



Doing Business in Indonesia 2010

COMPARING REGULATION IN 14 CITIES AND 183 ECONOMIES

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Doing Business in Indonesia 2010 and other subnational and regional *Doing Business* studies can be downloaded at no charge at <http://subnational.doingbusiness.org>.

Additional copies of the *Doing Business* global reports, *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 purchased at www.doingbusiness.org.

About the Investment Climate Advisory Services of the World Bank Group

The Investment Climate Advisory Services of the World Bank Group helps governments implement reforms to improve their business environment, and encourage and retain investment, thus fostering competitive markets, growth and job creation. Funding is provided by the World Bank Group (IFC, MIGA, and the World Bank) and over fifteen donor partners working through the multi-donor FIAS platform.

Contents

Doing Business in Indonesia 2010 is the first country-specific subnational report of the *Doing Business* series in Indonesia and the third in East Asia, following the reports on China and the Philippines. It measures business regulations and their enforcement in 14 Indonesian cities: Balikpapan, Banda Aceh, Bandung, Denpasar, Jakarta, Makassar, Manado, Palangka Raya, Palembang, Pekanbaru, Semarang, Surabaya, Surakarta and Yogyakarta. The cities can be compared against each other, and with economies worldwide.

Comparisons with other economies are based on the indicators in *Doing Business 2010: Reforming Through Difficult Times*, the seventh in a series of annual reports published by the World Bank and the International Finance Corporation. The indicators in *Doing Business in Indonesia 2010* are also comparable with the data in other subnational *Doing Business* reports. All *Doing Business* data and reports are available at <http://subnational.doingbusiness.org> and at 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 have been selected because they cover areas of local jurisdiction or practice. The data in *Doing Business in Indonesia 2010* are current as of August 2009.

The indicators are used to analyze economic outcomes and identify which reforms have worked, where and why. Other areas important to business—such as a country's proximity to large markets, the quality of infrastructure services (other than services related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. To make the data comparable across localities, the indicators refer to a specific type of business—generally a small or medium-size limited liability company.

This project is endorsed by the Government of Indonesia through the Ministry for Administrative Reforms (Menpan) and it is the result of cooperation between the International Finance Corporation and the Regional Autonomy Watch (*Komite Pemantauan Pelaksanaan Otonomi Daerah*, KPPOD).

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

In 1664, William Petty, an adviser to England's Charles II, compiled the first known national accounts. He made 4 entries. On the expense side, "food, housing, clothes and all other necessities" were estimated at £40 million. National income was split among 3 sources: £8 million from land, £7 million from other personal estates and £25 million from labor income.

In later centuries, estimates of country income, expenditure and material inputs and outputs became more abundant. But it was not until the 1940s that a systematic framework was developed for measuring national income and expenditure, under the direction of British economist John Maynard Keynes. As the methodology became an international standard, comparisons of countries' financial positions became possible. Today the macroeconomic indicators in national accounts are standard in every country.

Governments committed to the economic health of their country and opportunities for its citizens now focus on more than macroeconomic conditions. They also pay attention to the laws, regulations and institutional arrangements that shape daily economic activity.

The global financial crisis has renewed interest in good rules and regulation. In times of recession, effective business regulation and institutions can support economic adjustment. Easy entry and exit of firms, and flexibility in redeploying resources, make it easier to stop doing things for which demand has weakened and to start doing new things. Clarification of property rights and strengthening of market infrastructure (such as credit information and collateral systems) can contribute to confidence as investors and entrepreneurs look to rebuild.

Until very recently, 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. Such surveys are useful gauges of economic and policy conditions. But their reliance on perceptions and their incomplete coverage of poor countries constrain their usefulness for analysis.

The *Doing Business* project, launched 8 years ago, goes one step further. It looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle. *Doing Business* and the standard cost model initially developed and applied in the Netherlands are, for the present, the only standard tools used across a broad range of jurisdictions to measure the impact of government rule-making on business activity.

The first *Doing Business* report, published in 2003, covered 5 indicator sets in 133 economies. This year's report covers 10 indicator sets in 183 economies. The project has benefited from feedback from governments, academics, practitioners and reviewers. The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business.

WHAT DOING BUSINESS IN INDONESIA 2010 COVERS

Doing Business in Indonesia 2010 provides a quantitative measure of the national and local regulations for 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 reduce the costs of resolving disputes, rules that increase the predictability of economic interactions and rules that provide contractual partners with core protections against abuse. The objective is: regulations designed to be efficient, 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 2010 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 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. 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.

WHAT DOING BUSINESS IN INDONESIA 2010 DOES NOT COVER

It is important to know the scope and limitations of *Doing Business in Indonesia 2010* to interpret the results of this report.

LIMITED IN SCOPE

Doing Business in Indonesia 2010 focuses on 3 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 2010* does not measure all 10 indicators covered in the global *Doing Business* report. The report covers only those 3 areas of business regulation that are the provenance of local or national governments and where local differences exist.
- *Doing Business in Indonesia 2010* 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 the quality of infrastructure. Nor does it focus on regulations specific to foreign investment.
- *Doing Business in Indonesia 2010* does not assess the strength of the financial system or market regulations, both important factors in understanding some of the underlying causes of the global financial crisis.
- *Doing Business* 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 2010* measures just 3 phases of a company's life cycle, through

3 specific sets of 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 2010* are based on standardized case scenarios with specific assumptions, such as that the business is located in one of the 14 cities benchmarked in 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 2010* 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 defining the indicators, *Doing Business in Indonesia 2010* 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. *Doing Business in Indonesia 2010* measures one set of factors that help explain the occurrence of informality and give policymakers 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 in Indonesia 2010* with data from other sources, such as the World Bank Enterprise Surveys.

WHY THIS FOCUS

Doing Business in Indonesia 2010 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. The indicator set closest to *Doing Business* in what it measures is the Organisation for Economic Co-operation and Development's indicators of product market regulation; the correlation here is 0.75. The World Economic Forum's Global Competitiveness Index and IMD's World Competitiveness Yearbook are broader in scope, but these too are strongly correlated with *Doing Business* (0.79 and 0.72, respectively). These correlations suggest

that where peace and macroeconomic stability are present, domestic business regulation makes an important difference in economic competitiveness.

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. 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.

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.

In the current global crisis, policy-makers face particular challenges. Both developed and developing economies are seeing the impact of the financial crisis flowing through to the real economy, with rising unemployment and income loss. The foremost challenge for many governments is to create new jobs and economic opportunities. But many have limited fiscal space for publicly funded activities such as infrastructure investment or for the provision of publicly funded safety nets and social services. Reforms aimed at creating a better investment climate, including reforms of business regulation, can be beneficial for several reasons. Flexible regulation and effective institutions, including efficient processes for starting a business and efficient insolvency or bankruptcy systems, can facilitate reallocation of labor and capital. And regulatory institutions and processes that are streamlined and accessible can help ensure that, as businesses rebuild, barriers between the informal and formal sectors are lowered, creating more opportunities for the poor.

DOING BUSINESS IN INDONESIA AS A BENCHMARKING EXERCISE

Doing Business in Indonesia 2010, 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 2010 provides 2 approaches 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 governments, how much their indicators improve matters more than their absolute 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 around the world 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.

DOING BUSINESS— A USER'S GUIDE

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. These data also provide a basis for analyzing how different policy approaches—and different policy reforms—contribute to desired outcomes such as competitiveness, growth and greater employment and incomes.

Seven years of *Doing Business* data have enabled a growing body of research on how performance on *Doing Business* indicators—and reforms relevant to those indicators—relate to desired social and economic outcomes. Some 405 articles have been published in peer-reviewed academic journals, and about 1,143 working papers are available through Google Scholar. Among the findings:

- Lower barriers to start-up are associated with a smaller informal sector.
- Lower costs of entry encourage entre-

preneurship, enhance firm productivity and reduce corruption.

- Simpler start-up translates into greater employment opportunities.

HOW DO GOVERNMENTS USE *DOING BUSINESS*?

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. For example, Saudi Arabia used the company law of France as a model 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 reform. In the words of Luis Guillermo Plata, the 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 7 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, 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 reform debate.

World Bank support to these reform processes is designed to encourage critical use of the data, sharpening judgment and avoiding a narrow focus on improving *Doing Business* rankings.

METHODOLOGY AND DATA

Doing Business in Indonesia 2010 covers 14 cities, including Jakarta. 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 2010* methodology, see the 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. Seven of the background papers underlying the indicators have been published in leading economic journals. One is at an advanced stage of publication.

Doing Business uses a simple averaging approach for weighting subindicators 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 provides new information. The simple averaging approach is therefore robust to such tests.

IMPROVEMENTS TO THE METHODOLOGY AND DATA REVISIONS

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 2010*.

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.

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 verification process, they are expeditiously corrected.

Overview

Ask anyone in Indonesia about the country's future and most likely you will get an optimistic answer. This is no surprise. The third largest democracy and fourth most populous country in the world has transformed itself from a low-income country in the 1960s into a fast-growing emerging market. Only a decade ago, the ethnically and linguistically diverse archipelago seemed on the verge of breaking up due to growing social and regional tensions during the Suharto regime and the East Asia crisis. Recovery has been impressive with an average annual growth of 5.4% between 2003 and 2007.¹ Indonesia today enjoys a stable political and economic outlook. It has also weathered the recent global economic crisis relatively well. Economic growth is expected to pick up this year to about 4%, while other countries are still struggling. Among large economies in Asia, only China and India are growing faster.

One of the pillars of Indonesia's remarkable transition was an ambitious decentralization program. The number of districts grew to 480, up from 292 in 1998, and authority was devolved to local governments to allocate spending and regulate public service provision.² Decentralization increased the accountability of local governments and brought policy decisions closer to citizens. It also allowed some local governments to intro-

duce innovative service delivery mechanisms—such as one-stop shops. These innovations have been replicated by others, creating a healthy competition. Still, decentralization is not without problems in a large and complex economy. A recent review found that about 85% of local regulations were inconsistent with national laws and incomplete or distorting to economic activity.³ Fees and user charges have proliferated as local governments use their regulatory authority as a revenue raising mechanism.

Doing Business studies business regulations from the perspective of a

small to medium-size domestic limited liability company. Jakarta, the most populous city in Indonesia, represents the country in the annual *Doing Business* report, which compares regulatory practices in 183 economies. *Doing Business in Indonesia 2010* goes beyond Jakarta and benchmarks 13 additional cities on 3 *Doing Business* topics where the national and local governments both play an important role in shaping the regulatory environment: starting a business, dealing with construction permits, and registering property. The results are not surprising. In a country of over 17,000

TABLE 1.1

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

City	Population	Ease of starting a business	Ease of dealing with construction permits	Ease of registering property
Balikpapan	508,120	8	8	14
Banda Aceh	219,659	6	10	8
Bandung	2,510,982	5	3	1
Denpasar	642,358	10	11	8
Jakarta	8,929,200	7	13	2
Makassar	1,223,530	9	2	10
Manado	422,653	14	12	3
Palangka Raya	188,123	3	3	5
Palembang	1,660,584	4	6	6
Pekanbaru	804,517	11	7	4
Semarang	1,468,292	13	5	11
Surabaya	2,885,862	11	14	6
Surakarta	515,372	2	9	13
Yogyakarta	435,236	1	1	12

Source: *Doing Business* database and Social Economic Survey (SUSENAS) 2007.

islands with nearly 500 powerful district governments, there is no such thing as a standard business procedure and the quality of regulatory administration is highly varied (table 1.1). Across Indonesia, Yogyakarta is the city where it is easiest to start a business and obtain construction permits, while registering property is easiest in Bandung. Going through start-up procedures is most cumbersome in Manado, while obtaining construction permits and registering property are most difficult in Surabaya and Balikpapan, respectively.

Two things stand out in the table. First, no single city does well on all 3 topics. For example, Yogyakarta leads the classification on the ease of starting a business and obtaining construction permits, but lags behind on registering property. Various agencies, both national and local, are involved in each of the 3 areas measured and their performance varies across the 14 cities. The good news is that all cities can learn from their peers and adopt some of the good practices already existing elsewhere in Indonesia. Also, national-level agencies can compare the performance of their local branches in different cities, implementing the experiences of the most efficient ones in less successful locations. Second, there is no direct relationship between location size and the quality of the business regulatory environment. While 2 smaller cities (Yogyakarta and Palangka Raya) are among the top 3 on more than one *Doing Business* area, larger cities like Bandung and Palembang are also in the first half of the classification in all 3 areas. Registering property in Bandung is easier than in any of the other cities. Jakarta is the second easiest city in which to register property. Larger cities tend to have a higher demand for business services, which can lead to bottlenecks and delays, yet they benefit from economies of scale and have more resources at their disposal to invest in administrative modernization than their smaller neighbors.

REFORMING BUSINESS REGULATIONS: INDONESIA IN A GLOBAL PERSPECTIVE

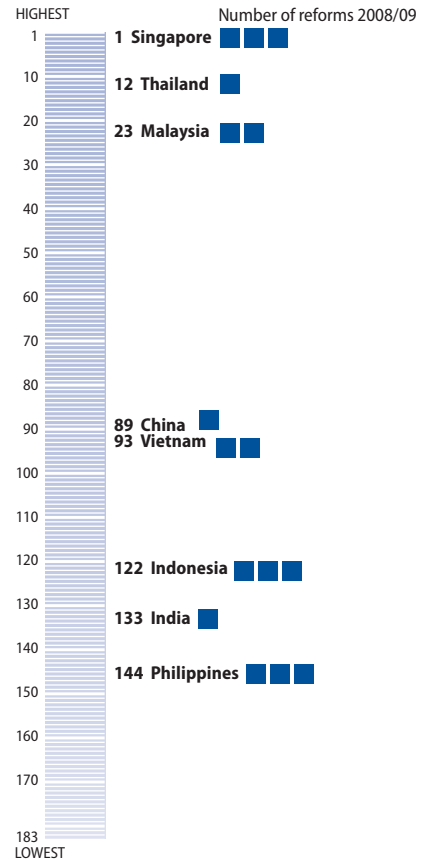
Despite the hardship imposed by the current economic crisis to businesses globally, this was a record year for regulatory reforms. *Doing Business* recorded 287 reforms in 131 of 183 economies between June 2008 and May 2009—20% more than the previous year. Seventeen of the 24 economies in East Asia and the Pacific reformed. Singapore, which leads the ease of doing business ranking globally, and Hong Kong (China) used technology and one-stop shops to make it easier to start a business, obtain construction permits and transfer property. In addition to Indonesia, other emerging economies in the region introduced reforms (figure 1.1). China made it easier for domestic firms to trade by relaxing rules on trade credit. Thailand eased business entry and the Philippines introduced new insolvency rules to make it easier to reorganize firms.

Such reforms are timelier than ever. Firms in developing economies have been affected by lower demand for their exports and a drop in capital flows and remittances. At the same time, businesses in low-income economies still face more than double the regulatory burden of their counterparts in high-income economies when starting a business, transferring property, filing taxes or resolving a commercial dispute through the courts.

Indonesia, represented by Jakarta in the *Doing Business 2010* report, is Asia's most active reformer of business regulations in 2008/09. Reforms introduced in 3 of the 10 areas measured by *Doing Business* (starting a business, registering property and protecting investors), improved the country's ease of doing business ranking by 7 places, to 122 out of 183 economies.

Several reforms cut procedures, time and cost to start a business. A na-

FIGURE 1.1
Asia is reforming
Ranking on the ease of doing business 2010 of selected Asian economies



Source: *Doing Business* database.

tional regulation eliminated the requirement to obtain a certificate of company domicile from the local municipality.⁴ Online reforms at the tax registration office cut registration time significantly. The application to publish the company articles of association was merged with the issuance of the deed of establishment. Improvements to the business licensing process reduced the time and cost to obtain a business trading license (*Surat Izin Usaha Perdagangan*, or SIUP)⁵ and the company registration certificate (*Tanda Daftar Perusahaan* or TDP).⁶ As a result, the time to start a business in Jakarta was cut by 16 days and the cost by almost 52% of income per capita.

To shorten property registration, Indonesia introduced time limits: one working day for issuing the ownership

TABLE 1.2
Reforms in Indonesia* 2005–2009

<i>Doing Business</i> report	Starting a business	Dealing with construction permits	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
DB 2006					✓	✓				✓
DB 2007	✓									
DB 2008		✓			✓	✓				
DB 2009	✗				✓					
DB 2010	✓			✓		✓				

Note: ✗ indicates a negative reform.

* Represented by Jakarta

Source: *Doing Business* database.

certificate and 5 working days for registering at the land office,⁷ bringing the time to complete a property transfer in Jakarta down 17 days, from 39 to 22. Indonesia also strengthened disclosure requirements for transactions between company insiders and other companies they control to protect investors.⁸

Between 2005 and 2009, Indonesia introduced 11 reforms to make it easier for firms to start up and operate as measured by *Doing Business* (table 1.2). Reforms focused mainly on 3 areas: simplifying start-up procedures, expanding credit information and improving the rights of minority shareholders.

COMPARING BUSINESS REGULATIONS ACROSS 14 CITIES

When compared internationally, cities in Indonesia stand out by the low number of procedures necessary to obtain a construction permit—12 on average, 6 less than the regional average in East Asia and Pacific. Transferring a property title is also relatively speedy across Indonesia. It takes about one month, faster than two-thirds of the economies in the *Doing Business* sample. However, starting a business is a lengthy process compared with other countries of the Association of Southeast Asian Nations (ASEAN)—50 days on average, faster only than the Philippines, Cambodia, Lao People's Democratic Republic and Brunei Darussalam. Businesses across

Indonesia also face higher costs to start a business, obtain construction permits and register property than competitors in the region. Yet, when analyzing the procedures, time and cost to complete all requirements in these 3 areas across the 14 Indonesian cities, wide differences emerge. Local government requirements and practices and the different performance of local branches of national agencies drive this variation.

STARTING A BUSINESS

Starting a business in Indonesia is neither easy nor cheap. In the 14 cities included in this report, on average 9 procedures are necessary to start a business, taking 50 days and costing 31% of income per capita. Indonesians spend 5 weeks more than Malaysians and pay almost 5 times more than entrepreneurs in Thailand. In addition to regulatory costs, the entrepreneur must also deposit a minimum capital of IDR 12,500,000 (about US\$ 1,200), the third largest paid-in capital requirement for limited liabilities companies in the region after Timor-Leste and China. Nevertheless, some cities fare better than others. In Yogyakarta, Palangka Raya and Surakarta it takes only 8 steps to register a business. In Semarang and Manado, 11 procedures are required. Variations are mainly due to local licensing practices and different interpretations of national guidelines. Completing business registration is faster where business licenses administered by local governments are

consolidated at one-stop shops. It takes 43 days in Yogyakarta and Bandung, 3 weeks less than in Semarang, the slowest city to complete the process. Variations in time among cities are also due to the different performance of local branches of national agencies involved in post-incorporation procedures to register for tax, labor and social security. The official cost to start a business varies between 25% of income per capita in Jakarta, similar to the East Asia and Pacific average, and 38% in Manado, same as in Kiribati, the fifth most expensive economy in the region. Only public notaries are allowed access to the online system of the Ministry of Law and Human Rights for company name searches and only they may file the incorporation documents. This is why the majority of expenses related to business start-up stem from notary fees, which range from IDR 2.5 million to IDR 4.5 million (US\$ 239 to US\$ 431) among the 14 cities surveyed. Local licensing regulations also drive the variation in the cost among the cities.

DEALING WITH CONSTRUCTION PERMITS

The regulatory framework for construction permits involves national, regional, local and private sector players. When comparing this set of rules across Indonesia, most differences are encountered in the pre-construction stage. To apply for a building permit in Banda Aceh, Jakarta or Semarang, separate location

TABLE 1.3

Best practices in Indonesia compared internationally

Indicator	Indonesia in DB 2010 (represented by Jakarta)		Indonesia best practice		Global rank (183 economies) How Indonesian cities compare globally
	Performance	Global rank (183 economies)	Best performing city within Indonesia	Performance	
Number of procedures to deal with construction permits	14 procedures	47	Yogyakarta	8 procedures	5
Days to deal with construction permits	160 days	68	Makassar	56 days	9
Days to register property	22 days	49	Manado	12 days	24
Cost to deal with construction permits	194.8% of income per capita	98	Semarang	107.6% of income per capita	78
Number of procedures to register property	6 procedures	79	All cities	6 procedures	79
Number of procedures to start a business	9 procedures	116	Yogyakarta, Palangka Raya, Surakarta	8 procedures	93
Cost to start a business	26% of income per capita	118	Jakarta	25.1% of income per capita*	117
Days to start a business	60 days	158	Yogyakarta, Bandung	43 days	143
Cost to register property	10.7% of the property value	150	Bandung, Jakarta	10.7% of the property value	150

* At the time of publication of *Doing Business 2010* the cost was 26% of income per capita.
Source: *Doing Business* database.

and zoning clearances are needed. Conversely, in Yogyakarta, these clearances are obtained through an internal and coordinated process among zoning and building authorities. This city has only 3 pre-construction procedures compared with 7 in Jakarta, Palangka Raya and Surabaya and 9 in Banda Aceh.

