

# ***Energy, Utilities & Mining NewsFlash***

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## ***Regulatory Round-up Edition***

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2011 was a busy year for the regulators in the energy, utilities and mining sectors, with a number of new regulations issued or drafted – with the prospect of more to come soon.

In this issue we cover some of the regulatory developments we have seen our clients addressing in recent times. This is in addition to the significant developments around Government Regulation No. 79/2010 regarding Cost Recovery and Upstream Income Tax and recently issued ministerial regulations, which were covered in our NewsFlash No. 41/2012 issued earlier in January 2012. Please contact us if you do not have a copy.

## ***CoW/CCoW Renegotiation Team Launched***

**Sacha Winzenried**

The Indonesian government has formally launched its renegotiation efforts for Contracts of Work (“CoW”) and Coal Contracts of Work (“CCoW”) with the issuance of Presidential Decree No. 3/2012 on 10 January 2012, establishing a team to renegotiate the contracts to bring them into line with the provisions of Indonesia’s new Mining Law No. 4/2009, passed in January 2009. The Mining Law requires all CoWs and CCoWs to be amended to harmonise their terms with the provisions of the Mining Law by 12 January 2010 (a deadline which has clearly passed). The Government had commenced discussions with most CoW/CCoW holders, but this regulation seems to be an effort to progress negotiations in earnest. We believe it is likely that these renegotiations could focus on CoW/CCoW terms such as: the size of the concession area; taxes and royalties (where prevailing rates are higher than rates under the contracts); use of mining service contractors (to bring the terms of the contracts into line with Minister of Energy and Mineral Resources Regulation No. 28/2009 on preferential treatment of local/national contractors and limits on outsourcing mining operations); minimum pricing benchmarks; mine closure and reclamation requirements (as set out in Government Regulation No. 78/2010); onshore processing; and divestment rules. It is yet to be seen what will result from these negotiations, and ultimately what impact this may have on investment appetite in the Indonesian mining sector.

# ***Non-Tax State Revenue (“PNBP”) under the Ministry of Energy and Mineral Resources (“MoEMR”)***

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Ali Mardi/Tim Watson

On 6 January 2012, the Government issued Government Regulation No. 9/2012 (“GR-9”) regarding the types and tariffs of PNBP under the MoEMR. GR-9 replaces Government Regulation No. 45/2003 dated 31 July 2003.

The key new provisions in GR-9 are:

1. The sales price for the calculation of PNBP (which is mainly used as a reference for exploitation fee/royalty) is the price determined based on law, i.e. reference should be made to the benchmark price for mining products.
2. PNBP also includes signature bonuses (as paid by oil & gas contractors), financial liability related to cooperation contract termination, the Government’s share (4%) of the net profit of minerals and coal IUPK holders, and PNBP from operations of renewable energy, e.g. geothermal.
3. Changes in the minerals and coal deadrent rates (increase or decrease depending on the stage of operation).
4. Inclusion of a royalty tariff (percentage of sales price) on additional types/categories of minerals not covered under the previous regulation, e.g. Aluminium (3.00%), sponge iron/pig iron (2.50%), nickel matte and ferronickel (4%).
5. Inclusion of deadrent for geothermal (US\$2 and US\$4 per hectare per annum during the exploration stage and the operation production stage, respectively).
6. Inclusion of a royalty (percentage of sales price) for Geothermal IUPs of 5% and 2.5% for steam and electricity, respectively.

The royalty tariffs for coal and key minerals, i.e. iron ore, iron sands, gold, nickel ore, silver, zinc, copper and tin remain the same. However, unlike its predecessor, GR-9 is silent on whether Contracts of Work and Coal Contracts of Work should refer to this regulation or to the contract. This may be related to the Government's contract renegotiation plans discussed on the first page of this bulletin.

Please call your usual PwC contact if you would like to discuss the potential impacts of GR-9 on your business.

## ***Coal Benchmark Price – What’s the issue?***

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Ali Mardi/ Tjen She Siung

To enforce the provisions of Articles 11(4) and 19(3) of Regulation No. 17/2010 (refer to our Special Edition NewsFlash No. 37/2010) issued by the Minister of Energy and Mineral Resources (“MoEMR”) outlining the mechanism for determining the Indonesian Minerals and Coal Benchmark Price (“IMCBP”), the Directorate General of Minerals and Coal (“DGMC”) issued the following implementing regulations.

