63,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Surabaya, East Java

Warehouse value: IDR 4,552,100,000 = USD 437,498

Data as of: July 2011

Procedure 1. Notarize copy of Land Certificate at Notary Office

Time: 3 days

Cost: IDR 50,000

Comments: In order to be able to undertake some of the necessary procedures for the construction of the warehouse, BuildCo must legalize a copy of the land ownership certificate with a notary. The cost of this procedure is the product of the negotiation between the parties.

Procedure 2. Request City Planning Statement (SKRK) at Surabaya one-stop shop (Unit Pelayanan Terpadu Satu Atap)

Time: 1 day

Cost: No cost

Comments: In order to obtain the City Planning Statement, BuildCo must submit the following documents:

- Application Form (available at the Surabaya one-stop shop);
- Copy of identity card of the applicants;
- Copy of Property Tax invoice and receipt;
- Legalized copy of land ownership certificate.

As it submits the documents, BuildCo is interviewed about the project details. After that, the Surabaya one-stop shop checks the masterplan and calculates the retribution charges. BuildCo pays the fees at the Surabaya one-stop shop and the file is transferred to the City Planning Agency (Dinas Cipta Karya dan Tata Ruang). City Planning Office representatives inspect the future building site, measure the location, prepare drawings, and position the future building's plot in technical masterplan. They also prepare location drawings (with border, base coefficient, size coefficient, and technical requirements). When all is complete, the City Planning Agency evaluates, registers, and approves the application. Once the application has been approved, the City Planning Office transfers the file to the Surabaya one-stop shop which then notifies BuildCo that the statement is ready for pick up.

Regulations establish a statutory time of 10 days for the City Planning Statement to be issued, but it usually takes longer.

This procedure is governed by the following regulations:

- Local Regulation No. 7/2003, regarding charges on City Planning Statement, implemented since 2004;
- Mayor Decree No. 31 / 2004, regarding implementation of Local Regulation No 7/2003, implemented since 2004;
- Mayor regulation No. 36/2005, regarding City Planning Map, implemented since 2005.

Procedure 3. Receive inspection from City Planning Agency (Dinas Cipta Karya dan Tata Ruang)

Time: 1 day

Cost: No cost

Comments: A technical team of the City Planning Agency inspects the future building site and measures the location in the presence of BuildCo representatives.

Procedure 4. Obtain City Planning Statement (SKRK) from Surabaya one-stop shop (UPTSA)

Time: 28 days

Cost: IDR 2,822,000 [(0.01 x Plot area x Taxation value x Location Index) + administrative costs of IDR 35,000]

Comments: Costs based on Mayor regulation No. 31/2004 and Local regulation No. 7/2003.

Procedure 5. Obtain Environmental Monitoring Plan and Environmental Management Plan (UKL/UPL) approval from local Environmental Control Agency (BLH)

Time: 1 day

Cost: No cost

Comments: In order to obtain the approval of UKL and UPL, BuildCo must submit the following documents to the Local Environmental Agency:

- Environmental document. Prepared by BuildCo;
- City Planning Statement and City Planning Map;
- Building Construction Permit Application Form. Based on Regulation No. 7/2009, implemented since January 2011, this procedure is mandatory.

Procedure 6. Obtain Building Construction Permit (IMB) from Surabaya one-stop shop (Unit Pelayanan Terpadu Satu Atap)

Time: 30 days

Cost: IDR 14,225,800

Comments: In order to obtain the building construction permit, BuildCo must submit the following documents:

- Administrative Requirements:
 - Application form and statement letter of construction requirement adherence;
 - Copy of ID card of BuildCo's director;
 - Copy of Property Tax Receipt;
 - Copy of Land Ownership Certificate;
 - City Planning Statement (SKRK);
 - Construction Accountability Statement, prepared by BuildCo's architect;
 - Picture of the site and building plans, prepared by BuildCo's architect.
- Technical requirements prepared by BuildCo:
 - Design drawings, 3 copies:
 - Landscaping (scale 1:1000/1:5000),
 - Lay out (scale 1:100),
 - Foundation base, roof, sanitation (1:100);
 - 2 sets of structure drawings.