Across the 14 Indonesian cities, dealing with construction permits consists on average of 12 procedures that take 118 days and cost 161% of income per capita. This is almost 2 months faster than the regional average but more expensive by 20% of income per capita. However, differences among cities are large. Obtaining all permits to build a warehouse and hook it up to utilities would take only 56 days in Makassar, placing Makassar in the 9th position worldwide, ahead of New Zealand. It would take almost 6 months longer in Surabaya. Getting the construction permit is cheapest in Semarang (107.6% of income per capita), but constructing a warehouse in Surakarta would cost twice as much (201.8% of income per capita). In both cities, the process is less

costly than in India (2,394.9%) or Russia (2,140.7%) but more expensive than in Malaysia (7.1%) or Thailand (12.1%).

REGISTERING PROPERTY

Within Indonesia, property registration is managed at the national level by the National Land Agency (*Badan Pertanahan Nasional*, or BPN), which has local offices across the country, and at the local level by the provincial governments. The same 6 procedures are required to register property across the 14 cities. Yet, different local practices and administrative efficiency lead to variations in time and cost. Registering property is easier in Bandung and more difficult in Balikpapan. When transferring a property title in Manado, the real estate is registered in 12 days, same as the United States, but 6 times longer than in Thailand. Transferring property in Surakarta takes 54 days, similar to Vietnam (57 days). The BPN requirements to go through the land certificate examination and to register the land deed under the name of the new owner account on average for 78% of the total time. Variations in cost stem mostly

from different tax rates on land and building acquisitions set by the provincial governments, which account on average for 45% of the total cost. At 10.8% of the property value, the average cost to register property compares poorly with the rest of Indonesia's neighbors—3.9% of the property value, on average, in East Asia and the Pacific.

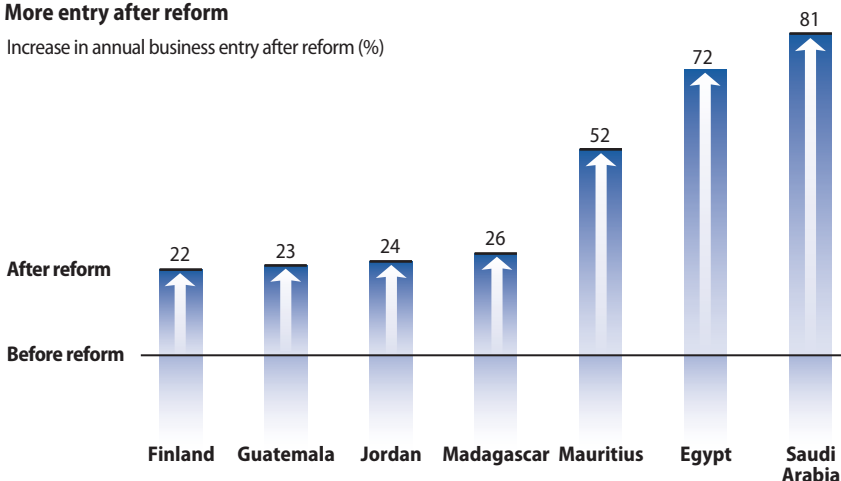
LEARNING FROM EACH OTHER: ADOPTING GOOD LOCAL PRACTICES

Publishing comparable data on business regulations inspires governments to reform. Comparisons between cities within the same country are even stronger drivers of reform. By pointing out differences in regulations and their enforcement, subnational *Doing Business* benchmarkings allow local and national governments to understand challenges and identify good practices at home. National governments can use the data to monitor how changes in national-level regulations and administrative practices are implemented in practice by the local

FIGURE 1.2

More entry after reform

Increase in annual business entry after reform (%)

Source: *Doing Business* database.

branches of national agencies. Local governments can compare their local regulations with those of their neighbors. The example of Mexico is telling. After the first subnational *Doing Business* report was published in 2005, the 12 benchmarked states competed to reform. Sharing the same legal framework meant that local governments had a difficult time explaining why doing business was easier in a neighboring city. One year later, 75% of them had implemented reforms, a subsequent report found. More states asked to be included in the study and the benchmarking exercise was expanded to all 31 Mexican states. With additional competition, the pace of reform accelerated. The latest *Doing Business in Mexico* report showed reforms in 90% of states between 2007 and 2009, up from 75% between 2005 and 2007. Similarly, *Doing Business in India 2009* showed that 9 out of 10 Indian states benchmarked for the second time had introduced reforms. As a result of these reforms, the average time to start up a company dropped from 45 to 35 days and the time to obtain a building permit was reduced by 25 days on average. The conclusion: what gets measured gets reformed.

Cities in Indonesia can learn from each other and adopt regulations and practices that are working elsewhere in the country (table 1.3). For example, if

Semarang followed the example of Palangka Raya and consolidated all local permits at a one-stop shop, it could speed up the business licensing process by almost 3 weeks and reduce the number of visits the entrepreneur needs to make by 2. The effectiveness of coordination between zoning and building authorities makes Yogyakarta the city with the least number of procedures (8) for dealing with construction permits. Cutting the number of procedures to build a warehouse to that of Yogyakarta would put Indonesia in the top-10 globally. Reducing the time needed to deal with these permits to the 56 days of Makassar would be similar to New Zealand. Adopting the time to register property from Manado, by replicating the efficiency of the local BPN office, would cut the time to 12 days, same as in the United States, and put Indonesia into position 24 worldwide.

In addition, Indonesian cities could also learn from good-practice economies in the region, such as Singapore or Taiwan (China) to make it easier to start a business, or from Malaysia and Thailand to reduce the cost of obtaining construction permits or registering property. Cities in Indonesia could also learn from cities like Taguig in the Philippines and Noida in India, where start-up procedures can be completed in one month. In

a world where locations compete against each other to attract investment, subnational *Doing Business* data allow local governments to review the conditions facing entrepreneurs operating in their cities from a comparative perspective. Data are now available for almost 300 locations in 41 countries.

Payoffs from reform can be large. Reforms expand the reach of regulation by bringing businesses and employees into the formal sector. There, workers can have health insurance and pension benefits. Businesses pay taxes. Products are subject to quality standards. And businesses can more easily obtain bank credit or use courts to resolve disputes. Take Mexico, where reforms cut the time to start a business from 58 to 27 days. A recent study reports the payoffs: the number of registered Mexican businesses rose by nearly 6%, employment increased by 2.6% and prices fell by 1% because of the competition from new entrants.⁹ Georgia, the top reformer in *Doing Business 2007*, now has 15 registered businesses per 100 people—the same as Malaysia.¹⁰ Simplified regulations also encouraged entrepreneurs to start their own businesses in Egypt (figure 1.2).¹¹

Reforms that reduce informality and enforce property rights greatly benefit women, because they make up a large share of the informal economy. Consider Uganda. Complex start-up regulations there required frequent contact between entrepreneurs and public officials—and more chances for bribery. Women were seen as easy targets: 43% of female entrepreneurs reported harassment from government officials, while only 25% of all entrepreneurs did. When reformers simplified business start-up, business registrations shot up. The increase in first-time business owners was 33% higher for women than men.¹² Peru's experience is just as striking. Since the late 1990s the time required to formalize property has fallen from 6 years to 33 days. More than 1.3 million titles have been issued, and

two-thirds of those issued to individuals have gone to women.¹³ The benefits of secure title for women are especially great. Studies in India,¹⁴ Honduras and Nicaragua¹⁵ show that poor women's access to property is associated with more investment in the household, especially in children's health and education.

This is important in Indonesia, where a recent survey of more than 12,000 firms with 10 or more employees found that 46% did not have the business registration certificate and 31% did not have the business license.¹⁶ The numbers are likely higher among micro-enterprises. This affects particularly women, who are proportionally more represented in the micro, small and medium enterprise sector. According to a recent study, 61% of female workers in Indonesia have jobs in less formal types of employment (such as casual non-agricultural work, unpaid or own account), compared with 40% of male workers. And this trend became stronger in the last year or so, since the advent of the global economic crisis.¹⁷

Studies from other countries suggest that 85% of reforms occur in the first 15 months of a new administration.¹⁸ For Indonesia, there is no better time to reform than now.

1. *Indonesia Country Profile 2008*, Economist Intelligence Unit.
2. Regional Autonomy Watch (*Komite Pemantauan Pelaksanaan Otonomi Daerah*, KPPOD) and the Asia Foundation. 2008. "Local Economic Governance in Indonesia: A Survey of Businesses in 243 Regencies/Cities in Indonesia, 2007". Prepared with support from the United States Agency for International Development. Jakarta.
3. Ibid.
4. Article 7.e. of the Regulation of the Ministry of Law and Human Rights M-01-HT.01-10 of September 21, 2007
5. This service is free according to Article 16 Chapter V of the Regulation of the Ministry of Trade No. 36 of September 4, 2007. In Jakarta, the municipality charges IDR 25,000 for this service. The Regulation of the Ministry of Trade No. 36/M-Dag/PER/9/2007 on Issuing Business Trading License (SIUP) sets a period of 3 days to issue the SIUP after receiving completed documents.
6. Regulation of the Ministry of Trade No.37/M-DAG/PER/9/2007.
7. Regulation of the National Land Agency Number 6 of 2008 concerning Simplification and Acceleration of the Standard Operating Procedure on Land Regulation and Services for Certain Type of Land Services.
8. Resolution IX.E of the Securities and Exchange Commission of Indonesia, Baepem, adopted on December 1, 2008, regulates the approval and disclosure process of related-party transactions.
9. Bruhn, Miriam. 2008. "License to Sell: The Effect of Business Registration Reform on Entrepreneurial Activity in Mexico." *Policy Research Working Paper 4538*. Washington, D.C.: World Bank. The results were obtained after controlling for gross domestic product per capita, number of economic establishments per capita, fixed assets per capita, and investments per capita in the benchmarked municipalities.
10. World Bank. 2007. *Doing Business 2008*. Washington, D.C.: World Bank Group.
11. World Bank. 2008. *Doing Business in Egypt 2008*. Washington, D.C.: World Bank Group.
12. World Bank. *Doing Business: Women in Africa*. Washington, D.C.: World Bank Group.
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17. World Bank Group. September 2009. "Clearing Skies." *Indonesia Economic Quarterly*. Jakarta, Indonesia.
18. World Bank. 2007. *Celebrating Reform 2007*. Washington, D.C.: World Bank Group and United States Agency for International Development.

Starting a business

Joko sells handicrafts on a street market in Jakarta and his stand is always the busiest. A few years back, he struggled to expand, but was unable to get credit to increase his production. His dream is to set up his own shop, but he is concerned about the hassle involved in dealing with the bureaucratic requirements necessary to formalize his business. Little does Joko know that if he decided to formalize his business today, new customers could be walking through the door in just 2 months. He would be able to apply for a loan to expand his business and provide more jobs to people in his community. If he had tried to do the same 5 years ago, he would have had to wait more than 5 months and pay 4 times more than today. For many poor people, the opportunity to open their own business or find employment in existing ones is their only safety net (figure 2.1).¹

Today's financial and economic crisis has become a jobs crisis in developing and industrialized countries alike. Small and medium-size enterprises offer the best prospects for job creation. In fact, the 23 million small and medium-size enterprises in the European Union employ around 75 million people and account for half of the new jobs created.² Recognizing this, policymakers in several countries included measures aimed at encouraging formal entrepre-

TABLE 2.1

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

Rank	City	Procedures	Time (days)	Cost (% of income per capita)
1	Yogyakarta	8	43	29.0
2	Surakarta	8	45	30.6
3	Palangka Raya	8	46	30.6
4	Palembang	10	46	28.4
5	Bandung	9	43	32.6
6	Banda Aceh	10	47	26.3
7	Jakarta	9	60	25.1*
8	Balikpapan	9	46	34.2
9	Makassar	10	47	30.5
10	Denpasar	10	58	29.1
11	Pekanbaru	9	56	34.1
11	Surabaya	10	50	32.0
13	Semarang	11	67	29.1
14	Manado	11	50	38.3
Indonesia (14 cities average)		9	50	30.7

* At the time of publication of *Doing Business 2010* the cost was 26% of income per capita.

Note: 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 required to start a business. See the Data notes for details.

Source: *Doing Business* database.

neurship in their crisis response. Malaysia reduced company registration fees as part of the government's economic stimulus package, with the expected benefit being the registration of 320,000 new businesses in 2009.³ The European Union Recovery Act of November 2008 outlined measures to make it easier for new businesses to incorporate, especially small ones. Between June 2008 and May 2009, a record 61 of 183 economies around the globe made it easier to start a business.⁴

Starting a business is a leap of faith even in the best of circumstances. With its large and growing labor force, Indonesia has no choice but to encourage the daring by creating an environment where millions of small enterprises bloom. For years, the growth of micro, small and medium-size enterprises has played a significant role in the economy: at close to 50 million, they represent 60% of gross domestic product. However, about 50% of small and medium-size enterprises in the country go unregistered.⁵ Enticing enterprises into the formal economy has several benefits. People employed in the organized sector have more predictable

incomes and better access to health care, retirement benefits and education for their children. Through better access to courts, credit and markets, formally registered businesses grow larger and more productive than informal ones.⁶ Benefits go beyond the employee and firm level. Formally registered enterprises pay taxes, adding to government revenues.⁷ And as more companies move into the formal economy, governments can lower corporate taxes, giving every business a greater incentive to produce.

In the 14 cities included in this report, starting a business takes on average 9 procedures and 50 days, and costs 31% of income per capita. Indonesians spend on average 5 weeks more than Malaysians and pay almost 5 times more than entrepreneurs in Thailand to start a business. In addition to regulatory costs, the process also requires entrepreneurs to deposit IDR 12,500,000 (approximately US\$1,200)—the equivalent of 59.7% of income per capita—as minimum capital, while neighboring countries like Malaysia, Singapore, Thailand, and Vietnam abolished this requirement. The world's top performer is New Zealand, with only

WHAT IS MEASURED?

Doing Business in Indonesia 2010 records all procedures that are officially required to start up and formally operate a commercial or industrial small or medium-size limited liability company (*Perseroan Terbatas*, PT). These include obtaining necessary licenses and permits and completing required notifications, verifications and registrations for the company and its employees with the relevant authorities.

Note: See the detailed description of the standard case in the Data notes.

one procedure, one day, a cost of 0.4% of income per capita and no minimum capital requirement. Entrepreneurs in New Zealand have to file all necessary information only once, because receiving agencies are linked through a unified database.

While the overall policy-setting authority for business registration remains with the national government, decentralization provided local governments with the authority to administer business licenses. Differences in time, cost and number of procedures among Indonesian cities are mainly due to licensing practices at the local government level and variations in the performance of local branches of national agencies involved in post-incorporation procedures. It is easiest to incorporate a business in Yogyakarta, Surakarta and Palangka Raya and most burdensome in

Semarang and Manado (table 2.1).

Seven procedures are required by national-level legislation. These are company name clearance, notarization, payment for company registration, legalization of the company establishment, as well as tax, labor and social security registrations. Nevertheless, some cities fare better than others. Yogyakarta, Palangka Raya and Surakarta have 8 procedures. The most burdensome cities, Semarang and Manado, require 11 procedures. Variations are mainly due to local licensing practices and different interpretations of national guidelines. While some local governments used their increased power to streamline business licenses, others struggled with a proliferation of new fees and regulations. Following a ministerial decree encouraging the establishment of one-stop shops nationwide, cities such as Yogyakarta, Palangka Raya and Surakarta consolidated all business licenses, resulting in simultaneous registration for the trading permit, business registration certificate and nuisance or business location permit. By contrast, in Semarang, the entrepreneur needs to pay 3 different visits. Other cities, like Jakarta, used the fact that the certificate of company domicile was no longer required at the national level to replace it with a simple statement letter from the entrepreneur confirming the new firm's address. By contrast, in

Manado, in addition to the certificate of domicile, an entrepreneur also needs to obtain a nuisance permit and a location permit from the Village Office.

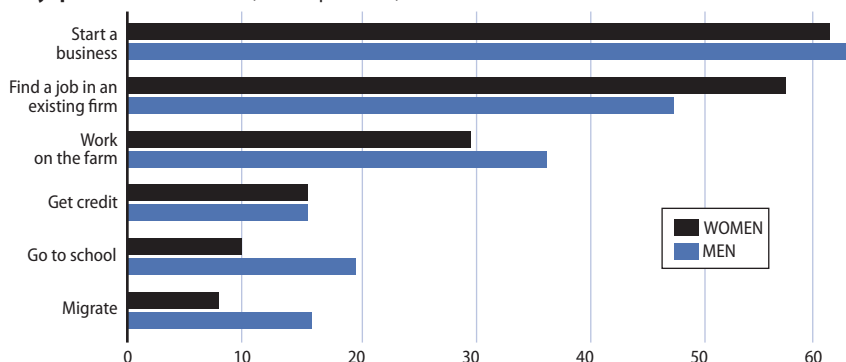
The average time it takes to register a business is 50 days, with substantial variations among the 14 cities surveyed. The best performers are Yogyakarta and Bandung at 43 days. The slowest city to complete the registration process is Semarang, where it takes 67 days. Completing business registration is faster where several permits administered by local governments are consolidated at one-stop shops. Thanks to the consolidation of 3 procedures into one at the one-stop shops in Yogyakarta, Bandung, Palangka Raya and Surakarta, the total time needed to obtain the trading permit, the business registration certificate and the nuisance or business location permit has dropped to 5-6 days. By contrast, in Semarang, an entrepreneur has to wait a total of 29 days to obtain the same 3 licenses. Variations in time among cities are also due to the different performance of local branches of national agencies involved in post-incorporation procedures to register for tax, labor and social security. In 5 out of the 14 cities measured, the labor registration can be obtained in one day as opposed to 7 days in Denpasar, Pekanbaru and Surabaya. The local Manpower Offices in Balikpapan, Bandung, Banda Aceh, Makassar and Manado conduct the verification and registration process on the spot for a company with fewer than 50 employees. In Bandung, where the local office of the Workers Social Security Program proactively approaches companies for registration, the process can be completed in one day, as opposed to 7 days in Jakarta.

In almost all cities, the approval of the company deed by the Ministry of Law and Human Rights is the lengthiest procedure. Depending on the workload, the legalization of the company establishment is usually issued in 14

FIGURE 2.1

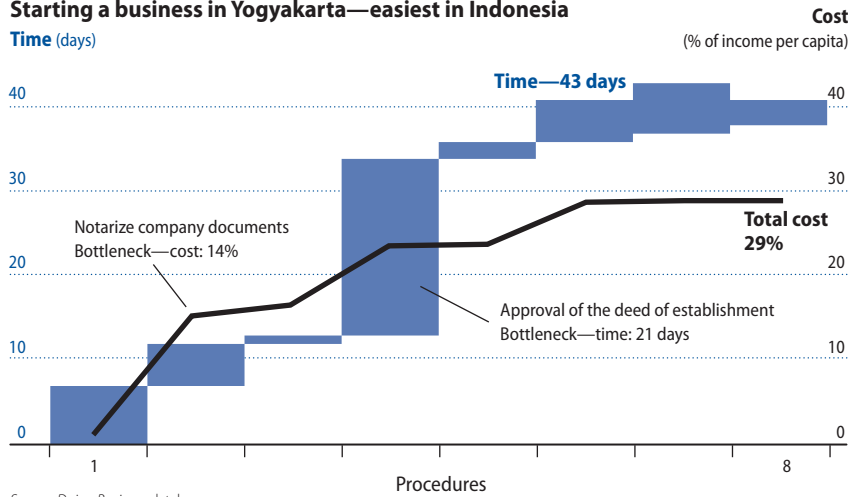
Starting a business or finding a job in an existing firm—the main ways out of poverty

Ways perceived as effective (% of respondents)



Note: Based on interviews with 60,000 poor people in more than 50 countries.
Source: Narayan and others (2000).

FIGURE 2.2
Starting a business in Yogyakarta—easiest in Indonesia



Source: Doing Business database.

days. Add to this another 7 days, for the courier service used by the ministry to deliver its approval to notaries outside of Jakarta (figure 2.2).

The official cost to start a business amounts on average to 31% of income per capita, with significant variations among the 14 cities (figure 2.3). The lowest cost is seen in Jakarta, at 25% of income per capita. Manado stands out as the most costly to the entrepreneur, at 38% of income per capita.