### **DGMC Regulation No. 515.K/32/DJB/2011 (“Reg-515”) dated 24 March 2011 regarding the formula for the coal benchmark price determination**

Reg-515 stipulates that every month the DGMC will determine the thermal and metallurgical/coking coal benchmark price calculated based on a formula that refers to the average coal price index in accordance with the market mechanism and/or the generally applicable international market price. This coal benchmark price must be used as a reference for the coal sales price by the IUP/IUPK and Coal Contract of Work (“CCoW”) holders.

For thermal coal, the price index will refer to a mix of indices issued by the Indonesian Coal Index/Argus Coalindo, Newcastle Export Index, Platts and the GlobalCoal Newcastle Index. For coking coal, the indices to be used are issued by Platts and Energy Publishing.

Reg-515 also stipulates the formula to calculate the thermal coal benchmark price for “Main Coal” (consisting of eight coal types with different calorific values ranging from 4,200 kcal/kg GAR to 7,000 kcal/kg GAR) and “Other Coal” (consisting of coal types other than “Main Coal”).

For metallurgical/coking coal, Reg-515 specifies that the coal benchmark price consists of hard coking, semi-soft coking and pulverized coal injection benchmark prices.

Furthermore, Reg-515 also specifies a formula to calculate the benchmark price for term (as opposed to spot) sales, which is based on the average benchmark price for the last three-months with the following proportions:

- a. 50% of the latest month’s coal benchmark price;
- b. 30% of the benchmark price one month prior; and
- c. 20% of the benchmark price two months prior.

The formulas for the thermal and metallurgical/coking coal stipulated under Reg-515 are subject to further review in the future should it be required.

### **DGMC Regulation No. 999.K/30/DJB/2011 (“Reg-999”) dated 26 August 2011 regarding the determination of cost adjustments to the coal benchmark price**

Reg-999 provides guidelines on the costs that can be adjusted from the DGMC-published coal benchmark price, which is based on FOB Vessel terms of sale.

In the case where the transaction is based on FOB Barge terms of sale, the coal price benchmark may be reduced by the barging, surveyor (for loading to vessel) and transshipment costs.

In the case where a transaction is based on FOB destination point within an island (delivery to coal end user facilities), the coal price benchmark may be reduced by the barging and/or vessel, surveyor, insurance, truck or railway costs.

In the case where a transaction is based on CIF or C&F terms of sale, the coal price benchmark should be increased by the barging and/or vessel, surveyor (for unloading), insurance, truck or railway costs.

The regulation also outlines the maximum barging, surveyor, insurance, truck/railway and transshipment costs that can be deducted from the coal benchmark price for the purpose of Non-Tax State Revenue (Government royalty) calculation.

### **Current Issues**

The current issues in implementation of the coal benchmark price that we are seeing in practice include:

- For FOB Vessel terms of sale (in particular for CCoWs), it appears that the Government royalty can still be calculated based on the coal benchmark price adjusted for the costs incurred post the latest unloading facility of the coal mining company (this effectively reflects the FOB Barge coal price). Although not clearly governed under the regulations above, this appears to be on the basis of the CCoW’s *lex specialis* provisions.
- The actual costs incurred may be higher than the maximum costs that can be claimed under Reg-999, irrespective of the fact that the service providers may be third parties (hence the costs are based on an arm’s length price).
- It is clear from the regulations for calculation of Government Royalty, especially for IUP/ IUPK holders, that the royalty should be calculated based on the terms of sale (with FOB Vessel being used as a reference). This would incentivize IUP/IUPK holders to enter into an FOB Barge terms of sale rather than a sale term beyond this point.
- Some (small scale) coal IUP companies now sell the coal Free on Truck (i.e. at the Run-Of-Mine/ROM Stockpile). The question is how the Government Royalty should be calculated?
- When a mining company is permitted to perform coal blending, how should the Government Royalty be calculated? We have seen some disputes with the Government Auditors on this matter.

We will keep monitoring these issues and include any updates in our next NewsFlash.

# Exemption on Cabotage Law in oil and gas operations – a “win-win” solution?

Yusron Fauzan/Yudhanto Ariwibowo

After receiving inputs from oil and gas industry players, on 4 April 2011 the Government issued Government Regulation No. 22/2011 (“GR 22/2011”) amending Government Regulation No. 20/2010 (“GR 20/2010”) on water transportation. GR 22/2011 has exempted certain foreign-flagged vessels serving certain oil and gas operations from the Indonesian cabotage regulations as dictated under Law no 17/2008 on Shipping. Under GR 22/2011, the Government now allows foreign shipping companies to do the following activities in Indonesian territorial waters: oil and gas surveys, drilling, offshore construction, offshore support activities, dredging work, salvage jobs and underwater activities.