Relevant regulations:

- Local regulation No. 17/1999, implemented since 1999;
- Local regulation No. 7/2009, implemented since January 2011.

Procedure 7. Obtain official report on completion of construction and compliance with building permit from City Planning Agency (Dinas Cipta Karya dan Tata Ruang)

Time: 28 days

Cost: IDR 62,500

Procedure 8. Register warehouse with Local Revenue Agency (Dispenda)

Time: 2 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to Local revenue agency (Dispenda) in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- New tax object registration number (nomor pemberian obyek pajak baru).

Procedure 9. Register the warehouse with Surabaya one-stop shop (Unit Pelayanan Terpadu Satu Atap)

Time: 1 day

Cost: No cost

Comments: In order to register the warehouse with the Surabaya one-stop shop, BuildCo must submit the following documents:

- Copy of ID card;
- Copy of Construction Permit (IMB);
- Copy of Land Ownership Certificate;
- Copy of Business Trading License (SIUP) and Company Registration (TDP);
- BuildCo's director's pictures (2 copies - size 4x6 cm).

The legal basis for this procedure are local regulation No. 1/2010, regarding warehouse registration charges, and Mayor regulation No. 35/2010, regarding warehouse registration procedures. Both regulations have been implemented since 2010.

Procedure 10*. Request and connect to water and sewage with PDAM

Time: 21 days

Cost: IDR 1,500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 11*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 2 days

Cost: IDR 450,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Surakarta, Central Java

Warehouse value: IDR 4,552,100,000 = USD 437,498
Data as of: July 2011

Procedure 1. Request Zoning Usage Permit (Izin Pemanfaatan Ruang, IPR) and print-out of city masterplan map from Surakarta one-stop shop (KPPT)

Time: 1 day

Cost: No cost

Comments: In order to obtain the Zoning Usage Permit (IPR) and Print-out of City masterplan Map, BuildCo must submit the following documents to the Surakarta one-stop shop:

- Application form, duly filled;
- Photocopy of applicant's identification card;
- Photocopy of Land ownership certificate;
- Land and Building Tax payment proof.

Once the application has been submitted, the Surakarta one-stop shop assigns a team of officers to carry out an inspection. After the inspection has taken place, the City Planning Office prepares the necessary documents and calculates the fees to be paid. BuildCo receives a notification to pay the fees and collect the permit and the print-out of the city masterplan map. The procedures regarding Zoning Usage Permit (IPR) and the print-out of the city masterplan have been introduced by Local regulation No. 8/2009, implemented since 2010.

Other regulations concerning this procedure are the following:

- Local Regulation No. 8/1988, on building procedures;
- Local Regulation No. 9/1999, regarding retribution charges on city master-planning print out;
- Local Regulation No. 8/1993, regarding Surakarta masterplan 1993-2013.

Procedure 2. Receive inspection from Surakarta one-stop shop (KPPT)

Time: 1 day

Cost: No cost

Comments: The inspection is conducted by a technical team from Surakarta one-stop shop (KPPT). A representative of BuildCo must be present in order show the border of the future building site and sign the minutes of the inspection.

Procedure 3. Obtain Zoning Usage Permit (Izin Pemanfaatan Ruang, IPR) and print-out of city masterplan map from Surakarta one-stop shop (KPPT)

Time: 16 days

Cost: IDR 1,741,875 (fees for the Print Out of the City masterplan, the Zoning Usage Permit is free of cost)

Comments: After the inspection has taken place, the Surakarta one-stop shop issues the Zoning Usage Permit and the print-out of the city masterplan map.

Procedure 4. Obtain Environmental Statement (SPPL) approval from Local Environmental Agency (BLH)

Time: 2 days

Cost: No cost

Comments: BuildCo's architect prepares the environmental document (SPPL) and submits to the Local Environmental Agency (BLH) for approval. The environmental document comprises two items, an application form and a statement letter, and can be prepared in-house by BuildCo.