Notary fees account for half of the total cost to start a business in the 14 cities surveyed. Because the new online system for company name verification and

legalization of incorporation documents, implemented by the Ministry of Law and Human Rights, may be accessed only by a public notary, entrepreneurs have to go through them to establish a company. Local licensing fees also drive the variation in the cost to start a business among the 14 cities. Obtaining a location permit costs IDR 600,000 in Palembang (about US\$ 58), while in Balikpapan there is no official charge associated with this permit. The cost for the business registration certificate can vary from IDR 500,000 (US\$ 48) in Manado and Surakarta to zero in Yogyakarta.

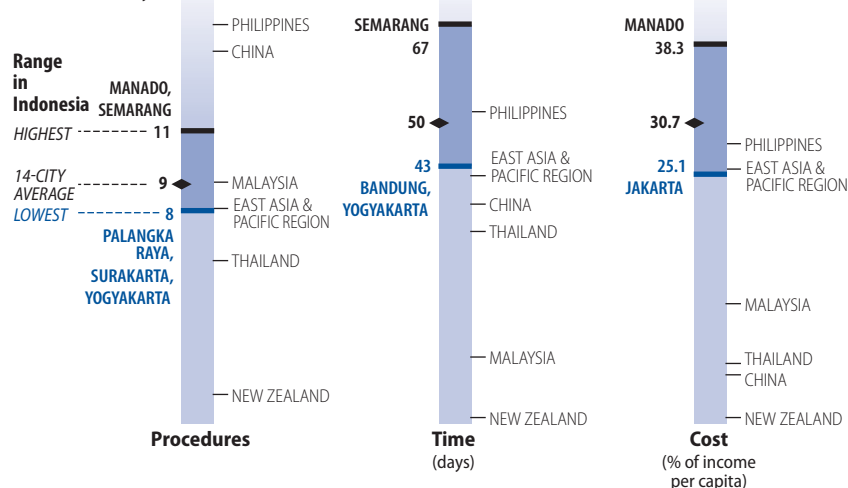
The minimum capital requirement

represents another hurdle for limited liability companies across Indonesia. At 59.7% of income per capita, it is almost 3 times higher than the regional average and among the 30 largest in the world.

The Indonesian government recognizes the need to develop its formal sector and create the basis for sustainable economic growth, so as to move into the ranks of the most dynamic middle-income countries. The reforms started in 2007 resulted in an improvement in Indonesia’s Starting a Business rank in *Doing Business 2010*, up by 10 places. Recent reforms included introducing an online system for company name verification and legalization of incorporation documents, improving the efficiency at the tax registration office, introducing standard incorporation documents and eliminating the publication requirement in the State Gazette. The 2007 “National Licensing Guidelines” focused on informing local governments on how best to establish and run licensing offices. The guidelines encouraged the establishment of one-stop shops for business licensing at the subnational level.

To keep up with the fast pace of business start-up reforms across the region, Indonesia needs to continue reforming. New Zealand, Australia and Singapore are among the top-10 performers in the world in the area of business start-up. Hong Kong (China), Malaysia, Samoa, Singapore, Taiwan (China), and Thailand, all improved their business entry regulations in 2008/09. More economies are finding new ways to ensure that good rules are implemented in the most efficient way, often learning from one another. Reformers from China and Malaysia looked to New Zealand for inspiration. Delegations from the 2 countries visited Wellington to learn about entry regulations from a top performer.

FIGURE 2.3
Best, average and worst practices in starting a business in Indonesia, compared internationally



Source: Doing Business database.

WHAT TO REFORM

SIMPLIFY LOCAL LICENSING REQUIREMENTS

New companies must obtain up to 5 different licenses, depending on which city they operate in: location permit, nuisance permit, certificate of company domicile, trading license and business registration certificate. Some cities have taken steps to streamline the licensing process. For example, Denpasar cut the requirement to obtain a nuisance permit, by replacing it with a declaration from the entrepreneur that he or she obtained neighbors' consent. Cities can go even further and eliminate the requirement to obtain a trading license for low-risk general commercial activities. Ideally, a business registration certificate is the license to start any business activities that are not subject to separate licensing regulations. Top-performing countries like Australia and Canada do not require a business license separate from registration for general commercial activities. Requiring the trading license of all businesses—not just those dealing with public safety or posing environmental concerns—imposes a burden on entrepreneurs without an overriding public benefit. In the medium term, the trading license should be phased out.

Mexico has simplified business registration for activities of low risk to the public through the Rapid Business Start-up System (SARE). In more than 100 municipalities, the operating license for low-risk general commercial activities can be obtained in only 2 days on average, compared with 22 days in municipalities without SARE.

CREATE A ONE-STOP SHOP FOR ALL REGISTRATION PROCEDURES

Inspiration can be found at home. Well-performing cities, such as Yogyakarta, Palangka Raya and Surakarta, have already consolidated business licenses at one-stop shops. The standards achieved in these locations are attainable and can

serve as an example for other cities. In Yogyakarta, the one-stop shop successfully integrated the functions of various licensing agencies (the Ministry of Trade, the Company Registrar and the City Planning Office) that have delegated authority to the head of the one-stop shop. Applications can be processed and approved here, rather than just received and forwarded to other agencies. The one-stop shop website provides clear and complete information about the application process and allows entrepreneurs to track down the status of their applications. Moreover, a complaint mechanism, with a clear time frame for case resolution, and a customer satisfaction survey, regularly monitored by the head of the one-stop shop, are available to the public.

But why stop there? Indonesia could investigate the possibility of creating a one-stop service area for new company creation that would make it easier for entrepreneurs to meet the requirements of all government agencies involved in business registration: Ministry of Law and Human Rights, Tax Office, Ministry of Trade, Company Registrar, Ministry of Manpower, Workers Social Security Program and local government. Many countries, including large countries such as Russia, have had success consolidating company start-up at a single access point. In Rwanda, to register a business, an entrepreneur now fills in one application form that has merged the functions of the tax and social security authorities and then pays a flat fee, all in the same room. Globally, creating one-stop shops has been the most common reform in business start-up. The key to a successful reform is giving officials at the one-stop shop decision-making power to act on behalf of their respective agencies. Without it, delays continue as the documents travel to agency headquarters and back.

Creating an online business registry fully integrated with all the relevant agencies could be the next step. Currently, the government agencies involved

in business registration maintain separate databases containing information about companies. An online interface can be established between the processing systems of these government agencies that would allow data exchange between them.

IMPROVE COORDINATION BETWEEN NATIONAL AND LOCAL GOVERNMENTS TO REDUCE LEGAL UNCERTAINTY

The division of licensing responsibilities cuts across the national, provincial, district and city governments in Indonesia. This can create administrative confusion. Local governments issue their own regulations, rate structures and standard times for specific licenses, which can be in line with the ministerial decree for the same permit, but can also be quite different. The wide range of results recorded in this study also points to differences in interpretation or lack of awareness of national guidelines. For example, while the national government has eliminated the need for a certificate of company domicile, notaries in various cities report that the certificate is still requested for new company registration.

There is a need for better coordination between the local licensing offices and both their line ministries and the local government structure they are part of. Clear and complete guidelines for business licensing would eliminate inconsistency between local and national law, and reduce inefficiencies and opportunities for corruption.

PUBLICIZE AND COMMUNICATE THE BENEFITS OF REFORMS TO ENTREPRENEURS AND THE PUBLIC

Information on the legal requirements to start up a business ought to be made easily available to the public. This would eliminate many of the frustrations of entrepreneurs, who often have to figure out the system through trial and error. Government communication campaigns are

an essential part of any reform process. They raise awareness about the government efforts, inform the public about the benefits of the changes and reduce legal uncertainty. Such information could be provided to the public via posters, brochures, websites and billboards.

Most reformers are bad marketers. El Salvador first established a one-stop shop in 1999, but local entrepreneurs thought it was only for foreigners. A lesson was learned. The second time around, the President himself inaugurated the improved one-stop shop and widespread media coverage made sure that everyone knew about the new system. At the Rwanda Business Registration Services, following a branded multi-media reform communications campaign in May 2009, the number of newly registered companies virtually doubled, from 184 at the end of May 2009 to 343 at the end of June 2009.

PROVIDE PUBLIC ACCESS TO COMPANY NAME VERIFICATION AND STANDARD INCORPORATION DOCUMENTS

Currently, only public notaries are allowed to search and verify possible company names online. Other economies, including Hong Kong (China) and New Zealand, provide this e-service to everybody, including small businesses. Allowing entrepreneurs to verify company names themselves requires clear, simple and transparent rules on acceptable company names. New Zealand permits all names that are not the same as an existing company name, not abusive or offensive, or that do not contravene another law (for example, by infringing on a trademark). If the name is available, the entrepreneur can proceed to reserve the name through the online system that can be evidenced by an electronic certificate.

Indonesian notaries have standard articles of association that can be used to start a business. Yet entrepreneurs must go through them to form the company,

costing up to IDR 4.5 million (US\$ 431). The government can help reduce this cost by making standard articles publicly available, both at relevant ministries and online, and allowing the entrepreneurs to file the incorporation documents themselves. In Vietnam, forms can be downloaded and the application submitted online. Other countries have implemented this reform with success. Estonia cut start-up time from 35 days to 7 by introducing standard articles of association and making them available on the registry's website. Notaries are now optional and registration fees are low. After reforms, Estonia saw a 19% jump in new company registrations.

Public access to the business incorporation process can be further expanded by allowing alternate means of registration (via mobile registration counters, facsimile, mail) for entrepreneurs in remote regions and municipalities with no reliable access to Internet connections. This has proven effective in other countries with similar infrastructure: businesses in remote areas are registered via mobile registration counters in Malaysia, and in Tonga registration from remote islands is done by facsimile.

ELIMINATE THE MINIMUM CAPITAL REQUIREMENT

The minimum capital requirement was increased from IDR 20 million to IDR 50 million, 25% of which must be deposited in the founder's bank account 3 months after company registration (as opposed to 100% required previously). These measures were intended to prevent shell and fraudulent companies from registering. But this makes little sense in practice. The capital is often withdrawn as soon as allowed by law—hardly a protection for investors in insolvency. Also, fixed amounts of capital do not take into account differences in commercial risks. Furthermore, high minimum capital requirements can be a barrier to entry and discourage companies from registering.

Cutting the minimum capital requirement has been one of the most popular reforms of company registration. In the last 5 years, more than 20 economies have removed or reduced their capital requirements. Saudi Arabia saw the most dramatic reduction in minimum capital in 2007/08, from US\$ 124,464 to zero. Since the reform, Saudi Arabia has experienced an 81% increase in new company registrations. Overall, more than 60 economies, including Australia, Bangladesh, France, Hong Kong (China), Malaysia, Singapore, Thailand, the United Kingdom and the United States, do not mandate any capital requirement. Indonesia stands to benefit from such a reform.

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7. Djankov, Simeon, Rafael La Porta, Florencio López-de-Silanes and Andrei Shleifer. 2002. "The Regulation of Entry." *Quarterly Journal of Economics* 117 (1): 1–37.
8. Perseroan Terbatas (PT) Company Law 40/2007.

Dealing with construction permits

Indonesian furniture is in fashion and demand is rising around the world. Budi and Sujatmi decided to build a warehouse to store their export products. It takes them 56 days to obtain the permits for the construction and utility connections in Makassar. Little do they know that the same process could take up to 4 times longer in other Indonesian cities, where local authorities coordinate the building permitting process poorly and impose additional clearances.

A smart regulatory framework is crucial in order to find the right balance between safety and efficiency in an important sector like construction. Good regulations ensure both public safety and revenues for the government, while making the process easier for Budi and Sujatmi. A complex and confusing regulatory framework hurts business and is a seedbed for corruption. Overly rigid building rules and regulations may backfire; rather than resulting in fewer accidents, they may push construction into the informal economy. According to a recent survey in countries that belong to the Asia Pacific Economic Cooperation (APEC), respondents agreed that the time and procedures for dealing with construction permits are the “biggest regulatory impediment” to do business.¹ The World Bank Enterprise surveys also found that firms perceive higher levels

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

Rank	City	Procedures	Time (days)	Cost (% of income per capita)
1	Yogyakarta	8	67	133.7
2	Makassar	9	56	161.2
3	Bandung	11	72	149.4
3	Palangka Raya	12	67	150.1
5	Semarang	10	115	107.6
6	Palembang	12	86	152.9
7	Pekanbaru	12	113	139.1
8	Balikpapan	10	154	165.4
9	Surakarta	12	111	201.8
10	Banda Aceh	14	196	133.8
11	Denpasar	13	112	183.7
12	Manado	15	108	195.9
13	Jakarta	14	160	194.8
14	Surabaya	14	230	190.4
Indonesia (14 cities average)		12	118	161.4

Note: 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 required to build a warehouse. See the Data notes for details.

Source: Doing Business database.

of corruption in countries where it is more difficult to deal with construction permits (figure 3.1).

Dealing with construction permits is, on average, quite fast, but relatively expensive in Indonesia. Across the 14 benchmarked cities, the process consists on average of 12 procedures that take 118 days and cost 161.4% of income per capita. These numbers, except for the cost, are lower than the ones for the East Asia and Pacific region, where it takes an average of 19 procedures and 169 days, and costs 139.6% of income per capita. The process is fast when compared globally with other large developing economies such as India, China and Brazil (figure 3.2).

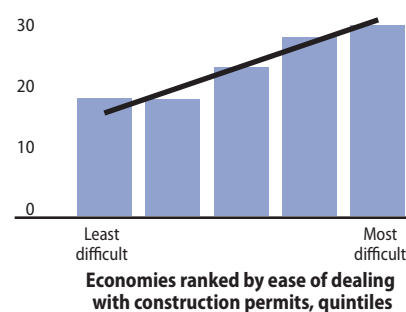
A maze of national, local and private sector rules govern the construction permit process in Indonesia resulting in large differences among cities. Some cities succeed at streamlining the process and coordinating among their own agencies without sacrificing clearances or permits needed to preserve safety. Obtaining construction-related approvals and utility connections is relatively easier in Yogyakarta and Makassar. The

process is more difficult in Surabaya and Jakarta (table 3.1).

The number of procedures ranges from 8 in Yogyakarta to 15 in Manado. Most of the variations are due to different practices at the pre-construction stage. Budi and Sujatmi would go through 4 procedures in Makassar before construction can begin, but there are many differences among the cities (figure 3.3). The major variation stems from the number of required location clearances. To apply for the building permit in cities like

FIGURE 3.1
Difficulty in dealing with construction permits is associated with corruption

Share of firms that expect to give gifts in exchange for construction permits (%)



Note: Relationships are significant at the 1% level and remain significant when controlling for income per capita.
Source: Doing Business database; World Bank Enterprise Survey database.

WHAT IS MEASURED?

Doing Business looks at construction permits as an example of licensing regulations that businesses face. It measures the procedures, time, and cost to build a commercial warehouse, hook it up to basic utilities and register it. It assumes that the new warehouse will be used for storage of nonhazardous goods and is located in the peri-urban area of the benchmarked city.

Note: See the detailed description of the standard case in the Data notes.

Banda Aceh, Jakarta or Semarang separate location and zoning clearances are needed. In Banda Aceh, for example, a builder needs to obtain a location clearance from the local authority, a location clearance from the regional authority, a confirmation that the building complies with zoning requirements, a confirmation from the roads department, an authorization letter from the City Planning Office, an architectural assessment, and an authorization from the head of the village. This means 7 separate visits to the City Planning Office and 2 visits to other agencies to comply with all pre-construction requirements. Compare this with Yogyakarta, where pre-construction clearances can be obtained at the same time thanks to a coordinated process among the zon-

ing authority and the building authority. As a result, Yogyakarta only requires visits to 2 offices to complete 3 separate pre-construction procedures.

At the post construction stage, 7 of the 14 cities require 2 or fewer procedures. These procedures are mainly related to the registration of the warehouse after construction is completed with the tax office and the local office of the Ministry of Industry and Trade. Cities like Jakarta, Manado, Surabaya, Surakarta, Palembang and Palangka Raya also require a usage permit, and in some cases inspections along with it.

Utility connection requirements are very similar across Indonesia. This is because utility providers are national companies; *Perusahaan Listrik Negara* is the sole provider of electricity and *Perusahaan Daerah Air Minum* (PDAM) the provider of water and sewage connections. The only significant variation is in the cost for electricity hookups, mainly explained by infrastructure problems in some regions.

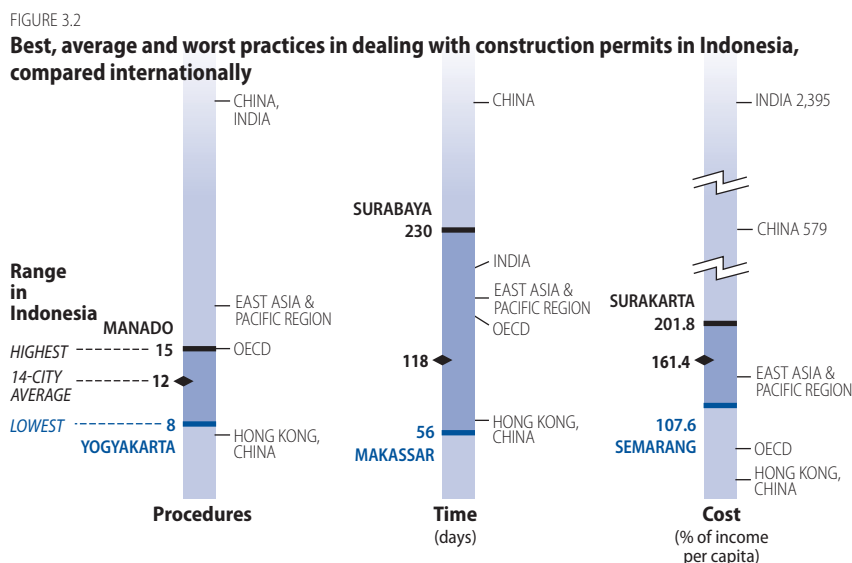
The time needed to deal with construction permits ranges from 56 to 230 days across the 14 cities. The differences in pre-construction requirements also explain the main differences in time. Makassar at 56 days and Palangka Raya and Yogyakarta each at 67 days are the

cities where getting all the construction related permits and clearances takes the least time. In contrast, it takes 196 days in Banda Aceh and 230 in Surabaya. In Jakarta, the time needed is 160 days. In Yogyakarta, the city with the fewest pre-construction requirements, the time to complete this stage is 42 days. In Banda Aceh, the time is more than double. Inspections in the post-construction stage can also explain some of the delays. In Manado, a builder needs to wait up to a month to obtain a completion certificate, whereas this same procedure takes only 12 days in Palembang.

The cost to comply with all the procedures required to build a warehouse and obtain utility connections varies across cities—from 107.6% of income per capita in Semarang to 201.8% in Surakarta. There are considerable differences in the local building permit fees. In Palangka Raya, builders need to pay IDR 3,150,000 (US\$ 302) to obtain the permission to start construction. They would have to pay 7 times more—IDR 23,040,000 (US\$ 2,209)—for the same document in Manado.

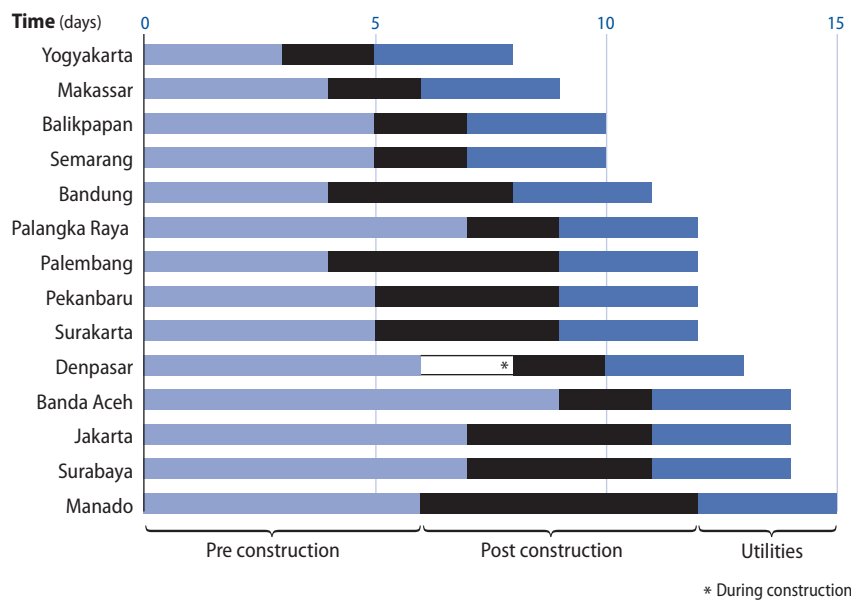
For simple, low-risk projects like uncomplicated storage buildings, environmental clearances can increase time and costs without necessarily improving safety or quality standards. In Jakarta, Surabaya and Manado, builders have to submit a full environmental impact assessment for every project. Even for simple, low-risk construction, builders are required to hire a contractor or an agency and spend substantial amounts of time and money. In Jakarta, this study costs IDR 15,000,000 (US\$ 1,438) and takes 18 days. In Surabaya, it costs IDR 12,000,000 (US\$ 1,151) and takes 20 days. “Why should I have to prepare almost the same environmental impact assessment regardless of whether I’m building a skyscraper or a small warehouse? It does not make sense,” says a builder in Surabaya.