The details of the procedures and the requirements to obtain the exemption and the permit are further elaborated in Minister of Transportation Regulation No. PM 48/2011 (“MR 48/2011”) as an implementing regulation of GR22/2011. A work plan, charter party with a national shipping company, a letter of intent from an oil and gas company and various certificates/licences are required for obtaining the permit. The permit can only be issued after the oil and gas company holds a tender which results in no participation from Indonesian shipping companies. The permit will be valid for a three month period and can be extended subject to further evaluation.

MR 48/2011 also sets out the deadlines for the foreign-flagged ships to be exempted and to carry out such activities in Indonesia, as follows:

Type of activities/vessels	Period Applies (Up to)
Oil and gas surveys: seismic, geophysics and geotechnic	End of December 2014
Drilling: Jack up rigs, semi submersible rigs, tender assist rigs, swap barge rigs, etc	End of December 2015
Offshore construction: derrick/cranes, pipe/cable/SURF laying barges/ vessels, Diving support vessels	End of December 2013
Offshore support: AHTS, platform supply, etc	End of December 2012
Dredging: drag-head suction hopper dredgers and trailing suction hopper dredgers	End of December 2013
Salvage: Heavy floating, heavy crane barges and survey salvage vessels	End of December 2013

This is a welcome relief for oil and gas companies as although the foreign-flagged vessels only have a small proportion (less than 10%) of the market compared to Indonesian vessels, the foreign-flagged vessels play a significant role in oil and gas exploration and production activities as they may have more advanced technologies for specific types of work and are able to cater for shorter contract periods.

On the other hand, the above deadlines will provide more time for both local and foreign shipping companies to consider the sustainability of their existing business models. Joint operations between local and foreign shipping companies by investing in and changing their fleets to carry the Indonesian flag may be an option to accommodate this. There is hope that this may be a “win-win” solution for oil and gas producers, and the Indonesian shipping industry.

# Public Private Partnerships in the power sector: Will this be the panacea?

Yanto Kamarudin/ Agung Wiryawan

## PPP framework

Since the introduction of the Public Private Partnership (the “PPP”) scheme through the issuance of Presidential Decree 13/2010 (“Perpres 13/2010”), the Central Java Power Plant (the “CJPP”) is, at the moment, the only Independent Power Producer (the “IPP”) that has been successfully tendered under this scheme. Some of the key differences between the previous tender process with the CJPP tender process are highlighted below:

Key Differences	Previous tender (in general)	CJPP tender
Negotiation of the Power Purchase Agreement (“PPA”)	Negotiations on the PPA were conducted after the announcement of the winning bidder. During the process of financial closing, negotiations/clarifications were still conducted.	Negotiation is conducted before the bid date with all tender participants and consequently, the PPA can be signed soon after the announcement of the winning bidder.
Provision of Government Guarantee	Discussions and negotiations were conducted after the signing of PPA and only with the winning bidder to determine whether any Government Guarantee was available.	Discussions and negotiations will be conducted with all tender participants before the bid date.
Transparency of the negotiation process	Negotiations were conducted only with the winning bidder.	Negotiations with all tender participants.
Process of financial closing	Given the above, may take a longer period to achieve financial closing.	It is expected that financial closing can be reached soon after the signing of the PPA.

The key take-away from the revised PPP tender process is the improved transparency in the tender process which resulted in attracting a higher number of participants. If we compare the number of project bidders, the CJPP bid had (with nine consortiums bidding) a much higher number of participants compared to the Cirebon project (being the latest IPP under the previous regime) with two consortiums bidding. Certainty in the provision of the government guarantee prior to submission of the bid is also one of the key considerations which improved the attractiveness of the project under the PPP scheme.

## Some issues

Will this PPP framework be the answer for most of the issues in the provision of electricity? It may take some time before an answer becomes evident. However, there are some issues which still need to be addressed, which may adversely impact this scheme:

- Limited resources within Government to prepare PPP projects including lack of focus and limited human and financial resources for preparation of PPP projects, limited budgets of the various ministries involved in PPP development as well as limited Government budget for national infrastructure development. This indicates inadequate capacity of the technical sector institutions in preparing PPP projects.
- Weak management of PPP development in particular coordination between stakeholders (cross sector) including central and regional government institutions.
- Political, legal and regulatory factors which have a significant impact in the development of infrastructure. In particular where inconsistency among regulatory frameworks or regulations exist.
- Lack of commitment and capability of local capital market or financial institutions to support long term financial intermediation for infrastructure projects.
- Land acquisition issues. Although, land acquisition is not the main bottleneck in the power sector, land acquisition remains a major risk for the project. This is mainly in the case of projects being offered to the investors when land has not yet been acquired which may create risk and uncertainty as to land cost and availability.