Procedure 5. Verify Land Ownership with the Head of the Village (Lurah)

Time: 1 day

Cost: No cost

Comments: The Head of the Village has to verify that the land belongs to BuildCo. Once the verification process has taken place, the Head of the Village signs the application for the building construction permit (IMB).

Procedure 6. Verify Land Ownership with the Head of the Sub-district (Camat)

Time: 1 day

Cost: No cost

Comments: The Head of the Sub-district has to verify that the land belongs to BuildCo. Once the verification process has taken place, the Head of the Sub-district signs the application for the building construction permit (IMB).

Procedure 7. Obtain Building Construction Permit (IMB) from Surakarta one-stop shop (KPPT)

Time: 21 days

Cost: IDR 7,000,000 [(First floor: IDR 490,518 x IDR 2.1 x coefficient of the construction value for the first floor) + (Second floor: IDR 490,518 x IDR 2.1 x coefficient of the construction value of second floor)]

Comments: In order to obtain the building construction permit, BuildCo must submit the following documents to Surakarta one-stop shop:

- Application form, duly filled by the applicant and signed by head of village and head of Sub-district;
- Photocopy of ID card (KTP);
- Photocopy of Land Ownership Certificate;
- Photocopy of Land and Building Tax payment receipt;
- Zoning Usage Permit (IPR);
- Print-out of city masterplan map;
- Architectural Plans, prepared by BuildCo architect.

After submitting all the required documents, BuildCo receives a receipt. The Surakarta one-stop shop forwards the documents to the City Planning Agency that reviews them. After that, provided that there is no issue to be addressed, the City Planning Agency assembles a team to conduct a site inspection. BuildCo presence is required only if notified by the City Planning Agency. Given the assumptions of the case study, the presence of BuildCo during the inspection is very unlikely.

After the inspection, the inspectors prepare a report for the City Planning Office. The City Planning Office prepares the building construction permit and calculates the fees. When all is ready, the one-stop shop office informs BuildCo by letter/phone call and invites BuildCo to pay the fees and collect the permit. Collection of the document and payment of the fees takes place simultaneously at the Surakarta one-stop shop. This procedure is regulated by Mayor Decree No. 974/049/I/2000, implemented since 2000, regarding Retribution Charges for Building Construction Permit.

Procedure 8. Register the warehouse with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 11 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter (Tax Receipt);
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 9. Register the warehouse with Surakarta one-stop shop (KPPT)

Time: 6 days

Cost: No cost

Comments: In order to register the warehouse, BuildCo must submit the following documents:

- Copy of ID card of BuildCo's representative;
- Copy of BuildCo's Nuisance Permit (HO);
- Copy of Permanent Business Trading Permit (SIUP);
- Copy of Company Establishment Deed.

Procedure 10*. Request and connect to water and sewage with PDAM

Time: 16 days

Cost: IDR 2,000,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 11*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 8 days

Cost: IDR 500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Yogyakarta, DI Yogyakarta

Warehouse value: IDR 4,552,100,000 = USD 437,498

Data as of: July 2011

Procedure 1. Obtain Advis Planning Permit from Yogyakarta one-stop shop (Dinas Perijinan)

Time: 1 day

Cost: No cost

Comments: The Permit Registration Office at the Yogyakarta one-stop shop has all data regarding the city masterplan (borders, voids, building height, no. of storeys). Because of this, the procedure can be carried out very rapidly.

Procedure 2. Obtain Environmental Management Plan and Environmental Monitoring Plan (UKL/UPL) approval from Local Environment Agency (BLH) through Yogyakarta one-stop shop (Dinas Perijinan)

Time: 12 days

Cost: No cost

Comments: BuildCo prepares the Environmental Management Plan and the Environmental Monitoring Plan (UKL/UPL) by filling up a template that is provided by the Yogyakarta one-stop shop. The document is submitted to the Yogyakarta one-stop shop which then forwards it to the Local Environmental Agency. After being reviewed and examined by a technical team, the document is cleared by the Head of the Local Environmental Agency and sent back to the Yogyakarta one-stop shop where it can be picked up by BuildCo.