Cities in Indonesia have been work-



Source: *Doing Business* database.

FIGURE 3.3
Pre-construction procedures and utility connections—the biggest bottlenecks



Source: Doing Business database.

ing to improve the availability of information about the construction process. The fees and documents needed to obtain construction approvals are mostly transparent and accessible to the public. Local laws give a clear indication on how the fees are calculated and which documents are required. In Makassar, for example, a list with the formula to calculate the building permit fee and the documents needed are clearly posted at the City Planning Office. A local entrepreneur mentions that “having the information available is very useful; it saves me time and avoids corruption because I know exactly what I need to do and exactly what I need to pay.”

The Local Administrative Building Office in Jakarta has a tracking system that ensures that internal deadlines are met. The head of the office knows in real time on which desk the application is. If an official delays the process, that official must justify the reason why he or she has not met the deadline. Monitoring systems like these are crucial to shorten processing time.

Other cities, like Bandung, are also experimenting with innovative systems. The city’s one-stop shop recently imple-

mented a program to notify builders of the status of their application via text messages to their cell phones or via email. “I was having lunch when I suddenly received a text message on my cell phone. I thought it was a friend, but it was the one-stop shop notifying me that my building permit was approved. At first I thought it was a joke, but it was real and I was very impressed,” recalls a surprised architect in Bandung. Other cities, like Yogyakarta and Makassar, already have introduced a coordinating system among several agencies that makes the pre-construction stage fairly simple and efficient. Although improvements are still needed, other cities in Indonesia should look into the achievements made by those local governments as a first step towards smarter regulations in the construction area.

Cities in Indonesia could also learn from international best practices implemented by economies like Hong Kong (China) and find out for themselves how communication and coordination among authorities can be a surprisingly efficient way to improve administration. In mid-2007, the local government launched the “Be a Smart Regulator” program, and after 2 years of successful implementa-

tion, Hong Kong (China) jumped from 20th place a year earlier to become the number-one economy in the world on the ease of dealing with construction permits according to *Doing Business 2010*. Under this program, several procedures to obtain a construction license were either eliminated or expedited. This was achieved by creating working groups with the agencies and bureaus involved in the construction area. These groups found redundant procedures, improved communication and coordination schemes, and identified simple regulatory changes that could be implemented to create a more efficient construction process.

WHAT TO REFORM

IDENTIFY BOTTLENECKS AND STREAMLINE PRE-APPROVAL CLEARANCES

Before applying for a building permit, builders have to obtain several pre-approval clearances from various agencies and parties such as the city planning office, the zoning office and the head of the village, among others. This can take many days and unnecessary trips to different offices. The consolidation of pre-approval clearances does not necessarily mean eliminating them altogether. In many places, authorities do not realize that several agencies review the same information many times or that some agencies are better suited to handle some responsibilities than others.

Countries that reformed this area usually started by mapping the entire construction process to identify overlaps and bottlenecks. In the Kyrgyz Republic, the Union of Builders identified the most important problems with the construction process in 2007. Based on those findings, they created a plan to streamline some procedures. This proposal was key in pushing forward a massive reform passed by the central government in 2008. Hong Kong (China) and Latvia also had similar experiences.

INTRODUCE SINGLE ACCESS POINTS OR ONE-STOP SHOPS FOR PRE-APPROVAL CLEARANCES

As a continuation of streamlining pre-approval clearances, governments can also, depending on the circumstances on the ground, propose the creation of single access points or one-stop shops. Single access points are best placed in the responsible agency—typically the building or zoning office—that checks the documents and forwards them on behalf of the entrepreneur to the other agencies involved. Approvals will be sent back to the agency acting as the single access point without any follow-up by the entrepreneur.

Internal checking by sharing information among different agencies not only makes the process simpler for the construction company, but also helps enhance public safety, because internal documentation verification is preferable over letting the builder bring the required permits or certificates. This is because in some countries, forging documents to obtain building permits is common and internal checking can significantly reduce this risk.

A step forward is the creation of a one-stop shop with a new agency or office in charge of coordinating or even issuing building approvals. Sometimes employees from other agencies, such as the tax agency or utility companies, will be housed full or part time in the one-stop shop to expedite the process even more. In Teheran, instead of visiting multiple agencies, builders now can obtain building permits in any of the 70 e-service offices throughout the city. These offices accept applications and payments and track documents sent by the builder. As a result, construction permits are issued 60 days faster than a year before in Teheran.

For one-stop shops to be a success, proper communication with all the stakeholders and coordination among agencies are very important. Because this effort includes many different agencies from different levels of government, the plan must

be well coordinated and agreed by all parties involved. A one-stop shop without proper authority will be a failure, because the builder will still have to deal with all the relevant agencies separately to obtain the proper clearance or certificate. Cities like Bandung and Yogyakarta have already implemented successful one-stop shops in Indonesia.

INTRODUCE ONLINE PERMIT APPLICATION AND ELECTRONIC PROCESSING

Cities like Jakarta and Bandung already have successful experiences with computerization—mainly on the processing side. This is a good start and other cities should learn from them. Indonesian cities should also follow the examples of global leaders in this area, such as Singapore, ranked second on the ease of dealing with construction permits according to *Doing Business 2010*.

In Singapore, qualified professionals can submit structural plans through the CORENET system, an online platform operated by the Building and Construction Authority (BCA). This allows authorities to check in an efficient manner, if structural plans are correct and prepared with high safety standards, eliminating, for example, the need for inspections for low-risk buildings. Online platforms also reduce the need for frequent interaction with different officials, reducing the danger of under-the-table transactions.

INTRODUCE RISK-BASED APPROVALS

Not every building project should be treated equally. Complex and risky structures like airports, skyscrapers, chemical plants or any large building should clearly have high standards for security and control. Many inspections, clearances and consultations should be in place to guarantee public safety. At the same time, authorities should take the time to assess the risk of different projects and come up with risk-based rules to deal with clearances and approvals

in a differentiated manner. An international good practice is to categorize buildings depending on their environmental impact and according to these characteristics environmental compliance requirements can vary. Simple low-risk buildings should have easier compliance rules. This is the case in cities like Bandung, Balikpapan, Makassar, and Pekanbaru, where clear rules to define risk are in place allowing local inspectors to conduct a simple verification for low-impact constructions, while simultaneously inspecting for other construction permit clearances.

Smart regulations should ensure safety while encouraging efficiency. If cities have the same regulations for every type of building, they run the risk that they either are not able to cope with the demand because of lack of resources (number of inspectors, reviewers, general staff and so forth) or they cannot take proper care of complex buildings and thus jeopardize safety in the long run. Countries like Colombia have recently introduced reforms to classify buildings according to their risk. According to Colombian law, the building analyzed in the *Doing Business* case study is a “medium-low risk” structure. This classification allows builders of simple projects to have a faster review approval process than builders of riskier projects and to avoid hiring special consultants for environmental and traffic studies. Building authorities also save time reviewing the studies or sending inspectors to verify them and can concentrate resources in more complex projects.

1. Singapore Business Federation. 2009. “Key Findings from ABAC “Ease of Doing Business Survey.” Presentation at Singapore Business Federation dialogue session “Removing Barriers for business growth in APEC.” Singapore, July 9.

Registering property

TABLE 4.1

Where is it easier to register property—and where not?

1	Bandung	8	Banda Aceh
2	Jakarta	8	Denpasar
3	Manado	10	Makassar
4	Pekanbaru	11	Semarang
5	Palangka Raya	12	Yogyakarta
6	Palembang	13	Surakarta
6	Surabaya	14	Balikpapan

Note: Rankings are the average of the city rankings on the number of procedures, associated time and cost (% of the property value) required to register property. See the Data notes for details.

Source: *Doing Business* database.

Dewi inherited a building and a lot of land in Surakarta. She wants to sell her property to invest the money in her batik company. A newspaper article about a new statutory time limit, cutting the time to complete a property transfer from 39 to 22 days, captures her attention. She is optimistic with the news. However, it turns out that things are more difficult in Surakarta. Registering the land deed with the local land office alone takes 54 days—2.5 times longer than as she had hoped for the whole process to take. In the meantime, her expansion plans have to be put on hold.

Land is a fundamental economic asset in every society. Property systems that are poorly administered or property rights that are poorly defined can prevent land from being turned into productive capital. Hernando de Soto describes such land as “dead capital,” an asset whose use is limited or cannot be used as collateral.¹ Across countries, firms of all sizes report that their property rights are better protected in economies with more efficient property registration. But the relationship is stronger for small firms.² The rich have few problems protecting their property rights. They can afford the costs of investing in security systems and other measures to defend their property. Small entrepreneurs cannot.

It is estimated that only 17 million

(21%) of Indonesia’s 80 million land parcels are formally registered.³ In 2007, the number of land disputes and conflicts reached 7,491 cases covering almost 608,000 hectares of land.⁴ Formal titles can ease access to credit. A recent study in Peru suggests that property titles are associated with a 10% increase in approval rates on public sector loans for construction materials.⁵ In Indonesia, women entrepreneurs are at a disadvantage compared with their male colleagues: a study conducted in 2003 found that 35% of women had problems getting loans using their property as collateral as compared with 25% of men.⁶

Making property registration simple, fast and cheap allows entrepreneurs to focus on their business. A recent study in Vietnam looked at the impact of a program issuing nearly 11 million land titles to rural households. It found an increase in investment in crops and more time spent in nonfarm activities.⁷ Another study, in Argentina,⁸ found property owners with formal title invest up to 47% more in their property. In 2007, a reform in Peru resulted in 1.3 million titles issued, two-thirds of them to women. Those who received formal title could find jobs outside the home instead of staying to guard the property against intruders.⁹

Worldwide, it is easiest to regis-

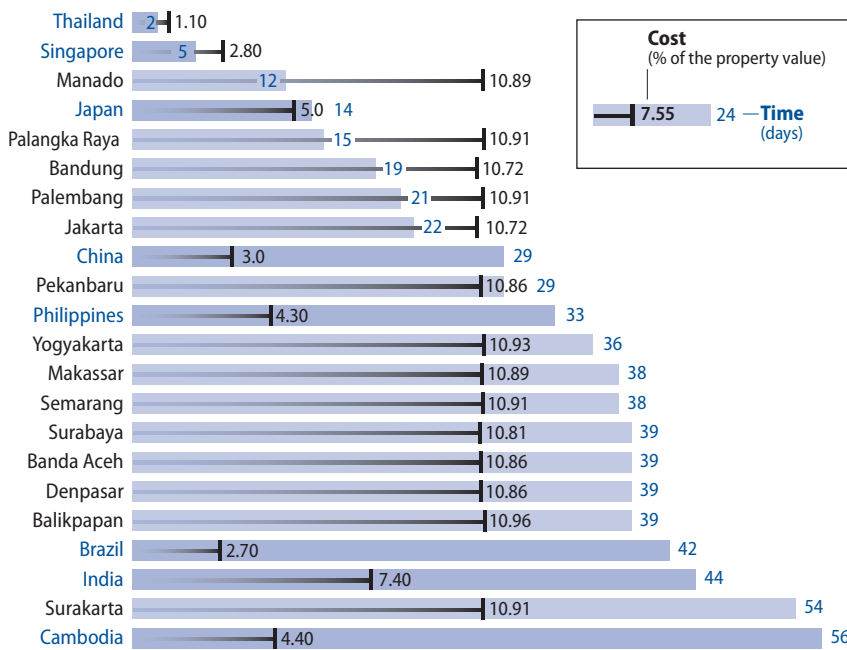
ter property in Saudi Arabia, where the entire process can be completed with 2 procedures, in 2 days at zero cost. The parties appear before the notary public to transfer the title deeds and the buyer signs a receipt and obtains the title deed from the notary public. Countries in East Asia and the Pacific are not far behind. In Thailand, it takes 2 procedures and 2 days and in New Zealand it costs 0.1% of the property value to transfer a property from one domestic private company to another. In Indonesia, the BPN is taking initiatives to address information distortion and duplication of data in the process of land titling across the country.¹⁰ It recently introduced a system

WHAT IS MEASURED?

Doing Business in Indonesia 2010 records the full sequence of procedures necessary for a business to purchase a property from another business and to transfer the property title to the buyer’s name so that the purchasing business can use it as collateral in taking new loans or, if needed, sell it to another business. 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.

Note: See the detailed description of the standard case in the Data notes.

FIGURE 4.1
Time and cost to register property in Indonesia and selected economies



Source: Doing Business database.

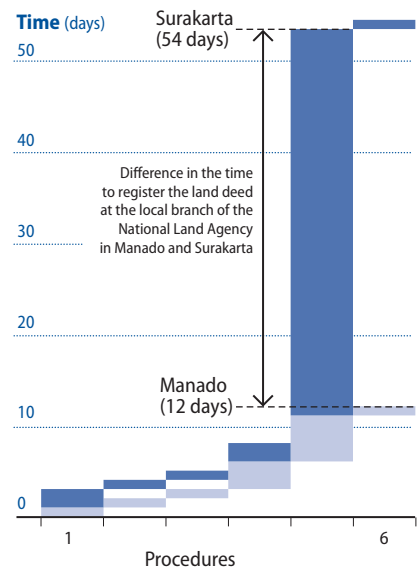
of mobile land registration services—car and motorcycle—called Larasita, to bring property registration to the people. The service is conducted using laptops that are connected to the main database through wireless connectivity and is expected to cover 60% of all regions across the archipelago by 2010.¹¹ Streamlining property registration has become a popular reform. Many industrialized countries, and an increasing number of developing countries, have simple, inexpensive and fast property registration processes.

In Indonesia, across the 14 cities measured, it takes 6 procedures, which on average last 31 days and cost 10.87% of the property value to register property. It is easiest to register property in Bandung and most difficult in Balikpapan (table 4.1). Although all cities have exactly the same 6 requirements—passing the land certificate examination at the local BPN office, paying the transfer tax and the tax on acquisition of land and building, hav-

ing a land deed official execute the sale and purchase of the land deed, registering the land deed at the local BPN office and finally registering the deed at the Tax on Land and Building Office under the name of the new owner—time differs from city to city (figure 4.1).

Property registration is managed at the national level by the BPN, which has local offices across the country, and by the provincial governments. Local requirements account for only one out of the 6 procedures to register property. But while an entrepreneur in Surakarta has to wait almost 2 months to register a deed, he or she can do it in less than 2 weeks in Manado (figure 4.2). Manado is an example of a city performing well, because the local branch of the BPN, which registers the land deed under the name of the new owner, performs its duties more efficiently than its neighbors. The time savings are significant, as this procedure alone accounts for 72% of the total time to register property across the

FIGURE 4.2
Time to register property in Manado and Surakarta



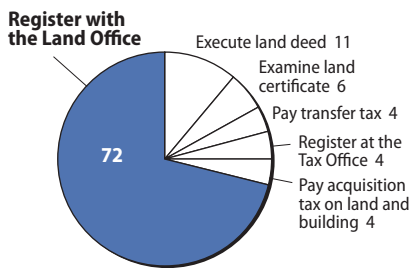
Source: Doing Business database.

cities (figure 4.3).

In 2008, a regulation simplifying and accelerating the operating procedures related to land transfers was issued.¹² As a result, cities across Indonesia introduced time limits for the land certificate examination and registration at the local BPN office. According to the new regulation, registration of the land deed in the name of the new owner should take no longer than 5 working days; in practice, in more than half of the cities measured, it takes 30 days. This bottleneck is due to the high volume of land certificate registrations in some cities, as well as the different performance levels of the local branches of the BPN, combined with occasional lack of supporting infrastructure. In some cities, the volume of property transfers is 400 per month on average, whereas in the bigger cities such as in Surabaya, property transfers reach 1,000 per month.¹³ In Jakarta, it takes 15 days to complete this procedure because there are 5 land offices operating in the city. In the case of Palangka Raya, although most of the data are electronically stored, the officers still process the applications manually due to

FIGURE 4.3
Long time to register a deed

Share of total time to complete a property transfer
14-city average (%)



Source: Doing Business database.

daily power shortages.

Similarly, the time ceiling for the land certificate examination was set at one day under the new regulation. In practice, the time needed for the land certificate examination still ranges from one to 3 days depending on the local branch of the BPN. The difference in the time depends mostly on the availability of the land book. Sometimes the land book is unavailable, misplaced or used by another division of the BPN.

The cost to register property across Indonesian cities is high compared with other countries in East Asia and the Pacific. For an entrepreneur, it costs almost 4 times more to register property in Indonesia than in Malaysia and Singapore and almost 10 times more than in Thailand (figure 4.4).

Within Indonesia, there is little variation on cost. It is cheapest to transfer a property title in Jakarta and Bandung—10.72% of the property value—compared with 10.96% in Balikpapan. The factor that drives this minimal variation is the tax on acquisition of land and building. This accounts on average for 45% of the total cost (figure 4.5). The rate is regulated at the national level, but the provincial governments have the authority to determine the non-taxable portion of the sale value. The tax-free value must not exceed IDR 60 million (US\$ 5,753). Depending on the province, the tax-free amount ranges from IDR 10

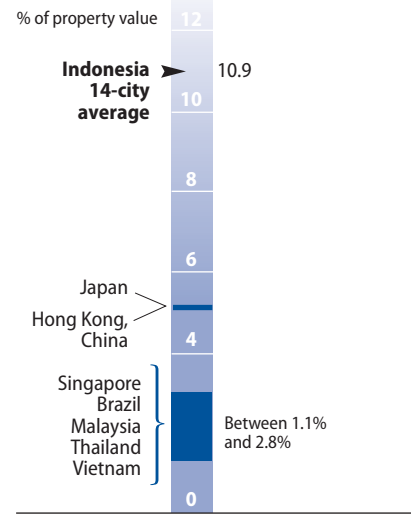
million (US\$ 959) in Balikpapan to IDR 60 million in Jakarta or Bandung.

The most expensive procedure when registering property is the transfer tax. The transfer tax is calculated as a percentage of the property value and accounts for 5% of the property value and for 46% of the total cost to register property (figure 4.5). Indonesia's neighbors have much lower transfer fees: in the Philippines, it is 0.75% of the property value. Malaysia has a 1–3% sliding scale stamp duty. Indonesia should look to its neighbors for examples on low costs.

Property registration also involves land deed official fees. The law stipulates the ceiling at 1% of property value and the majority of land deed officials charge the maximum in the 14 benchmarked cities. Such costs are lower than in the Philippines, but much higher than in Vietnam, where they amount to 0.12–0.24% of property value.

In the past 5 years, *Doing Business* has recorded 125 reforms in property registration in 93 economies, more than half of them in Africa and Eastern Europe and Central Asia. The largest share, 49 reforms, focused on reducing taxes and fees. Reforms in Indonesia will help in streamlining the property registration system by cutting procedures, time and costs. Inspiration can be found at home. The example of well-performing cities such as Manado demonstrates that low-performing cities can look for good practices within Indonesia—not just internationally. Peer-to-peer learning worked successfully at the subnational level in Mexico. Sharing the same legal and regulatory framework made it easier to adopt the already existing best practices in the country. Aguascalientes followed Yucatán's experience in simplifying the registration process and reducing fees at the land registry. In 2007/08, San Luis Potosí and Chiapas followed Aguascalientes's example of introducing a bar code to allow computerized tracking of property records.¹⁴

FIGURE 4.4
Registering property is expensive across Indonesia



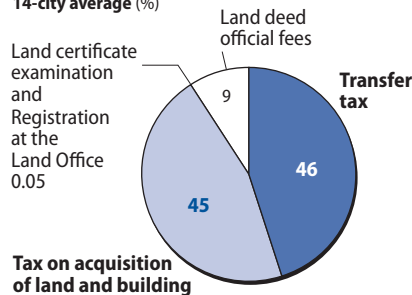
Source: Doing Business database.