## Conclusion

Will this PPP framework be a panacea for the Indonesian power sector? It has provided greatly improved transparency and certainty in the tender process; which has consequently attracted more investors to participate in the process. It is hoped that this increases the attractiveness of investment in this sector to address the urgent electricity needs of the country.

The process, however, may need some time to be proven as the solution for current bottlenecks. The capacity building to enhance the capability of key stakeholders is critical before the PPP framework can effectively work in Indonesia. Enhancing the coordination among key government stakeholders is also paramount to improve the overall process.

# ***Tax holidays for pioneer investors in base metals, refineries and renewable energy***

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**Anthony Anderson/ Astrid Wohon/Sophia Rengganis**

The Minister of Finance (MoF) released Regulation No.130/PMK.011/2011 (PMK-130) dated 15 August 2011 regarding the much anticipated Corporate Income Tax (CIT) Holiday.

Under Government Regulation (GR) No.94/2010 (GR-94), it is stated that the government will provide tax facilities in the form of CIT exemptions (tax holidays) or reductions to companies in pioneer industries with reference to Article 18(5) of Investment Law No.25/2007 (Law-25). PMK-130 is the implementing regulation of this tax facility provision.

Pioneer industries are defined as “the industries that have extensive links, give additional value and high externality, introduce new technologies, and have strategic value for the country’s economy.” It appears that the incentive is targeting those industries which will kick start the economic multiplier effect by way of generating opportunities for domestic business as suppliers and vendors etc and thus will stimulate auxiliary/supporting investments. We note also the emphasis on new technologies, but query if this is a pre-condition for all such pioneer investment. The reference to investments being of “strategic value” is again, harder to assess.

## **Who is eligible?**

The taxpayers that may enjoy the tax facilities shall be new corporate taxpayers (see also the 12 month rule below) that meet the following criteria:

- a) participating in pioneer industries which include the following sectors:
  - 1) base metals;
  - 2) oil refineries and/or base organic chemicals sourced from oil and gas;
  - 3) machinery;
  - 4) renewable energy; and
  - 5) telecommunication equipment;
- b) have a legalised new capital investment plan of a minimum of Rp 1 trillion (approximately USD120 million);
- c) deposit a minimum of 10% of their planned investment value in a bank/banks located in Indonesia, with the provision that the deposit shall not be withdrawn prior to the realisation of the investment plan; and have a status of an Indonesian legal entity that was legalised at the earliest 12 months prior to the enactment of PMK-130 (on 15 August 2011) ~ that is after 15 August 2010.

The MoF may determine pioneer industries to be other than those stated above based on the considerations of maintaining the competitiveness of national industries and the strategic value of certain business activities.

We note that further clarification may be required of those five “industries” deemed to comprise pioneer industries.

## **What are the tax facilities?**

Eligible taxpayers may be granted the following tax facilities:

- a) CIT exemption for the period of five to ten years from the start of commercial production.
- b) 50% reduction of the CIT due for the period of two years after the end of the CIT exemption period.

Notwithstanding the above, the MoF may grant the tax facilities for a period longer than the determined timeline based on similar considerations to those for determining pioneer industries.

The taxpayers granted the tax facilities must fully realise their investment plans and have entered into commercial production to enjoy the tax facilities. The start of commercial production will be determined further by a Directorate General of Taxes (DGT) Regulation.

## How to get and maintain the tax facilities?

- a) An eligible taxpayer should submit an application to the Minister of Industry (MoI) or Head of the Investment Coordinating Board (Badan Koordinasi Penanaman Modal/BKPM).
- b) The MoI and Head of BKPM will make a proposal to the MoF after carrying out research on the applicant.
- c) The MoF is the authorised government official to issue a decision on the tax facility application. In this regard, the MoF will form a verification committee to provide research assistance and recommendations to the MoF, and the MoF will consult with the President of Indonesia prior to the finalisation of the decision.
- d) The MoF will issue a Decree regarding the granting of tax facilities if the application is approved or provide a written notification to the taxpayer if the application is rejected.
- e) Once the application is granted, the DGT and verification committee will closely monitor the taxpayer's business activities by requiring the taxpayer to submit periodic reports on the realisation of its investment plan and the use of the funds deposited in a bank/banks located in Indonesia. Detailed procedures for periodic reporting will be stipulated further in a DGT Regulation.
- f) Failure to maintain the required criteria, realise the investment plan and to submit the above periodic reports will result in a termination of the tax facilities.