Procedure 3. Obtain Building Construction Permit (IMB) from Yogyakarta one-stop shop (Dinas Perijinan)

Time: 25 days

Cost: IDR 20,484,450 (construction permit charges x size of building x coefficient of building class x coefficient of building location x coefficient building usage x coefficient of stories building)

Comments: In order to obtain the building construction permit, BuildCo must submit the following documents to the Yogyakarta one-stop shop:

- Application form, duly filled;
- Copy of certificate of ownership;
- Shop drawings, signed by licensed architect and engineer;
- Structure and system calculations;
- Advis planning permit;
- Environmental Management Plan and Environmental Monitoring Plan, approved by the Local Environmental Agency.

Procedure 4. Register with Local Tax Office (Kantor Pajak Pratama, KPP)

Time: 3 days

Cost: No cost

Comments: The registration is done by completing the Tax Object Notification Letter (SPOP) available in certain government offices. The SPOP must be signed by the taxpayer and submitted to the Local Tax Office in the area where the warehouse is to be built, no later than 30 days after receipt of the SPOP. The following documents should be included:

- The latest Payable Tax Notification Letter;
- Copy of the land certificate;
- Copy of the identity card of the land title holder or articles of association if the land is registered under a company name.

Procedure 5. Register the warehouse with Yogyakarta one-stop shop (Dinas Perijinan)

Time: 5 days

Cost: No cost

Comments: In order to register the warehouse, BuildCo must submit the following documents to the Yogyakarta one-stop shop:

- Application form, duly filled;
- Copy of identity card of the applicants;
- Copy of Starting Business Permit, Company Registration, Nuisance Permit (already in possession of BuildCo, as per assumptions);
- Copy of Tax Registration Number;
- Location Map.
- Notification letter to confirm the status of the ownership of the warehouse (if not owned or rented by the company)

The requirements for this procedure are regulated by Mayor regulation No. 37/2011. Such regulation establishes a statutory limit of 5 days for this procedure to be carried out. Such a timeline is usually respected by the Yogyakarta one-stop shop.

Procedure 6*. Request and connect to water and sewage with PDAM

Time: 8 days

Cost: IDR 2,000,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 7*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time: 8 days

Cost: IDR 480,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

* This procedure can be completed simultaneously with previous procedures

LIST OF PROCEDURES

REGISTERING PROPERTY

Balikpapan, East Kalimantan

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 3 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;
- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initiated by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Balikpapan, the local regulation (Perda No. 18/2010) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- Original land certificate;
- Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- Deed of Establishment and its amendments of both the seller and purchaser;
- Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- Advise Planning from the City Administration Institution;
- Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 30 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Banda Aceh, Aceh Province

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 3 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;
- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initiated by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law

17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Banda Aceh, the local regulation (Perda No. 7/2010) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;
- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 30 days

Cost: IDR 1,404,224 (IDR 50000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Bandung, West Java

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- a. Land Ownership Certificate;
- b. Copy of the applicant's identification or its proxy;
- c. Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private com-

mercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Bandung, the local regulation (Perda No. 2/2011) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 1 day

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;
- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 14 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Batam, Riau Islands

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 7 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;
- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Obtain a property transfer license from the Batam Industrial Development Authority (BIDA)

Time: 30 days

Cost: IDR 33,555,598 (2.5% of the property value)

Comments: The buyer or its representative (Land Deed Official) must obtain a property transfer license at the Batam Industrial Development Authority (BIDA) offices before the property transfer. An inspection of the site is conducted by the Authority to assess

the location, use and property value (the parties do not need to be present). Once the inspection has been completed, the buyer or its representative is informed and can proceed to make the payment of the relevant fees at the BIDA offices. According to the 2005 Decision by the BIDA (SK Nomor 09/KPTS/KA/L/2005) on the 'Tariff of Land Transfer' - Uang Wajib Tahunan Otorita, or UWTO - the cost of the license is equivalent to 2.5% of the property value. The license is valid for 25 years or until new transfer of the property (whichever comes first), after which the fee would have to be paid again.