WHAT TO REFORM

REDUCE TRANSFER TAXES AND THE TAX ON ACQUISITION OF LAND AND BUILDINGS OR REPLACE THEM BY FIXED FEES

Indonesia's cost for property transfer is one of the highest in the world. The government should consider reducing the percentage of the property value charged or replacing the current transfer tax and the tax on acquisition of land and building with a flat fee based on a sliding scale according to the property size. This would help prevent tax evasion through undervaluation of property below market values. It would also reduce informal title transfers to avoid high fees. Reducing taxes does not necessarily mean reducing revenues. The Indian state of Maharashtra and Egypt are examples of countries and locations that reduced fees, yet saw total tax revenues stay steady or even rise, thanks to an increase in transactions. In July 2004, after reducing the stamp duty from 10% to 5%, the state of Maharashtra saw its stamp-duty revenues jump by 20%.¹⁵ In 2006, registering a property in Cairo cost 5.9% of property value. Ninety percent of

FIGURE 4.5

High transfer and acquisition taxesShare of total cost to complete a property transfer
14-city average (%)

Source: Doing Business database.

properties were either not registered or registered at below market values.¹⁶ The Egyptian government introduced a flat fee and saw a 40% increase in revenue from title registrations in the 6 months following the reform.¹⁷

IMPROVE COORDINATION BETWEEN GOVERNMENT AGENCIES

After registering the property transfer at the local land office, the 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 title transfers being lost, if buyers fail to notify all the agencies involved.

MONITOR IMPLEMENTATION OF THE NEW REGULATION ACROSS INDONESIA AND SPEED UP PROCEDURES AT THE LAND OFFICE

The time needed to register property at the land office is the main bottleneck. The recent Regulation of the National Land Agency Number 6 of 2008 concerning Simplification and Acceleration of the Standard Operating Procedure on Land Regulation and Services for Certain Type of Land Services needs to be implemented in all cities. Sanctions should be levied if deadlines are not respected. Improving the efficiency of the offices would reduce

registration time across cities.

Keeping statistical information and conducting a workload analysis will help assess how the process could be faster. It will also inform on the convenience of having, for example, separate windows for registration of new properties and for transfers of existing properties and separate staff. The government could also consider placing 1–2 employees of the land offices in the local one-stop shops that deal with business start-up and construction permits, in addition to the staff at the land offices.

MAKE THE REGISTRY ELECTRONIC

Title searches, registration and payment are done manually at the land offices across Indonesia. Economies that transfer records from paper to electronic forms benefit from shorter processing times and increased registration. Belarus has increased the number of transferred titles 3-fold since it began computerizing its system in 2005. Bosnia and Herzegovina has seen 33% growth in transferred titles since all municipal land offices started working on computerization a few years ago.¹⁸ Going electronic also makes it easier to identify errors and overlapping titles, improving title security. This works when people using the registration services have Internet access. And digital records can be backed up and maintained more easily than paper ones. This can later lead to land disputes that have to be settled in court. In Banda Aceh, for example, many land books were lost or destroyed during the tsunami, making it difficult to identify the rightful owners of land.

Registration of property rights and tax payments online saves time—the entrepreneur no longer needs to go personally to the government office or a commercial bank. He or she would be able to go straight from her own desk to the virtual registry to register the deed. This reform would cut at least 2 procedures across Indonesia.

1. de Soto, Hernando. 2000. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Books.
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Data notes

The indicators presented and analyzed in *Doing Business in Indonesia 2010* 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, to construct a warehouse or to register and transfer commercial property. For details on how the rankings on these indicators are constructed, see the end of this section.

In this project, *Doing Business* indicators have been created for 14 Indonesian cities—the complete list is available on page 31. The data for all sets of indicators in *Doing Business in Indonesia 2010* are current as of August 2009.

METHODOLOGY

The *Doing Business in Indonesia 2010* data are collected in a standardized way, following the methodology developed by the *Doing Business* team. To start, the *Doing Business* team, with academic advisers, designs a survey. The survey uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Then, the survey is customized to the particular case of Indonesia. Surveys are administered through more than 160 local experts, including notaries, land deed officers, architects, engineers, 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* team, through face-to-face interviews, conference calls, written correspondence and visits by the team.

ECONOMY CHARACTERISTICS

GROSS NATIONAL INCOME (GNI) PER CAPITA

Doing Business in Indonesia 2010 reports 2008 income per capita and population as published in the World Bank's World Development Indicators 2009. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2008 GNI in local currency units is used as the denominator.

Indonesia's GNI per capita in 2008 = US\$ 2,007

EXCHANGE RATE

The exchange rate used in this report is 1 US\$ = 10,429.05 IDR (Indonesian Rupiah)

REGION AND INCOME GROUP

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

The team invited local government officials to review the preliminary results and offered them a right of reply period. The data from surveys are subjected to numerous tests for robustness, which lead to revisions or expansions of the information collected.

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, as the texts of the 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 applied to *Doing Business in Indonesia 2010* has 4 limitations that should be considered when interpreting the data. First, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) 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 scenario 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 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 2010* would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

STARTING A BUSINESS

Doing Business in Indonesia 2010 records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or 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.

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. 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 economies, 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 economy, the limited liability form most popular among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers, notaries or the statistical office.
- Operates in the economy's selected cities.
- 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 2008, paid in cash.
- Performs general industrial or commercial activities, such as the production or sale to the public of products or services. 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 founders 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.

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 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 and notaries 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. 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 economies 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. In Italy in June 2009, the minimum capital requirement for limited liability companies was €10,000, of which at least €2,500 was payable before registration. The paid-in minimum capital recorded for Italy is therefore €2,500, or 9.7% of income per capita. In Mexico, the minimum capital requirement was 50,000 pesos, of which one-fifth needed to be paid before registration. The paid-in minimum capital recorded for Mexico is therefore 10,000 pesos, or 8.9% of income per capita.

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 and others (2002) and is adopted here with minor changes.

DEALING WITH CONSTRUCTION PERMITS

Doing Business in Indonesia 2010 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 2010* also records procedures for obtaining connections for electricity, water, sewerage and a fixed land line. 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 in practice under normal circumstances.

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 economy's selected cities.
- 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 one employee who is a licensed architect and registered with the local association of architects.
- 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 1,300.6 square meters (14,000 square feet). Each floor is 3 meters (9 feet, 10 inches) high.
- Has road access and is located in the peri-urban area of the economy's selected cities (that is, on the fringes of the localities but still within their 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 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately 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.

ASSUMPTIONS ABOUT THE UTILITY CONNECTIONS

The electricity connection:

- Is 10 meters (32 feet, 10 inches) from the main electricity network.
- Is a medium-tension, 3-phase, 4-wire Y, 140-kVA connection. Three-phase service is available in the construction area.
- Will be delivered by an overhead service, unless overhead service is not available in the peri-urban area.
- Consists of a simple hookup unless installation of a private substation (transformer) or extension of network is required.
- Requires the installation of only one electricity meter.

BuildCo is assumed to have a licensed electrician on its team to complete the internal wiring for the warehouse.

The water and sewerage connection:

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

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 electricity, 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.

TIME

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete a procedure in practice. It is assumed that the minimum time required for each procedure is one 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 legal procedure available and used by the majority of construction companies 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 inspections before, during and after construction; getting utility connections; and registering the warehouse property. Non-recurring taxes required for the completion of the warehouse project also are 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 dropdown list.

REGISTERING PROPERTY

Doing Business in Indonesia 2010 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, use the property as collateral in taking new loans or, if necessary, sell the property 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 as collateral for a bank loan or resell it.

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 peri-urban area of the economy's selected cities.
- 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.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a peri-urban commercial zone, and no zoning is required.
- Consists of land and a building. The land area is 557.4 square meters (6,000 square feet). A 2-story warehouse of 929 square meters (10,000 square feet) 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 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.

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 one day. Although procedures may take place simultaneously, they cannot start on the same day. 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.

City tables

Balikpapan, East Kalimantan

Starting a business (rank)	8	Dealing with construction permits (rank)	8	Registering property (rank)	14
Procedures (number)	9	Procedures (number)	10	Procedures (number)	6
Time (days)	46	Time (days)	154	Time (days)	39
Cost (% of income per capita)	34.2	Cost (% of income per capita)	165.4	Cost (% of the property value)	11.0
Minimum capital (% of income per capita)	59.7				

Banda Aceh, Nanggroe Aceh Darussalam

Starting a business (rank)	6	Dealing with construction permits (rank)	10	Registering property (rank)	8
Procedures (number)	10	Procedures (number)	14	Procedures (number)	6
Time (days)	47	Time (days)	196	Time (days)	39
Cost (% of income per capita)	26.3	Cost (% of income per capita)	133.8	Cost (% of the property value)	10.9
Minimum capital (% of income per capita)	59.7				

Bandung, West Java

Starting a business (rank)	5	Dealing with construction permits (rank)	3	Registering property (rank)	1
Procedures (number)	9	Procedures (number)	11	Procedures (number)	6
Time (days)	43	Time (days)	72	Time (days)	19
Cost (% of income per capita)	32.6	Cost (% of income per capita)	149.4	Cost (% of the property value)	10.7
Minimum capital (% of income per capita)	59.7				

Denpasar, Bali

Starting a business (rank)	10	Dealing with construction permits (rank)	11	Registering property (rank)	8
Procedures (number)	10	Procedures (number)	13	Procedures (number)	6
Time (days)	58	Time (days)	112	Time (days)	39
Cost (% of income per capita)	29.1	Cost (% of income per capita)	183.7	Cost (% of the property value)	10.9
Minimum capital (% of income per capita)	59.7				

Jakarta, DKI Jakarta

Starting a business (rank)	7	Dealing with construction permits (rank)	13	Registering property (rank)	2
Procedures (number)	9	Procedures (number)	14	Procedures (number)	6
Time (days)	60	Time (days)	160	Time (days)	22
Cost (% of income per capita)	25.1*	Cost (% of income per capita)	194.8	Cost (% of the property value)	10.7
Minimum capital (% of income per capita)	59.7				

Makassar, South Sulawesi

Starting a business (rank)	9	Dealing with construction permits (rank)	2	Registering property (rank)	10
Procedures (number)	10	Procedures (number)	9	Procedures (number)	6
Time (days)	47	Time (days)	56	Time (days)	38
Cost (% of income per capita)	30.5	Cost (% of income per capita)	161.2	Cost (% of the property value)	10.9
Minimum capital (% of income per capita)	59.7				

Manado, North Sulawesi

Starting a business (rank)	14	Dealing with construction permits (rank)	12	Registering property (rank)	3
Procedures (number)	11	Procedures (number)	15	Procedures (number)	6
Time (days)	50	Time (days)	108	Time (days)	12
Cost (% of income per capita)	38.3	Cost (% of income per capita)	195.9	Cost (% of the property value)	10.9
Minimum capital (% of income per capita)	59.7				

* At the time of publication of *Doing Business 2010* the cost was 26% of income per capita.

Palangka Raya, Central Kalimantan

Starting a business (rank)	3	Dealing with construction permits (rank)	3	Registering property (rank)	5
Procedures (number)	8	Procedures (number)	12	Procedures (number)	6
Time (days)	46	Time (days)	67	Time (days)	15
Cost (% of income per capita)	30.6	Cost (% of income per capita)	150.1	Cost (% of the property value)	10.9
Minimum capital (% of income per capita)	59.7				

Palembang, South Sumatra

Starting a business (rank)	4	Dealing with construction permits (rank)	6	Registering property (rank)	6
Procedures (number)	10	Procedures (number)	12	Procedures (number)	6
Time (days)	46	Time (days)	86	Time (days)	21
Cost (% of income per capita)	28.4	Cost (% of income per capita)	152.9	Cost (% of the property value)	10.9
Minimum capital (% of income per capita)	59.7				

Pekanbaru, Riau

Starting a business (rank)	11	Dealing with construction permits (rank)	7	Registering property (rank)	4
Procedures (number)	9	Procedures (number)	12	Procedures (number)	6
Time (days)	56	Time (days)	113	Time (days)	29
Cost (% of income per capita)	34.1	Cost (% of income per capita)	139.1	Cost (% of the property value)	10.9
Minimum capital (% of income per capita)	59.7				

Semarang, Central Java

Starting a business (rank)	13	Dealing with construction permits (rank)	5	Registering property (rank)	11
Procedures (number)	11	Procedures (number)	10	Procedures (number)	6
Time (days)	67	Time (days)	115	Time (days)	38
Cost (% of income per capita)	29.1	Cost (% of income per capita)	107.6	Cost (% of the property value)	10.9
Minimum capital (% of income per capita)	59.7				

Surabaya, East Java

Starting a business (rank)	11	Dealing with construction permits (rank)	14	Registering property (rank)	6
Procedures (number)	10	Procedures (number)	14	Procedures (number)	6
Time (days)	50	Time (days)	230	Time (days)	39
Cost (% of income per capita)	32.0	Cost (% of income per capita)	190.4	Cost (% of the property value)	10.8
Minimum capital (% of income per capita)	59.7				

Surakarta, Central Java

Starting a business (rank)	2	Dealing with construction permits (rank)	9	Registering property (rank)	13
Procedures (number)	8	Procedures (number)	12	Procedures (number)	6
Time (days)	45	Time (days)	111	Time (days)	54
Cost (% of income per capita)	30.6	Cost (% of income per capita)	201.8	Cost (% of the property value)	10.9
Minimum capital (% of income per capita)	59.7				

Yogyakarta, DI Yogyakarta

Starting a business (rank)	1	Dealing with construction permits (rank)	1	Registering property (rank)	12
Procedures (number)	8	Procedures (number)	8	Procedures (number)	6
Time (days)	43	Time (days)	67	Time (days)	36
Cost (% of income per capita)	29.0	Cost (% of income per capita)	133.7	Cost (% of the property value)	10.9
Minimum capital (% of income per capita)	59.7				

Doing Business indicators

Starting a business

	Procedures (number)	Time (days)	Cost (% of GNI per capita)	Paid-in minimum capital (% of GNI per capita)	Ease of starting a business (rank)
Balikpapan <i>East Kalimantan</i>	9	46	34.2	59.7	8
Banda Aceh <i>Nanggroe Aceh Darussalam</i>	10	47	26.3	59.7	6
Bandung <i>West Java</i>	9	43	32.6	59.7	5
Denpasar <i>Bali</i>	10	58	29.1	59.7	10
Jakarta <i>DKI Jakarta</i>	9	60	25.1*	59.7	7
Makassar <i>South Sulawesi</i>	10	47	30.5	59.7	9
Manado <i>North Sulawesi</i>	11	50	38.3	59.7	14
Palangka Raya <i>Central Kalimantan</i>	8	46	30.6	59.7	3
Palembang <i>South Sumatra</i>	10	46	28.4	59.7	4
Pekanbaru <i>Riau</i>	9	56	34.1	59.7	11
Semarang <i>Central Java</i>	11	67	29.1	59.7	13
Surabaya <i>East Java</i>	10	50	32.0	59.7	11
Surakarta <i>Central Java</i>	8	45	30.6	59.7	2
Yogyakarta <i>DI Yogyakarta</i>	8	43	29.0	59.7	1

* At the time of publication of *Doing Business 2010* the cost was 26% of income per capita.

Dealing with construction permits					Registering property			
	Procedures (number)	Time (days)	Cost (% of GNI per capita)	Ease of dealing with construction permits (rank)	Procedures (number)	Time (days)	Cost (% of property value)	Ease of registering property (rank)
Balikpapan <i>East Kalimantan</i>	10	154	165.4	8	6	39	10.96	14
Banda Aceh <i>Nanggroe Aceh Darussalam</i>	14	196	133.8	10	6	39	10.86	8
Bandung <i>West Java</i>	11	72	149.4	3	6	19	10.72	1
Denpasar <i>Bali</i>	13	112	183.7	11	6	39	10.86	8
Jakarta <i>DKI Jakarta</i>	14	160	194.8	13	6	22	10.72	2
Makassar <i>South Sulawesi</i>	9	56	161.2	2	6	38	10.89	10
Manado <i>North Sulawesi</i>	15	108	195.9	12	6	12	10.89	3
Palangka Raya <i>Central Kalimantan</i>	12	67	150.1	3	6	15	10.91	5
Palembang <i>South Sumatra</i>	12	86	152.9	6	6	21	10.91	6
Pekanbaru <i>Riau</i>	12	113	139.1	7	6	29	10.86	4
Semarang <i>Central Java</i>	10	115	107.6	5	6	38	10.91	11
Surabaya <i>East Java</i>	14	230	190.4	14	6	39	10.81	6
Surakarta <i>Central Java</i>	12	111	201.8	9	6	54	10.91	13
Yogyakarta <i>DI Yogyakarta</i>	8	67	133.7	1	6	36	10.93	12

List of procedures

Starting a business

Dealing with construction permits

Registering property

LIST OF PROCEDURES

Starting a business

Balikpapan, East Kalimantan

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

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 5 days

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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

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

Time: 1 day

Cost: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;

5. 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 14 days for processing and approximately 7 days for courier service.

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.

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 Local Investment and Licensing Agency (BPMP2T)

Time: 5 days

Cost: No cost

Comments: The location permit (SITU) is required in Balikpapan as pre-requisite to obtain the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP). There is an inspection of the business location but the entrepreneur does not have to be present. There is no charge associated with this procedure, as stipulated on the Balikpapan licensing agency website: www.balikipapan.go.id.

The time to obtain SITU varies between 3 and 7 days.

Procedure 7. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) at the Local Investment and Licensing Agency (BPMP2T)

Time: 3 days

Cost: IDR 650,000 (IDR 150,000 for SIUP + IDR 500,000 for TDP)

Comments: SIUP and TDP can be arranged as a package, at the same time, with the same Officer, at the Local Investment and Licensing Agency (BPMP2T). The applicant submits the two application forms, along with the required documentation. After the BPMP2T Officer verifies the documents, the Head of the local Industry and Trade Agency issues the permits. The time to process both permits is maximum 9 days (maximum 9 days for TDP and maximum 7 days for SIUP as per Mayor's Decree No.188.45-238/2007). In practice, both licenses can be issued within 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:

1. The articles of association;
2. An attestation of location and address of the company's offices;
3. The tax registration number;
4. Identity card of the company president or director.

For SIUP, the fee varies between IDR 150,000 and IDR 900,000, depending on the classification of the capital of the company. The fee for TDP is IDR 500,000.

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

Time: 1 day

Cost: No cost

Comments: According to Law No. 7/1981, 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 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:

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

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

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 7 days

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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

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. The application form 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 should also be attached. The application form can be obtained from the One Stop Service office (KPPTSP Banda Aceh City) or from the Village Office. After filing the form, the applicant asks for endorsement/ approval from the Head of the village. If the Head of village is available, the application can be completed on the spot. In most cases, the application is completed the day after.

An unofficial administrative fee may be charged, ranging from IDR 50,000 to IDR 200,000, depending on each village.

The certificate of domicile can be replaced with a statement letter from the company founders in Banda Aceh but in practice most companies still apply for a domicile permit.

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

Time: 1 day

Cost: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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. NPPKP needs further verification beyond application but NPWP can be obtained in 1 day only. Both NPWP and NPPKP can be obtained in 1-3 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 7. Obtain a location permit (SITU) from the One Stop Service (KPPTSP)

Time: 1 day

Cost: IDR 50,000 (official fee)

Comments: City regulation (Qanun Kota Banda Aceh 4/2003) governs the SITU process in Banda Aceh. 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).

Procedure 8. 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 400,000 (IDR 200,000 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 are issued. The time to obtain both SIUP and TDP is 2-6 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:

1. The articles of association;
2. An attestation of location and address of the company's offices;
3. The tax registration number;
4. The identity card of the company president or director.

Based on Local Regulations No.6 and No.7/2004, the fee for obtaining TDP or SIUP for a small company (PT) is IDR 200,000. Payment is made to the local government bank's counter located within the One Stop Service.

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

Time: 1 day

Cost: IDR 50,000 (as per Local Regulation 9/2006, the cost is IDR 25,000 for a company that employs 1-25 workers and IDR 50,000 for 25-50 workers)

Comments: According to Law No. 7/1981, 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.

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:

1. Fill-in the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
2. Visit the Jamsostek Office to submit the filled-in form;
3. Jamsostek official conducts data input to Jamsostek data base;
4. 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- Perseroan Terbatas (PT)
Paid in minimum capital requirement: IDR 12,500,000
Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 4 days

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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

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. A copy of the signed deed 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. The contribution varies from IDR 200,000 to IDR 750,000, depending on the municipality.

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

Time: 1 day

Cost: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filed no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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. NPPKP needs further verification beyond application but NPWP can be obtained in 1 day only.

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), the permanent business trading license (Surat Izin Usaha Perdagangan- SIUP), and the registration certificate (Tanda Daftar Perusahaan- TDP) at the Bandung One Stop Shop (BPMPT)

Time: 5 days

Cost: IDR 832,000 (IDR 612,000 for HO + IDR 150,000 for SIUP + IDR 70,000 for TDP)

Comments: The applications for HO, SIUP and TDP can be submitted at the same time, at the same window, with the same Officer at Bandung One Stop Shop.

1. HO: the applicant is required to get a statement of non objection from the neighbors. The cost for HO is calculated based on the following formula: [space of business (square meters) X location index X nuisance index + standard tariff]. The standard tariff is:

- a. IDR 510/square meter for a space between 1 and 100 square meters;
- b. IDR 250/ square meter for more than 100 square meters.