It is worth mentioning that the tax holiday proposal to the MoF as mentioned in point b) above requires information on whether the investor country has a rule regarding tax sparing. This seems to imply that if there is no tax sparing rule in the investor country (or the relevant tax treaty with Indonesia does not provide a tax sparing facility), the tax holiday may not be granted. Foreign investors interested in utilising this tax incentive should take this matter into account when structuring their investment into Indonesia.

## When should taxpayers apply?

The MoI or Head of BKPM may only submit the tax facility proposals during the period of three years after the enactment of PMK-130 on 15 August 2011. Interested investors should consider this timeline.

## Comments

The release of these tax facilities based on Law-25 completes the income tax facilities and incentives provided by the Government of Indonesia. To date, the government has provided a package of concessions available for companies that invest in certain qualifying business sectors and/or regions based on Article 31A of Income Tax Law No.36/2008 (Law-36), which has been further regulated by GR No.1/2007 and amended lastly by GR No.52/2011.

Taxpayers who have enjoyed a tax facility under Article 31A of Law-36 cannot enjoy the facility under PMK-130, and vice versa. This treatment is in line with Article 29 of GR-94, which states that the facilities under this GR will be given to business sectors not receiving tax facilities under Article 31A of Law-36.

## Issues to be resolved

Already investors have identified some issues as follows:

- Does “participation” in the base metals industry mean the processing of ore to base metals or the high technology use of base metals? (We assume the former).
- What is the “machinery” industry? Is this production of machines and of a particular type?
- Why would any investor who has to finance a \$120 million project volunteer to put \$12 million cash in an Indonesian bank? What if the relevant factory or infrastructure takes 3-4 years to construct? This effectively increases the cost of finance and makes the required return for doing business here higher.
- Who will bear the exchange risk on the 10% deposit? Will the Government guarantee the return of funds and absence of any exchange controls being implemented?
- If a new investment with modern processing technology threatens the competitiveness of a domestic industry using older equipment, will it be accepted or rejected?
- Whether the tax sparing requirement is a pre-condition criteria?

We are hoping to clarify some of the issues with the MoF and will report on our findings in the next newsletter.

# Upcoming new implementing regulations in the mining sector

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Ali Mardi/ Tjen She Siung

The Directorate General of Minerals and Coal (“DGM”) is currently working on several draft regulations implementing the new Mining Law No. 4/2009 (“Mining Law”) and its existing implementing regulations. These include:

- Amendment of Government Regulation No. 23/2010 regarding Mineral and Coal Mining Business (one of the implementing regulations of the Mining Law).
- In-country processing requirements (one draft regulation for each of minerals and coal).
- Procedures for granting of an Operation Production IUPK.
- Manpower and procurement of capital goods.
- Community development and empowerment.

The most discussed draft regulations are probably those related to the in-country processing, in particular coal. This is because the current draft of the regulation available allows coal exports only if the calorific value is above 5,700 Kcal/ Kg (adb). This would preclude export of a large proportion of Indonesian coal production. We understand that this regulation is aimed at ensuring adequate supply for the domestic market (particularly power generation) and encourages the development of coal upgrading facilities.

The draft regulations are currently available on the DGM website (in Bahasa Indonesia): [www.djmbp.esdm.go.id](http://www.djmbp.esdm.go.id).

We will monitor the progress of the drafting of these new regulations and include analysis in our next NewsFlash once the regulations are issued or new information is available. Please call your usual PwC contact if you would like to discuss the potential impacts of these draft regulations on your business.

## Expanded eligibility for tax facilities in the EUM sector

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Anthony Anderson/Shaun McCaffrey/Sophia Rengganis

The Government has recently issued regulation No 52 of 2011 (“GR 52”) which amends the existing GR 1 of 2007 (“GR 1”) (as first amended by GR 62 of 2008) to significantly expand on the number of projects which are eligible for a broad range of Income Tax facilities.