Procedure 3. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 4*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 63,611,196 (5% of property value minus IDR 70 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Batam, the local regulation (Perda No. 2/2011) stipulates a NPOPTKP of IDR 70,000,000.

Procedure 5. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 7 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- Original land certificate;
- Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB

while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;

- Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 3);
- Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 4);
- Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 5);
- Deed of Establishment and its amendments of both the seller and purchaser;
- Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- Advise Planning from the City Administration Institution;
- Permit for Building Establishment.

Procedure 6. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 7 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 7. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Denpasar, Bali

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 3 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regula-

tion of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- a. Land Ownership Certificate;
- b. Copy of the applicant's identification or its proxy;
- c. Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at local government Revenue Office (Dispenda)

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Denpasar, the local regulation (Perda No. 7/2010) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;

- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 30 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Gorontalo, Gorontalo

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 3 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- a. Land Ownership Certificate;
- b. Copy of the applicant's identification or its proxy;
- c. Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 2 days

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 2 days

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

While waiting for Gorontalo to enact local regulations to implement the law on Local Tax, it is still under the old system (based on Article 7 of Law 20/2000, amending Law 21/1997) in which the maximum value for NPOPTKP is 60,000,000. In Gorontalo, based on Local Regulation No. 10/2011, the NPOPTKP is IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;
- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 21 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Jakarta, DKI Jakarta

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- a. Land Ownership Certificate;
- b. Copy of the applicant's identification or its proxy;
- c. Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04/PJ.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 63,111,196 (5% of property value minus IDR 80 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPTKP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Jakarta, the local regulation (Perda No. 18/2010) stipulates a NPOPTKP of IDR 80,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a PPAT official

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;
- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 15 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: Registration of the Land Deed at the local Land Office (BPN) to have the purchaser's name registered and recorded in the land certificate. At the latest of 7 (seven) days as of the signing date of the sale and purchase of Land Deed, the notary submits such deed including its supporting documents to the Land Office, but in practice the wait is much longer because of the backlog. (Article 40 sub 1 of Government Regulation No. 24/1997 concerning the Land Registration). In theory, the registration process should be completed within the 5 days statutory time limit. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Jambi, Jambi

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;
- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initiated by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No.

28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Jambi, the local regulation (Perda No. 10/2010) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- Original land certificate;
- Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- Deed of Establishment and its amendments of both the seller and purchaser;
- Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 30 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Makassar, South Sulawesi

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 2 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;
- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initiated by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Makassar, the local regulation (Perda No. 3/2010) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;
- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 30 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

*** This procedure can be completed simultaneously with previous procedures.**

REGISTERING PROPERTY

Manado, North Sulawesi

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- a. Land Ownership Certificate;
- b. Copy of the applicant's identification or its proxy;
- c. Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law

17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04/PJ.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 65,861,196 (5% of property value minus IDR 25 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

While waiting for Manado to enact local regulations to implement the law on Local Tax, it is still under the old system (based on Article 7 of Law 20/2000, amending Law 21/1997) in which the maximum value for NPOPTKP is 60,000,000. In Manado, the NPOPTKP is IDR 25,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;
- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;

- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 5 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Mataram, West Nusa Tenggara

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 4 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- a. Land Ownership Certificate;
- b. Copy of the applicant's identification or its proxy;
- c. Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at local government Revenue Office (Dispenda)

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Mataram, the local regulation (Perda No. 30/2010) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;
- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);

g. Deed of Establishment and its amendments of both the seller and purchaser;

h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;

i. Advise Planning from the City Administration Institution;

j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 15 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Medan, North Sumatra