For a company employing maximum 50 employees, the corresponding business space can be assumed as 100 square meters. The "location index" can be assumed as 6, corresponding to a secondary road. The "nuisance index" can be assumed as 2, corresponding to a low nuisance level. Hence, the cost is: 100 square meters x 6 [location index] x 2 [nuisance index] x IDR 510/ square meters.

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:

- a. The articles of association;
- b. An attestation of location and address of the company's offices;
- c. The tax registration number;
- d. The identity card of the company president or director.

As per Local Regulation 12/ 2002, the official time to issue SIUP is 5 days. The fee to issue SIUP is based on a fixed formula: business space (square meters) X tariff (IDR 1,250) X location index (2) X investment index (1) + standard tariff based on the size of the company (IDR 50,000 for a small company). For a company with a start-up capital of 168 million, the cost is estimated at around IDR 100,000 - IDR200,000.

3. As per Local Regulation no 12/2002, time to get TDP is maximum 10 days. The official fee for a small Limited Liability Company is IDR 70,000.

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

Time: 1 day

Cost: No cost

Comments: According to Law No. 7/1981, 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:

1. Fill-in the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
2. Visit the Jamsostek Office to submit the filled-in form;
3. Jamsostek official conducts data input to Jamsostek data base;
4. 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- Perseroan Terbatas (PT)

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 7 days

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 (Sismbakum), name checking, and PNBP are counted separately in the next procedures.

Procedure 3. Obtain Domicile Letter / Permit from the board of Balinese traditional village institution (Banjar Adat)

Time: 7 days

Cost: IDR 100,000

Comments: This is a pre-requisite to obtain a certificate of domicile or a location permit in Denpasar. It is issued by Banjar chairman (Kelian). There is no formal regulation regarding this permit but, in practice, most companies apply for a reference letter from the Kelian. It takes 1-14 days depending on the availability of the Kelian. The administrative cost varies, depending on the location.

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

Time: 1 day

Cost: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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. NPPKP needs further verification beyond application but NPWP can be obtained in 1 day only.

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 location permit (SITU) from the Denpasar City Licensing Agency

Time: 5 days

Cost: IDR 300,000

Comments: As stipulated in Local Regulation 9/2001, the applicant is required to obtain a Certificate of Domicile if the start-up capital of the company is below IDR 50,000 or a location permit (SITU), if the capital is above IDR 50,000. Along with the application, a declaration from the entrepreneur that he has obtained neighbors' consent is required.

SITU is a requirement to apply for the permanent business trading license, SIUP.

The Mayor decree 16/2005 establishes the statutory time limit at the Licensing Agency for issuance of SITU at 10 days. In practice, SITU can be obtained in 5 days.

Procedure 8. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) at Denpasar City Licensing Agency

Time: 5 days

Cost: IDR 200,000 (IDR 100,000 for SIUP + IDR 100,000 for TDP)

Comments: SIUP and TDP can be arranged as a package, at the same time, with the same Officer, at the Denpasar City Licensing Agency. The applicant submits two different application forms, along with the required documents. The applicant gets a confirmation of receipt and pays the official user charges. After verification, the licenses are issued. The Mayor decree 16/2005 establishes the statutory time limit at the Licensing Agency to obtain SIUP and TDP at 10 days. In practice, the licenses are issued in 5 days.

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;
 - c. The tax registration number;
 - d. The identity card of the company president or director.
2. The documents required to apply for TDP are:
 - a. A copy of the deed of establishment;
 - b. A copy of the certificate of ratification as legal entity from Minister of Law and Human Rights;
 - c. A copy of the identity cards (KTP) of the owners/president director/company caretaker;
 - d. Power of attorney on IDR 6,000 duty stamp if the application is handled by another person.

The schedule of fees for TDP is as follows:

- a. TDP (Limited Liability Company/ PT): IDR 100,000;
- b. TDP (Foreign Direct Assessment/PMA): IDR 250,000;
- c. TDP (civil partnership/CV or cooperation/Firma) IDR 25,000;
- d. TDP (sole proprietorship/PO): IDR 10,000;
- e. TDP (other form of business entities/BUL): IDR 100,000;
- f. TDP (cooperative/KOPERASI): IDR 5,000;
- g. TDP (local state owned firm/BUMD): IDR 50,000.

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

Time: 7 days

Cost: No cost

Comments: According to Law No. 7/1981, 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 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:

1. Fill-in the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
2. Visit the Jamsostek Office to submit the filled-in form;
3. Jamsostek official conducts data input to Jamsostek data base;
4. 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- Perseroan Terbatas (PT)

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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.

** At the time of publication of *Doing Business 2010*, the cost was IDR 385,000.

Procedure 2. Notarize company documents before a notary public

Time: 7 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: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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 application for approval of company establishment to the Ministry of Law and Human Rights (the "Ministry of Law") should be filed electronically and accompanied by: the certificate of bank account, copy of the relevant bank transmittal advice, NPWP (Tax Registration Number), and Certificate of Company Domicile. The process will take place as follows:

- The application should be filed at the latest 60 days since the date of the deed of establishment;
- If the application is complete, the Ministry of Law will make an electronic notice of "no objection" on said application. However, if the application is not fully complete, the Ministry of Law will state its objection on said application;
- In 30 days since the date of "no objection" by the Ministry of Law, the applicant should submit the original application and supporting documents;
- 14 days after fulfillment of above requirements, the Ministry of Law will issue the legalization of the establishment of the company;
- Company data (name, domicile, object and purpose, capital) will be inserted in the Company Registry;
- The Ministry of Law will announce the establishment of the company in the Supplement State Gazette (TBNRI) within 14 days of the Ministry's Approval Letter.

Procedure 5. Register with the Company Register (Department of Trade) and obtain a registration certificate (TDP)

Time: 15 days

Cost: IDR 500,000 (about IDR 500,000)

Comments: Although there is no official fee, there may be an unofficial administrative fee. The amount varies based on negotiation. Although the typical cost is about IDR 500,000, if a firm is located in a village in Southern Jakarta, for example, the registration fee might be cheaper (about IDR 100,000).

Procedure 6. Obtain a taxpayer registration number (NPWP) and a VAT collector number (NPPKP)

Time: 1 day

Cost: No cost

Comments: Regulation of Directorate General of Taxation No. 44/PJ/2008, concerning Procedures of Application of Taxpayer Registration and/or Taxable Entrepreneur Number, Amendment of Data and Transfer of Taxpayer and/or Taxable Entrepreneur, came into effect on October 20, 2008 and aimed to increase the service to the taxpayer. The regulation states that within 1 year as of the issuance of NPWP, the relevant Tax Office will conduct a field confirmation regarding the correct data/identity of the taxpayer

The person/entity can apply for NPWP in the relevant Tax Office where the company is located or can apply for it online through <http://www.pajak.go.id>, choose e-registration to create a taxpayer account, and follow the procedures therein, by filling the form and attaching copies of the deed of establishment, identity card/KTP of one of the directors, statement letter regarding confirmation on place of business from one of the directors (form is provided), and identity card/KTP of an authorized person. The NPWP card and Registered Statement Letter is obtained within 1 calendar day upon the submission of complete application, without any fee, charge and/or retribution.

Procedure 7. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP)

Time: 5 days

Cost: IDR 250,000

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 nonfacility 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;
- The tax registration number;
- Identity card of the company President Director.

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 in 3 days since the receiving of completed documents but in practice it takes 3-7 days.

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

Time: 14 days

Cost: No cost

Comments: According to Law No. 7/1981, 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 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), 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).

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Makassar, South Sulawesi

*Standard company legal form: Limited Liability Company- Perseroan Terbatas (PT)
Paid in minimum capital requirement: IDR 12,500,000
Data as of: August 2009*

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 7 days

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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

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: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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. NPPKP needs further verification beyond application but NPWP can be obtained in 1 day only.

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 (mainly for NPPKP) and range from IDR 100,000 to IDR 500,000.

Procedure 7. Apply for the nuisance permit (Hinder Ordinantie-HO) from the local agency of the Ministry of Industry, Trade and Investment

Time: 2 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.

Procedure 8. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan- SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) from the local agency of the Ministry of Industry, Trade and Investment

Time: 5 days

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

Comments: As per Mayor Regulation 14/2005, the applications for the 2 licenses (SIUP and TDP) can be submitted at the same time, with the same Officer, at the local agency of the Ministry of Industry, Trade and Investment. The time needed to obtain both licenses is 5 days: 3 days for verification and 2 days for issuing the licenses.

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;
- c. The tax registration number;
- d. The identity card of the company president or director.

The official cost for SIUP for a small company is IDR 75,000.

2. The process of obtaining a TDP registration certificate is similar and simultaneous with SIUP. The official cost (city government user charge/retribution) is IDR 200,000.

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

Time: 1 day

Cost: No cost

Comments: According to Law No. 7/1981, 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:

1. Fill-in the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
2. Visit the Jamsostek Office to submit the filled-in form;
3. Jamsostek official conducts data input to Jamsostek data base;
4. 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- Perseroan Terbatas (PT)

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 7 days

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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

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 signed 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 Village Office

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: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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. NPPKP needs further verification beyond application but NPWP can be obtained in 1 day only.

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 655,000 (IDR 100,000 for SIUP + IDR 500,000 for TDP + administrative fees of IDR 27,500 for each license)

Comments: SIUP and TDP can be arranged as a package, at the same time, with the same Officer, at the newly established 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:

1. The articles of association;
2. An attestation of location and address of the company's offices;
3. The tax registration number;
4. The identity card of the company president or director.

Procedure 10*. Register with the Ministry of Manpower at the local Manpower Office

Time: 1 day

Cost: No cost

Comments: According to Law No. 7/1981, 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:

1. Fill-in the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
2. Visit the Jamsostek Office to submit the filled-in form;
3. Jamsostek official conducts data input to Jamsostek data base;
4. 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

Palangka Raya, Central Kalimantan

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

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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. This procedure is usually conducted through a computerized system, but in Palangka Raya, this procedure is conducted in person at the Ministry of Law and Human Rights due of lack of internet connection in Palangka Raya. Upon payment and verification, the applicant receives a notification 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:** 7 days**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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

Procedure 3. Pay the State Treasury for the non-tax state revenue (PNBP) fees for legal services at a bank**Time:** 1 day**Cost:** IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

Due to lack of internet connectivity, notaries in Palangka Raya do not use the computerized system for non-tax state revenue payments (PNBP) but pay the State Treasury by visiting the bank designated to make the transfer.

Procedure 4. Apply to the Ministry of Law and Human Rights for approval of the deed of establishment**Time:** 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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

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 domicile 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**Time:** 5 days**Cost:** IDR 300,000 (IDR 150,000 for SITU + IDR 50,000 for SIUP for a limited liability company + IDR 100,000 for TDP for a limited liability company)

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 the One Stop Shop. 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 the inspection. The inspection usually happens on the same day of the application or one day after. Following the inspection, the 3 permits are issued simultaneously.

1. The application form for domicile certificate (SITU) should be accompanied by:

- a. A copy of the signed deed of establishment;
- b. A copy of the rental agreement;
- c. Proof of payment of Land and Building Tax (PBB) by the owner of the place where the company operates;
- d. Proof of building permit of the place where the company operates;
- e. 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:

- a. The articles of association;
- b. An attestation of location and address of the company's offices;
- c. The tax registration number;
- d. The identity card of the company president or director.

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. 7/1981, 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 accident, 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:

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

From submitting the application form until getting 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).

The time in Palangka Raya depends on the company size. For up to 50 workers, the processing time is 2-3 days.

* This procedure can be completed simultaneously with previous procedures

STARTING A BUSINESS

Palembang, South Sumatra

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

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 3 days

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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

Procedure 3. Obtain a certificate of company domicile from the local municipality

Time: 2 days

Cost: IDR 150,000 (fee depends on the size of business premises)

Comments: The certificate of domicile in Palembang is known as recommendation letter. The application form 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 should also be attached. The letter is a prerequisite for the location permit (SITU), which is arranged at the Local Investment Agency (BPM).

The fee for administration varies from IDR 100,000 to IDR 200,000, depending on the size of the business premises.

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

Time: 1 day

Cost: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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. NPPKP needs further verification beyond application but NPWP can be obtained in 1 day only.

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 100,000 may apply.

Procedure 7. Obtain a location permit (SITU) from the Local Investment Agency (BPM)

Time: 3 days

Cost: IDR 600,000 (environment charges x location index x nuisance index x size of business area = IDR 4000 x 1.5 x 1 x 100)

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 maximum time to obtain SITU is 7 days but in practice the permit can be obtained in 3 days. The cost to obtain SITU is stipulated in Local Regulation 19/1998 about nuisance permit, article 11, point 2: TL x IL x IG x LRTU = IDR 4000 x 1.5 x 1 x 100 = IDR 600,000. Where:

1. TL= environmental charges;
2. IL= location index;
3. IG= Nuisance index;
4. LRTU= size of business area.

Procedure 8. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) and the registration certificate (Tanda Daftar Perusahaan, TDP) at the local agency of the Ministry of Industry and Trade

Time: 5 days

Cost: IDR 200,000 (IDR 100,000 for SIUP + IDR 100,000 for TDP)

Comments: SIUP and TDP can be arranged at the same time and with the same Officer at the local agency of the Ministry of Industry and Trade. For a small company (PT), the cost is IDR 100,000 for each license.

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:

1. The articles of association;
2. An attestation of location and address of the company's offices;
3. The tax registration number;
4. The identity card of the company president or director.

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

Time: 2 days

Cost: No cost

Comments: According to Law No. 7/1981, 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:

1. Fill-in the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
2. Visit the Jamsostek Office to submit the filled-in form;
3. Jamsostek official conducts data input to Jamsostek data base;
4. 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

Pekanbaru, Riau

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

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 3 days

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 (Sisminkabum), name checking, and PNBP are counted separately in the next procedures.

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

Time: 1 day

Cost: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;

5. 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 14 days for processing and approximately 7 days for courier service.

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

Time: 14 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.

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. Obtain a location permit (SITU) from the Integrated Service Agency (BPMT)

Time: 2 days

Cost: IDR 275,000 (IDR 200,000 for SITU + IDR 75,000 for commercial tax on billboards)

Comments: As per Local Regulation 7/2000, the applicant should submit, along with the official application form, the following documents:

1. Location map;
2. Land Certificate;
3. Agreement/approval letter with 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);
4. Proof of payment of tax on land and building (if the company leases the premises, proof of payment by the owner would be required);
5. Architectural design of building;
6. Construction and foundation structural design;
7. Data on machines used;
8. Data on number of staff;
9. Analysis Study of Environment (AMDAL), if required based on the existing regulation;
10. Letter issued by the local Fire Department office (Dinas Pemadam Kebakaran);
11. Commercial tax on billboards, which is mandatory for all companies.

As per new regulation from May 2009, the statutory time limit to obtain SITU is 2 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 payment for SITU is done at a bank counter located in the premises of the Integrated Service Agency. The administration fee varies from IDR 200,000 to IDR 400,000. 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:
 - a. For a business area of 1 to 100 square meters, the official fee is IDR 7,500;
 - b. For a business area of 101 to 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.

Procedure 7. 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 (BPMT)

Time: 4 days

Cost: IDR 357,500 (IDR 57,500 for SIUP + IDR 300,000 for TDP)

Comments: SIUP and TDP can be arranged as a package, at the same time, with the same Officer at the Integrated Service Agency (BPMT). 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 BPMT 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 (if this has not been issued, then the applicant can enclose proof of payment of the Non Tax State Revenue to the Minister of Law and Human Rights).

The SIUP tariff is based on Local Regulation 10/ 2002 concerning Local Retribution in the Trading Sector, Warehouse Registration and Company Registration:

- a. Small scale company with a capital of IDR 30 to 200 million = IDR 30,000, plus legalization fee of IDR 27,500;
- b. Medium scale company with a capital of IDR 201 to 500 million = IDR 75,000, plus legalization fee of IDR 27,500;
- c. Large scale company with a capital of above IDR 500 million = IDR 200,000, plus legalization fee of IDR 27,500.

In addition, an unofficial fee of IDR 100,000 or less (for a small scale company) might be required.

2. As per Local Regulation 10/2002, to obtain TDP, the applicant should submit, along with the application form, the following documentation:

- a. Copy of the deed of establishment;
- b. Copy of an attestation of the company legal status;
- c. location permit (SITU);
- d. The tax registration number (NPWP);
- e. Copy of identity cards of all directors;
- f. Technical License.

The list of tariffs for TDP based on Local Regulation 10/ 2002 is:

- a. Foreign Company : IDR 1,000,000;
- b. Limited liability company (PT) : IDR 250,000;
- c. Civil partnership (CV) or cooperation (FA): IDR 75,000
- d. Other form of business entities (BUL) : IDR 50,000;
- e. Sole proprietorship (PO): IDR 10,000
- f. Cooperative: IDR 5,000.

The official cost for TDP for a limited liability company is IDR 250,000 plus duty stamp and miscellaneous costs of IDR 50,000.

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

Time: 7 days

Cost: No cost

Comments: According to Law No. 7/1981, 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 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 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:

1. Fill-in the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
2. Visit the Jamsostek Office to submit the filled-in form;
3. Jamsostek official conducts data input to Jamsostek data base;
4. 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

Semarang, Central Java

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

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 7 days

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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

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. A copy of the signed deed should also be attached.

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

Time: 1 day

Cost: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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

Time: 4 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.

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 7. Apply for the nuisance permit (Hinder Ordinantie-HO) from the City Planning Office

Time: 14 days

Cost: IDR 500,000 (official fee depends on business location)

Comments: HO licensing is obligatory for businesses opening their office outside of industrial zones. The purpose of the HO is to ensure that the business/office does not violate the city's zoning requirements.

Procedure 8. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) at the One Stop Shop

Time: 5 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 copies of documents should be attached to the application for SIUP:

1. The articles of association;
2. An attestation of location and address of the company's offices;
3. The tax registration number;
4. The identity card of the company president or director.

Based on Local Regulation, the official time to obtain SIUP is 5 days. Although there is no official charge, an unofficial administrative fee between IDR 30,000 and IDR 50,000 may be charged.

Procedure 9*. Register with the Company Register (Department of Trade) and obtain a registration certificate (Tanda Daftar Perusahaan, TDP) at the One Stop Shop

Time: 10 days

Cost: IDR 100,000 (official fee)

Comments: To obtain a TDP certificate, the application has to be accompanied by:

1. Proof of company legal status;
2. Deed of establishment;
3. Business license.

Based on Local Regulation, the maximum time to obtain TDP is 14 days. In practice, the license can be obtained in 10-12 days.

Procedure 10*. Register with the Ministry of Manpower at the local Manpower Office

Time: 3 days

Cost: No cost

Comments: According to Law No. 7/1981, 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 with 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 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:

1. Fill-in the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
2. Visit the Jamsostek Office to submit the filled-in form;
3. Jamsostek official conducts data input to Jamsostek data base;
4. 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

Surabaya, East Java

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

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 7 days

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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

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. A copy of the signed deed should also be attached.

An unofficial administrative fee between IDR 100,000 and IDR 500,000 may be charged.

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

Time: 1 day

Cost: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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. NPPKP needs further verification beyond application but NPWP can be obtained in 1 day only.

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 100,000.

Procedure 7. Apply for the permanent business trading license (Surat Izin Usaha Perdagangan, SIUP) at the City Agency of Trade and Industry Affairs

Time: 5 days

Cost: IDR 100,000 (official fee for a small company)

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 copies of documents should be attached to the application for SIUP:

1. The articles of association;
2. An attestation of location and address of the company's offices;
3. The tax registration number;
4. The identity card of the company president or director.

As per Local Regulation 3/2002, the total time to process SIUP is no less than 5 days after the submission of complete application.

The fee for SIUP depends on the size of the company and the start-up capital:

1. Small company: IDR 100,000;
2. Medium company: IDR 150,000;
3. Large company: IDR 300,000.

Procedure 8*. Register with the Company Register (Department of Trade) and obtain a registration certificate (Tanda Daftar Perusahaan, TDP) at the City Agency of Trade and Industry Affairs

Time: 7 days

Cost: IDR 100,000 (official fee for a small company)

Comments: As per Local Regulation of the City Agency for Trade and Industry Affairs, the process of obtaining the Company Registration Certificate (TDP) should be completed no later than 10 business days from the receipt of a complete application. In practice it takes 7 days to obtain the certificate.

According to Local Regulation 3/2002, the fee for TDP is calculated based on the scale of the company (start-up capital).

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

Time: 7 days

Cost: No cost

Comments: According to Law No. 7/1981, 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 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:

1. Fill-in the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
2. Visit the Jamsostek Office to submit the filled-in form;
3. Jamsostek official conducts data input to Jamsostek data base;
4. 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- Perseroan Terbatas (PT)
Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 7 days

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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

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

Time: 1 day

Cost: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filled no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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.