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- a. Land Ownership Certificate;
- b. Copy of the applicant's identification or its proxy;
- c. Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and

according to the Land Registry/ Land Book at the Land Office, dated _____, time _____, and is initiated by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 2 days

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of (property value minus IDR 60 million which is tax-free))

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

While waiting for Medan to enact local regulations to implement the law on Local Tax, it is still under the old system (based on Article 7 of Law 20/2000, amending Law 21/1997) in which the maximum value for NPOPTKP is 60,000,000. In Medan, the NPOPTKP is IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- Original land certificate;
- Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months—though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);

- Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- Deed of Establishment and its amendments of both the seller and purchaser;
- Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- Advise Planning from the City Administration Institution;
- Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 30 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Palangka Raya, Central Kalimantan

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;

- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____, and is initiated by the officer at the Land Office.'

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 66,111,196 (5% of property value minus IDR 20 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

While waiting for Palangka Raya to apply local regulations to implement the law on Local Tax, it is still under the old system (based on Article 7 of Law 20/2000, amending Law 21/1997) in which the maximum value for NPOPTKP is 60,000,000. In Palangka Raya, the NPOPTKP is IDR 20,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- Original land certificate;
- Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility

bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;

- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 8 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Palembang, South Sumatra

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- a. Land Ownership Certificate;
- b. Copy of the applicant's identification or its proxy;
- c. Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Palembang, the local regulation (Perda No. 1/2011) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;
- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 3 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 14 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Pekanbaru, Riau

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 55,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;
- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initiated by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Pekanbaru, the local regulation (Perda No. 4/2010) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 5 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- Original land certificate;
- Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- Deed of Establishment and its amendments of both the seller and purchaser;
- Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- Advise Planning from the City Administration Institution;
- Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 20 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Pontianak, West Kalimantan

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 2 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;
- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initiated by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of (property value minus IDR 60 million which is tax-free))

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No.

28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Pontianak, the local regulation (Perda No. 6/2010) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;
- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 30 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Semarang, Central Java

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 2 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- a. Land Ownership Certificate;
- b. Copy of the applicant's identification or its proxy;
- c. Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

No written statement is given, but a note made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No.

28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Semarang, the local regulation (Perda No. 2/2011) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Verification of the property market value at the Local Revenue Office (DPKAD)

Time: 5 days

Cost: No cost

Comments: The Land Deed Official (PPAT) must verify at the local revenue office (DPKAD) that the value of the property transfer is in line with market prices. After the assessment, a note is issued and provided to the PPAT. There is no legal basis for this procedure, but it required in practice for property transfers in Semarang.

Procedure 5. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 2 and 3 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- a. Original land certificate;
- b. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- c. Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 5);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 6. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 30 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 7. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Surabaya, East Java

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 3 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;
- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04/PJ.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 63,361,196 (5% of (property value minus IDR 75 million which is tax-free))

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Surabaya, the local regulation (Perda No. 11/2010) stipulates a NPOPTKP of IDR 75,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- Original land certificate;
- Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- Deed of Establishment and its amendments of both the seller and purchaser;

- Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- Advise Planning from the City Administration Institution;
- Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 30 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Surakarta, Central Java

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 3 days

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;
- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

The land title search would also involve a check at the local City Planning Office, located at the local government office, to determine the intended use of the said plot of land, whether for residences, industry or green belt. No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Surakarta, the local regulation (Perda No. 13/2010) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 3 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- Original land certificate;
- Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);
- Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;

- Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- Deed of Establishment and its amendments of both the seller and purchaser;
- Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- Advise Planning from the City Administration Institution;
- Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 45 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office (PBB). The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

REGISTERING PROPERTY

Yogyakarta, DI Yogyakarta

Property value: IDR 1,342,223,913 = USD 129,000

Data as of: July 2011

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 50,000

Comments: A land certificate examination is carried out by a Land Deed Official. If the land book concerned is available at the Land Office, it usually takes 1 day. However, sometimes the land book is unavailable, misplaced or being used by another division of the Land Office, so then the examination process will be pending and it usually takes a few days to obtain the information from the Land Office. The Regulation of the National Land Agency Number 1 of 2010 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- Copy of the applicant's identification or its proxy;
- Letter of request from the Land Deed Official (PPAT) for the transfer of rights by virtue of the Deed of the Land Deed Officer.