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

Time: 6 days

Cost: IDR 900,000 (IDR 200,000 for HO + IDR 200,000 for SIUP + IDR 500,000 for TDP)

Comments: HO, SIUP and TDP can be arranged as a package, at the same time, with the same Officer, at the One Stop Shop. 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 day 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:
 - a. The articles of association;
 - b. An attestation of location and address of the company's offices;
 - c. The tax registration number;
 - d. The identity card of the company president or director.

The official fee is calculated based on several factors such as: business location, office space, access to main road, company start-up capital, number of employees. For a small limited liability company the fee is IDR 200,000.

3. As per Local Regulation 5/2003, the official cost for TDP for a small company is IDR 200,000. However, in practice, the cost is IDR 500,000 based on Surakarta One Stop Shop stipulation.

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

Time: 3 days

Cost: No cost

Comments: According to Law No. 7/1981, 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:

1. Fill-in the form, which can be downloaded from the website jamsostek.go.id or obtained from Jamsostek Branch Offices;
2. Visit the Jamsostek Office to submit the filled-in form;
3. Jamsostek official conducts data input to Jamsostek data base;
4. 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- Perseroan Terbatas (PT)

Paid in minimum capital requirement: IDR 12,500,000

Data as of: August 2009

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: 7 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 notary public (because the new computerized system for nontax state revenue payments may be accessed only by a notary public). 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: 5 days

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 (Sisminbakum), name checking, and PNBP are counted separately in the next procedures.

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

Time: 1 day

Cost: IDR 200,000 (fee as per Government Regulation No. 19/2007)

Comments: 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. 19 of 2007 concerning Amendment to the Government Regulation No. 75 of 2005 concerning Types and Tariffs on non-tax state revenues applied for in the Department of Law and Human Rights.

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

Time: 21 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:

1. The application should be filed no later than 60 days since the date of the deed;
2. In 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;
3. Fourteen days after the fulfillment of above requirements, the Ministry of Law and Human Rights will issue the legalization of the establishment of the company;
4. The company data (name, location, object and purpose, capital) will be inserted in the Company Registry;
5. 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 14 days for processing and approximately 7 days for courier service.

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. NPPKP needs further verification beyond application but NPWP can be obtained in 1 day only.

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 1,062,500 (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:

- 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.

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. Based on Local Regulation 7/1999, concerning HO, the component costs for HO are:

- Environmental index;
- Location index;
- Index on the size of disturbance;
- The businesses space area.

The cost to obtain HO is calculated based on the following formula: business space area x tariff x [(30% x environmental index) + (20% x location index) + (50% x index on the size of disturbance)].

The schedule of fees for the business space tariff is:

- Businesses space up to 100 square meters = IDR 2,000/ square meter;
- 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:
 - above 100 square meters and up to 500 square meters = IDR 1,500/ square meter;
 - above 500 square meters and up to 1,000 square meters = IDR 1,000/ square meters;
 - above 1000 square meters = IDR 500/ square meters.

The schedule of fees for the three indexes is:

- Environmental Index (weight 30%):
 - Special area: 1.2;
 - Education area: 1.1;
 - Settlement area: 1.0;
 - Office area: 0.9;
 - Trade/Tourism area: 0.8;
- Location Index (weight 20%):
 - Street Environment: 1.2;
 - Local Road: 1.0;
 - Collector Road: 0.9;
 - Arterial Road: 0.8;
- Interference Index (weight 50%):
 - Large: 1.2;
 - Medium: 1.0;
 - Minor: 0.8.

For example, for a business space of 250 square meters, located on a "Trade/Tourism area", on a "collector road", with "minor interference", the cost to obtain HO is as follows:

- For a business space up to 100 square meters: 100 square meters x IDR 2,000 x (0.8 + 0.9 + 0.8) = IDR 500,000;
- For the rest of the business space, up to 250 square meters = 150 square meters x IDR 1,500 x (0.8 + 0.9 + 0.8) = IDR 562,500;
- Total Cost = 500,000 + 562,500 = IDR 1,062,500.

Usually, the applicant also makes a voluntary donation (around IDR 50,000 to IDR 100,000) for local community groups.

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

Time: 6 days

Cost: No cost

Comments: According to Law No. 7/1981, 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:

- Fill-in 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

LIST OF PROCEDURES

Dealing with construction permits

Balikpapan, East Kalimantan

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Request for location clearances from BPID-regional Investment Agency

Time: 1 day

Cost: No cost

Comments: In Balikpapan there is a technical team managing the location clearances. Several institutions are part of this team: regional Licensing and Investment Agency (BPID), local city Planning (BAPPEDA), local Environmental Agency, Settlement and City Planning Office (DPKP), local Public Works, local Liaison Office (Dinas perhubungan), Land Office (BPN), Fire Office and the Sub-district local Public Health Agency.

Procedure 2. Receive inspection from BPID-regional Investment Agency

Time: 1 day

Cost: No cost

Procedure 3. Obtain location clearances from BPID-regional Investment Agency

Time: 21 days

Cost: No cost

Procedure 4. Obtain statement about land dispute from regional office of the National Land Board

Time: 8 days

Cost: IDR 125,000

Comments: The company must obtain a statement indicating that the ownership of the land is not in dispute. This statement is issued by the regional Office of the National Land Board in the area where the warehouse is located.

Procedure 5. Obtain building construction permit from BPID-regional Investment Agency**Time:** 21 days**Cost:** IDR 7,000,000 (width of floor coefficient x building storey coefficient x coefficient purpose of the building usage x coefficient of building construction x tariff of the building)**Comments:** BuildCo submits application to the BPID-regional investment agency. For a commercial warehouse the time is usually 21 days on average. This process is regulated by local Regulation 4/2000. The following documents must be presented:

- Location clearance from BPID;
- Statement of land dispute;
- Photocopy of identification card.

Procedure 6. Register with Land and Building Tax Office**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 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 BPID-regional Investment Agency**Time:** 9 days**Cost:** No cost**Comments:** After construction is finished BuildCo registers the warehouse with BPID-regional investment agency.**Procedure 8*. Request and connect to electricity with Perusahaan Listrik Negara, PT****Time:** 90 days**Cost:** IDR 20,000,000**Comments:** The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.**Procedure 9*. 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 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

Banda Aceh, Nanggroe Aceh Darussalam*Procedures to build a warehouse**Warehouse value: US\$ 436,483 = IDR 4,552,100,000**Data as of: August 2009***Procedure 1. Obtain location clearances from City Planning office (Dinas Tata Kota -DTK)****Time:** 5 days**Cost:** IDR 1,500,000**Procedure 2. Obtain location clearances from the National Land Board****Time:** 7 days**Cost:** No cost**Procedure 3. Obtain lot plan with site map from City Planning office (Dinas Tata Kota -DTK)****Time:** 5 days**Cost:** No cost**Procedure 4. Confirm if project meets zoning requirements with City Planning office (Dinas Tata Kota -DTK)****Time:** 3 days**Cost:** No cost**Procedure 5. Zoning and road construction division check if the new project fits the already existent or planned roads with City Planning office (Dinas Tata Kota -DTK)****Time:** 3 days**Cost:** No cost**Procedure 6. Obtain statement letter and city planning map from City Planning office (Dinas Tata Kota -DTK)****Time:** 7 days**Cost:** IDR 500,000**Procedure 7. Obtain architectural assessment from City Planning office (Dinas Tata Kota -DTK)****Time:** 33 days**Cost:** IDR 1,500,000**Comments:** The City Planning office (Dinas Tata Kota -DTK) checks the status and the legal compliance of the architectural design.**Procedure 8. Obtain statement on land dispute with local Head of the Village****Time:** 14 days**Cost:** IDR 150,000**Comments:** The company must obtain a statement indicating that the ownership of the land is not on dispute.**Procedure 9. Obtain building construction permit from City Planning office (Dinas Tata Kota -DTK)****Time:** 26 days**Cost:** IDR 15,851,063 ((tariff for first floor IDR 9,750 X width of first floor 650.3 square meters) + (tariff for second floor IDR 14,625 X width of second floor 650.3 square meters))**Comments:** This procedure is governed by City local regulation No.11/2003 regarding User Charge for Building Permit (IMB) and Mayor Regulation No. 229/2006 regarding Building Permits. On average this process is completed in 26 days. Builder needs to submit the following documents to process the permit:

- Completed application form directed to KPPTSP signed by applicant with duty stamp, endorsed by Village Head (geuchik);
- Photocopy of the identity card of the applicant;
- Photocopy of Land Certificate and Land Registration Certificate (SKPT) issued by Banda Aceh BPN Office;
- Statement on Land Dispute endorsed by local Head of the Village;
- Statement indicating that construction does not overlap with road expansion plans (specifically for commercial buildings);
- Site plan of the building and its technical specification prepared by planner/consultant.

Procedure 10. Obtain official report on completion of construction and compliance with building permit from City Planning office (Dinas Tata Kota -DTK)**Time:** 30 days**Cost:** No cost

Procedure 11. Register with Land and Building Tax office**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 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 12*. Request and connect to electricity with Perusahaan Listrik Negara, PT**Time:** 30 days**Cost:** IDR 6,500,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 13*. Request and connect to water and sewage with PDAM**Time:** 20 days**Cost:** IDR 1,500,000

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:** 60 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

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Request construction permit (IMB) from the Bandung One Stop Shop**Time:** 1 day**Cost:** No cost

Comments: BuildCo needs to submit the following documents when applying for a construction permit:

- Completed application form;
- Photocopy of land certificate;
- Copy of company articles of association;
- Statement / agreement letter for land use for applicant who is not the owner of the land;
- Authorization letter;
- IPPT - license to use the land;
- 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, sewerage, etc.;
- Photocopy of identity card;
- Land and building tax receipt of the latest year.

When all documents are submitted to the Bandung One Stop Shop (BPMPT) the officer in charge checks completeness of the documents and registers the application. A location visit/checking conducted by IMB (building permit) technical team from related agencies is also needed.

Procedure 2. Receive inspection from IMB Technical team**Time:** 1 day**Cost:** No cost**Procedure 3. Make payment for construction permit at commercial bank****Time:** 1 day

Cost: IDR 15,594,194 (building size 3,600 square meters x base tariff IDR 1,100,000 x coefficient 1.09 x 1%)

Comments: The relevant laws are local regulation No.14/1998 on building permits, local regulation No.24/1998 on construction permit retribution, and Mayor Decree No. 640/Kep.554-Huk/2004 on building base tariff. The formula will be building size x base tariff x coefficient (for 2 floors the coefficient is 1.09) x 1%. Base tariff is IDR 1,100,000, so the fee for construction permit is 1300.6 square meters x IDR 1,100,000 x 1.09 x 1% = IDR 15,594,194.

Procedure 4. Obtain construction permit (IMB) from the Bandung One Stop Shop**Time:** 24 days**Cost:** No cost**Procedure 5. Register with Land and Building Tax office****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 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 6. Request the registration of the warehouse with local office of Ministry of Industry and Trade**Time:** 1 day**Cost:** No cost

Comments: After the applicant submits the form and the required documents, the next day the authorities will conduct an inspection. BPMPT orders the inspection and it will be carried out by Dinas Tata Ruang dan Cipta Karya.

Procedure 7. Obtain inspection to register the warehouse with local office of Ministry of Industry and Trade**Time:** 1 day**Cost:** No cost**Procedure 8. Register the warehouse with local office of Ministry of Industry and Trade****Time:** 32 days

Cost: IDR 1,950,900 (warehouse size 1300.6 square meters x location index (3) x base tariff IDR 500)

Comments: The applicant submits all required documents at Bandung One Stop Shop (BPMPT) and waits for the registration license to be issued. On average this process takes 32 days. The builder needs to submit the following documents:

- Completed application form;
- Site location map of the warehouse;
- Photocopy of applicant identity card;
- SIUP - trading license;
- Company registration license (TDP);
- NPWP- Tax Registration Number of Applicant/Company;
- HO (Nuisance Permit);
- Minutes of meeting for location check.

Procedure 9*. Request and connect to electricity with Perusahaan Listrik Negara, PT**Time:** 16 days

Cost: IDR 11,550,000 (connection fee IDR 5,145,000 + security deposit IDR 2,087,400 + consultation fee IDR 2,940,000 + network inspection fee IDR 1,377,600)

Procedure 10*. Request and connect to water and sewage with PDAM**Time:** 11 days**Cost:** IDR 1,842,500 (connection charge + 10% of construction costs + other fees)**Comments:** Sewerage connection charge is IDR 75,000 to IDR 100,000 plus ten percent of the construction cost. If there is road construction work, there will be additional costs.**Procedure 11*. Request and connect to telephone with PT Telekomunikasi Indonesia Tbk (Telkom)****Time:** 8 days**Cost:** IDR 330,000**Comments:** This cost includes 200 meters of telephone cable, and IDR 8,000 per meter for additional cable charge.

*This procedure can be completed simultaneously with previous procedures

DEALING WITH CONSTRUCTION PERMITS

Denpasar, Bali*Procedures to build a warehouse**Warehouse value: US\$ 436,483 = IDR 4,552,100,000**Data as of: August 2009***Procedure 1. Request construction permit (IMB) from City Planning and Construction Agency****Time:** 1 day**Cost:** No cost**Comments:** Building Permit request is conducted in the One Stop Shop. Applicants fill out a form and complete the requirements listed below and submit them to the information section of the One Stop Shop. The documents are checked by the One Stop Shop and if the documents are complete and correct, a field visit will be conducted (various agencies participate in this process). If the project fulfills the requirements, the government will issue the Letter of Building Permit (SIM). This procedure is governed by local regulation No.6/2001 and the Decision of the Mayor of Denpasar City No.803/1997. Required documents for this procedure are:

- IMB application form;
- Photocopy of identity card;
- Photocopy of land ownership title;
- Letters of introduction ;
- Two copies of building plans;
- Photocopy of proof of payment of land and building tax;
- Environment management plan and environment monitoring plan.

Procedure 2. Obtain statement of land dispute from Land Office**Time:** 3 days**Cost:** No cost**Comments:** The company must obtain a statement indicating that the ownership of the land is not on dispute.**Procedure 3. Receive inspection from City Planning and Construction Agency****Time:** 1 day**Cost:** No cost**Procedure 4. Obtain environment management plan and environment monitoring plan from local Environment Agency****Time:** 21 days**Cost:** IDR 15,000,000**Comments:** Estimates provided by local consultants. There is no risk based approach on environmental plans. Hence, cost is high regardless of the characteristics of the building.**Procedure 5. Make payment for construction permit at commercial bank****Time:** 1 day**Cost:** IDR 7,959,672 (construction area 1300.6 square meters x estimated construction value IDR 510,000 x 1.2%)**Comments:** BuildCo pays the cost of the permit at the commercial bank before obtaining the authorization.**Procedure 6. Obtain construction permit (IMB) from City Planning and Construction Agency****Time:** 30 days**Cost:** No cost (paid in procedure 5)**Procedure 7. Notify City Planning and Construction Agency 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 no later than 24 hours and the agency will make inspection (local regulation No.6/2001)**Procedure 8. Receive an inspection from City Planning and Construction Agency****Time:** 1 day**Cost:** No cost**Comments:** After completing the warehouse building, the applicant must report to the City Planning and Construction Agency.**Procedure 9. Register with Land and Building Tax office****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 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 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 with the local office of Ministry of Industry and Trade**Time:** 1 day**Cost:** No cost**Procedure 11*. Request and connect to electricity with Perusahaan Listrik Negara, PT****Time:** 20 days**Cost:** IDR 12,500,000**Comments:** The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.**Procedure 12*. Request and connect to water and sewage with PDAM****Time:** 14 days**Cost:** IDR 2,500,000**Comments:** The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.**Procedure 13*. 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

Jakarta, DKI Jakarta

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Request pre-approval letter from Zoning Department

Time: 1 day

Cost: IDR 1,482,000 (Land measurement fee + maps + KRK + RTLB + land marking fee)

Comments: The total cost to obtain pre-approval letter is IDR 1,482,000 according to Article 123 of the local regulation No. 1/2006.

The following is the detailed calculation:

- Land measurement (based on the land certificate, namely 500-1,000 square meters) for a cost of IDR 750,000;
- Print out of the map (scale of 1:10,000), a fee of IDR 1,000/copy x 12 copies for a total of IDR 12,000;
- KRK for plans to use land for warehouse construction (Karya pergudangan) for a land area of up to 1,000 square meters is subject to a fee of IDR 40,000;
- RTLB for plans to build warehouse subject to a fee of IDR 40,000 per 100 square meters, so the total fee for the RTLB: IDR 40,000.00 x 13 (based on a 1,300.6 square meters 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 square meters), 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 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 the internal procedure it's completed, the builder is notified (by phone, mail or electronically) that he can pick up the pre-approval letter. The 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: BuildCo 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:

- 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.

Procedure 7. Request and obtain building construction permit (IMB)

Time: 21 days

Cost: IDR 9,104,200 (construction area x IDR 7,000)

Comments: When applicant has the complete set of documents (see below) and 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 /2000, Article 2 paragraph (2) b;
- Regulation of the Head of the local Building Supervision and Control (P2B) Office No. 21 /2009, Annex I point I.b;
- The legal basis for the time to complete this step in 14 working days (21 calendar days) is the Regulation of the Governor of DKI Jakarta Number 85/2006, article 11;
- According to the regional Regulation of the Province of DKI Jakarta No. 1 /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 X 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);
- Blueprint (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;
- Company's Deed of Establishment;
- Completed Application Form;
- Receipt of UKL-UPL or UKL-UPL recommendation from the BPLHD.

Procedure 8. Request and obtain the 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 IMB (building permit);
- 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 are:

- Decree of the Governor of the Province of DKI Jakarta No. 76 Year 2000, Article 9 paragraph (4) b;

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 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*. Request and connect to electricity with Perusahaan Listrik Negara, PT

Time: 8 days

Cost: IDR 12,500,000

Comments: The company notifies the industrial manager that the warehouse is ready for utility hook-ups.

Procedure 13*. Request and connect to water and sewage with PDAM

Time: 9 days

Cost: IDR 2,000,000

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

Makassar, South Sulawesi

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Obtain statement on land dispute with local Head of the Village

Time: 7 days

Cost: No cost

Comments: The local head of the village endorses a document claiming that land is not under dispute

Procedure 2. Request building construction permit from City Planning Office

Time: 1 day

Cost: No cost

Comments: Zoning and Environmental clearances are processed internally by the municipality. The builder needs to submit the following documents in order to obtain the permit:

- Application form;
- Photocopy of identity card;
- Copy of land ownership;
- Copy of proof of Land and Building Tax Payment of the current year;
- Statement on Land Dispute endorsed by local Head of the Village;
- Construction drawings and calculations made by licensed construction planner;
- Picture of the applicant.

Procedure 3. Make payment for construction permit at commercial bank

Time: 1 day

Cost: IDR 15,210,517 (construction area x IDR 11.695 fee)

Procedure 4. Obtain building construction permit from City Planning Office

Time: 21 days

Cost: No cost (paid in procedure 3)

Procedure 5. Register with Land and Building Tax Office

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 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 6. Register the warehouse with local office of Ministry of Industry and Trade

Time: 10 days

Cost: IDR 650,300 (construction area x IDR 500 fee)

Comments: The formula is based on Mayor Regulation no. 14/2005

Procedure 7*. Request and connect to electricity with Perusahaan Listrik Negara, PT

Time: 14 days

Cost: IDR 15,000,000

Comments: The company notifies the Industrial Manager that the warehouse is ready for utility hook-ups.

Procedure 8*. 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 9*. 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

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Request and obtain Advice Planning Permit from The One Stop Licensing Service (BP2T)**Time:** 1 day**Cost:** No cost**Comments:** Applicant should visit the City Planning Office to get advice plan. Included in the advice are:

- a. Land usage permit;
- b. Building usage permit;
- c. Building size and number of floors;
- d. Architectural specifications;
- e. City planning permit.

Procedure 2. Obtain statement on land dispute with local Head of the Village**Time:** 8 days**Cost:** IDR 27,500**Comments:** The company must obtain a statement indicating that the ownership of the land is not on dispute.**Procedure 3. Request environment management plan and environment monitoring plan from local Environment Agency****Time:** 1 day**Cost:** No cost**Procedure 4. Receive inspection from local Environment Agency****Time:** 1 day**Cost:** No cost**Procedure 5. Obtain environment management plan and environment monitoring plan from local Environment Agency****Time:** 8 days**Cost:** IDR 3,500,000**Procedure 6. Obtain building construction permit from The One Stop Licensing Service (BP2T)****Time:** 30 days**Cost:** IDR 23,040,000 (coefficient of roads classification x building usage coefficient x building value)**Comments:** Cost is based on the local regulation No 8 /2001 (article 19). After documentation is submitted the construction permit is granted on average in 30 days. Builder takes the following documentation to the One Stop Licensing Service in order to process the permit:

- a. Advice planning permit;
- b. Statement of land dispute;
- c. Environmental management plan;
- d. Copy of identification card.