No written statement is given, but a note is made on the certificate saying 'Has been examined and according to the Land Registry/ Land Book at the Land Office, dated _____, time _____' and is initialed by the officer at the Land Office.

Procedure 2. Seller pays Transfer Tax at a bank

Time: 1 day

Cost: IDR 67,111,196 (5% of the property value)

Comments: The seller pays the Tax on Transfer of Land and Building (Transfer Tax) in the amount of 5% which is calculated on the transfer value. Taxes to the central government are paid at a bank appointed by the State Treasury by the state-owned bank (Bank BUMN); those to the local government are paid at the Local Government Bank and/or other private commercial bank (as per Article 4.2 of Law No. 7/1983, amended by Law No. 10/1994 and Law 17/2000 concerning Income Tax and Parts 2.1 and 5.1 of the Director General of Taxation Circular No. SE-04-/P.J.33/1996 dated August 26, 1996).

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building at a bank

Time: 1 day

Cost: IDR 64,111,196 (5% of property value minus IDR 60 million which is tax-free)

Comments: The buyer pays the Tax on Acquisition of Land and Building (BPHTB) in the amount of 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP)) - (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPT-KP))]. According to the law on Local Tax (Law No. 28/2009), the BPHTB belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

For Yogyakarta, the local regulation (Perda No. 8/2010) stipulates a NPOPTKP of IDR 60,000,000.

Procedure 4. Execution of sale and purchase of Land Deed by a Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of a Sub-District

Time: 2 days

Cost: IDR 13,422,239 (1% of the property value)

Comments: The execution of the sale and purchase of the Land Deed is made before Land Officials, namely a Land Deed Official (PPAT) appointed by the Head of the National Land Office after the taxes in procedures 3 and 4 have been paid. For convenience, those payments are usually made three days before the execution of the sale-purchase deed.

The documentation shall include:

- Original land certificate;
- Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years and utility bills for the last three months--though in practice the office will check the last 10 years. The Land Deed Officer drawing up the sale and purchase deed will only need to see the most recent PBB while the Land Office will need a copy of the most recent PBB for registering the land into the name of the new owner;
- Evidence of payment of the Tax on Transfer of Land and Building (Transfer Tax) (obtained in Procedure 2);

- d. Evidence of payment of the Tax on Acquisition of Land and Building (BPHTB) (obtained in Procedure 3);
- e. Evidence of deed of Company Establishment which was already authorized by the Ministry of Law and Human Rights;
- f. Company Tax-Registration Numbers (NPWP) of the seller and the purchaser (obtained in Procedure 4);
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Corporate approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and purchaser;
- i. Advise Planning from the City Administration Institution;
- j. Permit for Building Establishment.

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time: 30 days

Cost: IDR 1,404,224 (IDR 50,000 + (0.1% of property value) + IDR 6,000 stamp duty per document (2 required))

Comments: After the buyer submits the registration of the Land Deed, she/he leaves it there and has to return some days later to pick up the Land Deed that has been registered under the buyer's name. In between submission of the deed and pick-up, the buyer has to phone the Officer at the Land Office to ask about the progress. The Land Office crosses out the name of the previous owner and inserts the name of the buyer, stamps and signs it.

Procedure 6. Registration of the Land Deed at the Tax on Land and Building Office (PBB) under the name of the buyer

Time: 1 day

Cost: No cost

Comments: In connection to the registration of the Land Deed, the change of ownership must be registered with the Land and Building Tax Office. The taxpayer reports the transfer of land title.

* This procedure can be completed simultaneously with previous procedures.

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