Procedure 7. Request official report on completion of construction and compliance with building permit from The One Stop Licensing Service (BP2T)**Time:** 1 day**Cost:** No cost**Procedure 8. Receive inspection from The One Stop Licensing Service (BP2T)****Time:** 1 day**Cost:** No cost**Procedure 9. Obtain official report of completion of construction and compliance with building permit from The One Stop Licensing Service (BP2T)****Time:** 30 days**Cost:** IDR 62,500**Comments:** The construction completion and compliance report is a prerequisite for obtaining a usage permit. The building supervisor of The One Stop Licensing Service is in charge of this procedure.**Procedure 10. Obtain HO (Nuisance permit) for the warehouse from The One Stop Licensing Service (BP2T)****Time:** 5 days**Cost:** IDR 1,377,500 (IDR 1,350,000 + 27,500 (local fiscal fee))**Comments:** BuildCo must submit the following documents in order to obtain this permit:

- a. Copy of identification card;
- b. Land certificate;
- c. IMB;
- d. Neighbor's consent.

Procedure 11. Register with Land and Building Tax Office**Time:** 8 days**Cost:** IDR 3,500,000**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:

- a. The latest Payable Tax Notification Letter;
- b. 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 12. Register the warehouse with the regional office of the Ministry of Industry and Trade**Time:** 1 day**Cost:** IDR 601,275**Procedure 13*. Request and connect to electricity with Perusahaan Listrik Negara, PT****Time:** 8 days**Cost:** IDR 7,150,000**Comments:** The company notifies the industrial manager that the warehouse is ready for utility hook-ups.**Procedure 14*. 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 15*. 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

Palangka Raya, Central Kalimantan

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Request principal permit (izin lokasi) from local Planning Office (Bappeda)**Time:** 1 day**Cost:** No cost**Procedure 2. Receive inspection from local Planning Office****Time:** 1 day**Cost:** No cost**Procedure 3. Obtain principal permit (izin lokasi) from local Planning Office (Bappeda)****Time:** 6 days**Cost:** No cost**Procedure 4. Obtain statement on land dispute with local Head of the Village****Time:** 3 days**Cost:** No cost**Procedure 5. Confirm if project meets zoning requirements with local Planning office (Bappeda)****Time:** 8 days**Cost:** No cost**Procedure 6. Obtain environment management plan and environment monitoring plan from local Environment Control Agency****Time:** 15 days**Cost:** IDR 15,000,000**Comments:** Estimates provided by local consultants. There is no risk based approach on environmental plans. Hence, cost is high regardless of the characteristics of the building.**Procedure 7. Obtain building construction permit from Palangka Raya One Stop Shop****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:** BuildCo needs to submit the following documents in order to obtain the permit:

- Principal permit;
- Statement on land dispute;
- Environmental authorization;
- Zoning clearance;
- Photocopy of identity card.

Procedure 8. Obtain warehouse license (Tanda Daftar Gudang) from Public Works Agencies**Time:** 3 days**Cost:** IDR 100,000**Comments:** The construction completion and compliance report is mandatory in Palangka Raya**Procedure 9. Register with Land and Building Tax Office****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 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 10*. Request and connect to electricity with Perusahaan Listrik Negara, PT**Time:** 8 days**Cost:** IDR 12,500,000**Comments:** The cost for this procedure includes duties and the meter. The company notifies the industrial manager that the warehouse is ready for utility hook-ups.**Procedure 11*. 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 12*. 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

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Obtain statement letter and city planning map from City Planning Office**Time:** 1 day**Cost:** No cost**Procedure 2. Obtain architectural assessment from Indonesia Architects Association****Time:** 16 days**Cost:** IDR 1,000,000**Comments:** This procedure can be managed in the City Planning Office as well as at the Indonesian Architects Association (AIA) as TPAK is also a member of the AIA. The estimated cost is around IDR 1,000,000, depending on the size, complexity of the construction and the agreement with TPAK.**Procedure 3. Obtain environment management plan and environment monitoring plan from local Environment Control Agency****Time:** 21 days**Cost:** IDR 5,000,000**Comments:** The cost is only around IDR 5,000,000, it takes from 7 to 30 days, the Environmental agencies will establish a team to review the project application**Procedure 4. Obtain building construction permit from City Planning Office****Time:** 8 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, THDB: rate of basic price)**Comments:** If all the prerequisites are correct the average time to process the permit is 8 days. The cost for this procedure is stipulated on chapter IV article 204 (2a) local regulation no 13/2004 regarding User Charges for IMB (Building Permit). Builders need to submit the following documents in order to obtain the permit :

- Fill the application form of IMB in the city planning office;

- b. Photocopy of advice planning;
- c. Photocopy of land certificate;
- d. Architectural drawings of the building and site plan;
- e. Pictures of the plot;
- f. Structural calculations;
- g. Photocopy of proof of payment of Land and Building tax;
- h. Photocopy of identity card.

Procedure 5. Request official report on completion of construction and compliance with building permit from City Planning Office

Time: 1 day

Cost: No cost

Comments: After completing the construction, the applicant will request the City Planning Office to inspect the building. After the review the IMB/IPB will be given to the owner.

Procedure 6. Receive inspection to verify compliance with building permit from City Planning Office

Time: 1 day

Cost: No cost

Procedure 7. Obtain official report on completion of construction and compliance with building permit from City Planning Office

Time: 12 days

Cost: No cost

Procedure 8. Register with Land and Building Tax Office

Time: 16 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:

- a. The latest Payable Tax Notification Letter;
- b. 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 9. Register the warehouse with the local office of the Ministry of Industry and Trade

Time: 8 days

Cost: No cost

Procedure 10*. Request and connect to electricity with Perusahaan Listrik Negara, PT

Time: 8 days

Cost: IDR 12,500,000

Comments: The company notifies the industrial manager that the warehouse is ready for utility hook-ups.

Procedure 11*. 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 12*. 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

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Obtain site plan from City Planning Office

Time: 8 days

Cost: IDR 1,000,000

Comments: Site plan should be approved by SIBP and should include the signature of an architect holding SIBP. There is no standard cost to get the approval. The cost is based on negotiation between the applicant and the architect. In Pekanbaru, normally it cost IDR 500,000 – IDR 2,000,000 to get the approval/signature. If the architect should also prepare/draw the technical construction design, the cost is different based on the agreement.

Procedure 2. Request Advise Planning Permit from City Planning Office

Time: 1 day

Cost: No cost

Comments: BuildCo needs to submit the following documents in order to obtain the Advise Planning Permit:

- a. Advise planning application form;
- b. Photocopy of identity card;
- c. Photocopy of Land certificate or proof of land ownership;
- d. Photocopy of AMDAL certificate;
- e. Site Plan, Site Map, Building Situation and Site Activity Plan;
- f. Location map.

Procedure 3. Receive inspection from City Planning Office

Time: 1 day

Cost: No cost

Comments: There is an inspection for the Advise Planning. The Advise Planning inspection is held by City Planning Office. After the applicant completes the requirement then Head of City planning Secretariat requests the inspection by sending a disposition letter to the City Planning Section. After that City Planning Section will conduct a field inspection. The inspection takes 3 days to be conducted.

Procedure 4. Obtain Advise Planning Permit from City Planning Office

Time: 3 days

Cost: IDR 195,090

Comments: The cost formula for Advise Planning is IDR 150/SQM, for the case, the cost is IDR 150 x 1300,6 SQM = IDR 195,090

Procedure 5. Obtain building construction permit from City Planning Office

Time: 30 days

Cost: IDR 7,000,000

Comments: BuildCo goes to the One Stop Shop and submits the construction permit application at the registration window. Then the City planning office will forward it to the building control section for supervision. The average time to obtain the construction permit is 30 days. Builders need to submit the following documents in order to obtain the permit:

- a. Construction permit form;
- b. Border approval letter form;
- c. Photocopy of identity card;
- d. Copy of land certificate or proof of ownership;
- e. Copy of the latest Land and Building Tax payment;
- f. Site plan made by SIBP holders;
- g. Copy of Advise Planning approval letter.

Procedure 6. Request and obtain final inspection from City Planning Office

Time: 1 day

Cost: No cost

Procedure 7. Obtain official report on completion of construction and compliance with building permit from City Planning Office**Time:** 30 days**Cost:** IDR 250,000**Comments:** Technical team makes an evaluation to determine if building complies with the permit granted.**Procedure 8. Register with Land and Building Tax Office****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 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 Ministry of Industry and Trade**Time:** 5 days**Cost:** IDR 6,667,500 (IDR 3,350,000 + legalization fee + minutes of warehouse inspection)**Comments:** The applicant should submit application form (the blank form is available at BPT – Integrated Licensing Agency) along with the following documents:

- Photocopy of SIUP (trading license);
- Photocopy of TDP (registration license);
- Photocopy of identification card of owner/president director;
- Photocopy of permit of warehouse location;
- Photo of owner/president director of the company;
- Duty stamp.

Procedure 10*. Request and connect to electricity with Perusahaan Listrik Negara, PT**Time:** 30 days**Cost:** IDR 12,500,000**Comments:** The company notifies the industrial manager that the warehouse is ready for utility hook-ups.**Procedure 11*. 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 12*. 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

Semarang, Central Java

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Obtain location clearances from City Planning Office**Time:** 4 days**Cost:** No cost**Procedure 2. Obtain lot plan with site map from City Planning Office****Time:** 1 day**Cost:** No cost**Procedure 3. Obtain statement letter and city planning map from City Planning Office****Time:** 30 days**Cost:** IDR 2,211,020 (construction area x IDR 1,700)**Procedure 4. Obtain statement on land dispute with local Head of the Village****Time:** 8 days**Cost:** IDR 25,000**Comments:** This statement of ownership of the land is required for the application for the building permit**Procedure 5. Obtain building construction permit from City Planning Office****Time:** 30 days**Cost:** IDR 7,230,035 (0.6% x unit cost x building size x location (street) index x building index)**Comments:** The permit is issued on average in 30 days. BuildCo needs to submit the following documents in order to obtain the permit:

- Application form;
- Description of the city plan (KRK);
- Photocopy of ownership letter;
- Photocopy or personal ID;
- Photocopy of proof of property tax payments;
- Technical plans;
- Photocopy of the license to establish a legal entity (PT).

Procedure 6. Register with Land and Building Tax Office**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 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 the regional office of the Ministry of Industry and Trade**Time:** 8 days**Cost:** No cost**Procedure 8*. Request and connect to electricity with Perusahaan Listrik Negara, PT****Time:** 30 days**Cost:** IDR 11,500,000**Comments:** The company notifies the industrial manager that the warehouse is ready for utility hook-ups.**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

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Obtain lot plan with site map from City Planning Office

Time: 3 days

Cost: No cost

Procedure 2. Confirm if project meets zoning requirements with City Planning Office

Time: 1 day

Cost: No cost

Procedure 3. Obtain zoning and road construction division to check if the new project fits the already existing or planned roads from City Planning Office

Time: 1 day

Cost: No cost

Procedure 4. Obtain statement letter and city planning map from City Planning Office

Time: 30 days

Cost: IDR 400,000

Procedure 5. Obtain architectural assessment from City Architectural Advisory Team

Time: 33 days

Cost: No cost

Procedure 6. Obtain environment management plan and environment monitoring plan from local Environment Control Agency

Time: 20 days

Cost: IDR 12,000,000

Comments: Estimates provided by local consultants. There is no risk based approach on environmental plans. Hence, cost is high regardless of the characteristics of the building.

Procedure 7. Obtain building construction permit from City Planning Office

Time: 30 days

Cost: IDR 13,000,000

Comments: This procedure is governed by local regulation No.17/1999 about IMB (building permit). On average the permit is granted in 30 days. The builder needs to submit the following documents to complete this procedure:

- a. Photocopy of personal document;
- b. Proof of Property Tax Payment;
- c. Copy of proof of land ownership;
- d. Location clearance for non-housing projects;
- e. Letter of application IMB;
- f. Building plans;
- g. Building calculations;
- h. Picture of the site.

Procedure 8. Obtain official report on completion of construction and compliance with building permit from City Planning Office

Time: 28 days

Cost: IDR 62,500

Procedure 9. Obtain building usage permit (IPB) from City Planning Office

Time: 49 days

Cost: No cost

Procedure 10. Register with Land and Building Tax Office

Time: 12 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:

- a. The latest Payable Tax Notification Letter;
- b. 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 11. Register the warehouse with the local office of the Ministry of Industry and Trade

Time: 8 days

Cost: IDR 650,000

Procedure 12*. Request and connect to electricity with Perusahaan Listrik Negara, PT

Time: 10 days

Cost: IDR 11,800,000

Comments: The company notifies the industrial manager that the warehouse is ready for utility hook-ups.

Procedure 13*. 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 14*. 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

Procedures to build a warehouse

Warehouse value: US\$ 436,483 = IDR 4,552,100,000

Data as of: August 2009

Procedure 1. Request Advise Planning Permit from One Stop Shop

Time: 1 day

Cost: No cost

Comments: The permit is requested by the builder at the One Stop Shop. On average the permit is issued in 18 days. The builder needs to submit the following documents:

- a. Application form;
- b. Photocopy of identification card;
- c. Photocopy of Land certificate;
- d. Payment proof of Land and Building Tax.

Procedure 2. Make a payment for the Advise Planning Permit at commercial bank

Time: 1 day

Cost: IDR 7,000,000 (0.75% of NJOP)

Comments: Payment is made at a commercial bank.

Procedure 3. Obtain Advise Planning Permit**Time:** 16 days**Cost:** No cost (paid in procedure 2)**Procedure 4. Obtain environment management plan and environment monitoring plan****Time:** 8 days**Cost:** IDR 15,000,000**Comments:** Estimates provided by local consultants. There is no risk based approach on environmental plans. Hence, cost is high regardless of the characteristics of the building.**Procedure 5. Obtain building construction permit from One Stop Shop****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:** On average the procedure takes 21 days. The builder needs to submit the following documents:

- Photocopy of ID Card (KTP);
- Photocopy land certificate;
- Payment proof of Land and Building Tax;
- Advice Planning Permit;
- Building Site Plan;
- Blueprints;
- Architectural Plans.

Procedure 6. Obtain official report on completion of construction and compliance with building permit from One Stop Shop**Time:** 8 days**Cost:** IDR 25,000**Procedure 7. Obtain building usage permit (IPB) from One stop service office****Time:** 14 days**Cost:** No cost**Procedure 8. Register with Land and Building Tax Office****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 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 regional office of the Ministry of Industry and Trade**Time:** 6 days**Cost:** IDR 720,000 (building score x IDR 30,000)**Comments:** The price of the fee depends on the "score" of the building. The score of the building is the result of the calculation of each building indexes using the following components:

- Buildings allocated for industrial purpose = 1
- Score of the Road Class I = 5
- The value of investment for the building (IDR 4,552,100,000 or more than 1 billion) = 10
- The land size is between 1,001 square meters and 2,500 square meters = 8

Total score: 1 + 5 + 10 + 8 = 24

Procedure 10*. Request and connect to electricity with Perusahaan Listrik Negara, PT**Time:** 30 days**Cost:** IDR 10,000,000**Comments:** The company notifies the industrial manager that the warehouse is ready for utility hook-ups.**Procedure 11*. 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 12*. 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*Procedures to build a warehouse**Warehouse value: US\$ 436,483 = IDR 4,552,100,000**Data as of: August 2009***Procedure 1. Request and obtain Advice Planning Permit from One Stop Shop****Time:** 1 day**Cost:** No cost**Procedure 2. Obtain environment management plan and environment monitoring plan from local Environment Control Agency****Time:** 16 days**Cost:** IDR 3,500,000**Procedure 3. Obtain building construction permit from One Stop Shop****Time:** 25 days**Cost:** IDR 7,000,000**Procedure 4. Register with Land and Building Tax Office****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 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 5. Register the warehouse with the local office of the Ministry of Industry and Trade**Time:** 8 days**Cost:** No cost**Procedure 6*. Request and connect to electricity with Perusahaan Listrik Negara, PT****Time:** 21 days**Cost:** IDR 15,000,000**Comments:** The company notifies the industrial manager that the warehouse is ready for utility hook-ups.

Procedure 7*. 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 8*. 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: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)**Time:** 3 days**Cost:** IDR 25,000**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 6 of 2008 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 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 52,335,097 (5% of the property price)**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 51,835,097 (5% of (property price minus IDR 10 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 (NPOPI)) – (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPTKP))). According to Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Balikpapan the NPOPTKP is IDR 10,000,000.**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 10,467,019 (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 37,000 (IDR 25,000 registration fee + 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, Nanggroe Aceh Darussalam

Property value: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)**Time:** 3 days**Cost:** IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 50,835,097 (5% of (property price minus IDR 30 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 Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Banda Aceh the NPOPTKP is IDR 30,000,000.

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 10,467,019 (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 37,000 (IDR 25,000 registration fee + 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: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)**Time:** 1 day**Cost:** IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 49,335,097 (5% of (property price 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 (NPOPTKP))]. According to Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Bandung 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: 1 day

Cost: IDR 10,467,019 (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 37,000 (IDR 25,000 registration fee + 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

Denpasar, Bali

Property value: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 3 days

Cost: IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 50,835,097 (5% of (property price minus IDR 30 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 Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Bali the NPOPTKP is IDR 30,000,000.

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 10,467,019 (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 37,000 (IDR 25,000 registration fee + 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: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 49,335,097 (5% of (property price 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 (NPOPTKP))]. According to Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Jakarta, the NPOPTKP is IDR 60,000,000. This tax is paid at a Bank Persepsi, appointed by the State Treasury to accept tax payments, or at a post office where the land is located.

Procedure 4. Execution of sale and purchase of Land Deed by a PPAT official

Time: 3 days

Cost: IDR 10,467,019 (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 37,000 (IDR 25,000 registration fee + 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

Makassar, South Sulawesi

Property value: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 2 days

Cost: IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 51,085,097 (5% of (property price 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 (NPOPTKP))]. According to Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Makassar 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 10,467,019 (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 37,000 (IDR 25,000 registration fee + 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: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 25,000

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 6 of 2008 stipulates that the requirements to examine the land certificate include the following:

- Land Ownership Certificate;
- 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 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 52,335,097 (5% of the property price)

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 51,085,097 (5% of (property price 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 (NPOPTKP))]. According to Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 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 10,467,019 (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: 5 days

Cost: IDR 37,000 (IDR 25,000 registration fee + 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: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 51,335,097 (5% of (property price 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 (NPOPTKP))]. According to Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 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 10,467,019 (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: 8 days

Cost: IDR 37,000 (IDR 25,000 registration fee + 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. In Palangka Raya there is less load than in other cities.

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: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 51,335,097 (5% of (property price 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 (NPOPTKP))]. According to Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Palembang 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 10,467,019 (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 37,000 (IDR 25,000 registration fee + 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: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 50,835,097 (5% of (property price minus IDR 30 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 Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Pekanbaru the NPOPTKP is IDR 30,000,000.

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 10,467,019 (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: 20 days

Cost: IDR 37,000 (IDR 25,000 registration fee + 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: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 2 days

Cost: IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 51,335,097 (5% of (property price 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 (NPOPTKP))]. According to Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Semarang 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 10,467,019 (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 37,000 (IDR 25,000 registration fee + 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

Surabaya, East Java

Property value: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 3 days

Cost: IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 50,335,097 (5% of (property price minus IDR 40 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 Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Surabaya the NPOPTKP is IDR 40,000,000.

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 10,467,019 (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 37,000 (IDR 25,000 registration fee + 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: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 3 days

Cost: IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 51,335,097 (5% of (property price 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 (NPOPTKP))]. According to Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Surakarta 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 10,467,019 (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: 45 days

Cost: IDR 37,000 (IDR 25,000 registration fee + 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: USD 100,364 = IDR 1,046,701,933

Data as of: August 2009

Procedure 1. Land certificate examination at the local Land Office (BPN)

Time: 1 day

Cost: IDR 25,000

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 6 of 2008 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 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 52,335,097 (5% of the property price)

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 51,585,097 (5% of (property price minus IDR 15 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 Article 7 of Law No. 20/2000, concerning the amendment of Law No. 21/1997 concerning the Tax on Acquisition of Land and Building the NPOPTKP is determined by the local government and the maximum value is up to IDR 60,000,000. In Yogyakarta the NPOPTKP is IDR 15,000,000.

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 10,467,019 (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 37,000 (IDR 25,000 registration fee + 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

Acknowledgments

Contact details for local partners are available on the subnational *Doing Business* website at <http://subnational.doingbusiness.org>

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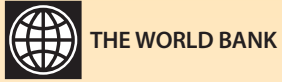
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Investment Climate Advisory Services
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