In particular, GR 52 provides that incentives will be available in the key sectors of electric power generation (for new and renewable energy), LNG regasification using a Floating Storage and Regasification Unit (“FSRU”), certain metal refining activities and water distribution, amongst others (see the detailed tables below).

### Eligibility requirements

GR 52 applies to new investment projects subject to the specific sub-industry and Regional eligibility requirements, which include such things as minimum investments and employment thresholds.

GR 52 also specifically provides that existing projects which have already received investment approval are eligible to apply for the facilities where the existing project has a minimum capital investment plan of Rp 1 Trillion (approx USD 120 million) and had not entered into commercial production as at the effective date of GR 52 (22 December 2011).

## What are the tax facilities?

The Income Tax Facilities available are:

- a) a reduction in net taxable income of up to 30% of the amount invested (applied over 6 years);
- b) accelerated depreciation;
- c) extended tax loss carry forward period of up to 10 years; and
- d) reduced dividend withholding tax rate of 10% on dividends paid to non-residents.

Please refer to our Tax Flash No.1/2012 for further details.

The facilities are particularly welcome in the renewable energy sector, as GR 52 specifically includes renewable energy projects within the scope of the Income Tax Facilities. The inclusion of renewable energy projects now provides greater certainty on the application of the Income Tax facilities provided to renewable energy projects stipulated under Ministry of Finance Regulation No.21/PMK.011/2010 ("PMK 21") (see our EUM Newsflash No. 36/2010 for further discussion).

## EUM industry sectors stipulated in GR 52

The following tables are an extract of the EUM sectors which are now eligible for the Income Tax facilities pursuant to GR 52 (and GR 1). Part A of the table shows those industries which were previously included in GR1 but have had additional requirements stipulated under GR 52. Part B of the table shows the newly added industry sectors which have been included under GR 52 **without** any Regional limitation, while Part C of the table shows the newly added industry sectors **with** Regional limitations.

**Table 1 -Industries previously included in GR1 with new additional requirements stipulated under GR 52**

Business Field	Scope of Products	Requirements
Lubricant Manufacturing Industry	All scope of products included within the relevant Lubricants business code (KBLI)	<ul style="list-style-type: none"> <li>– Investment ≥Rp600 billion</li> <li>– Employees ≥ 100 people</li> </ul>
Oil, Natural Gas and Coal Originated Organic Base Chemical Industry	<ul style="list-style-type: none"> <li>– Olefin upstream group: ethylene, propylene, butadiene, butane, raffinate</li> <li>– Aromatic upstream group: paraxylene, benzene, toluene, orthoxylene</li> <li>– C1 upstream group: methanol, ammonia</li> <li>– Others: black carbon</li> </ul>	<ul style="list-style-type: none"> <li>– Investment ≥Rp 900 billion</li> <li>– Employees ≥ 100 people</li> </ul>
Basic Iron and Steel Manufacturing Industry	<ul style="list-style-type: none"> <li>– Manufacture of iron and steel in the base form particularly iron ore processing (pig iron, sponge iron)</li> <li>– Stainless steel slab and stainless steel billet</li> </ul>	Performance of technology transfer
Fabricated Wire Products Industry	Brass plated steel wire	<ul style="list-style-type: none"> <li>– Investment ≥Rp 100 billion</li> <li>– Employees ≥ 100 people for new investments, or ≥ 50 people for expansion projects</li> <li>– Performing technology transfer</li> </ul>

**Table 2 – new industries included under GR 52 without Regional limitation**

Business Field	Scope of Products	Requirements
Machinery for Mining, Quarrying and Construction Industry	Large equipment industry (Track Type Tractor/TTT and the like)	<ul style="list-style-type: none"> <li>Investment <math>\geq</math> Rp 100 millions</li> <li>Employees <math>\geq</math> 100 people for new investments, or <math>\geq</math> 50 people for expansion projects</li> <li>Use of 40% local components</li> </ul>
Electric Power Generation	Conversion of new energy (hydrogen, CBM, liquefied coal or gasified coal) and renewable energy (hydropower and energy of falling water; solar energy, wind energy or ocean current energy) into electricity.	None
Natural and Artificial Gas Supply	<ul style="list-style-type: none"> <li>Regasification of LNG into gas using a Floating Storage Regasification Unit (FSRU)</li> <li>Coalbed Methane (Non PSC), shale gas, tight gas sand and methane hydrate</li> </ul>	None
Water Collection, Purification and Distribution	Activities of collecting clean water from springs and groundwater, surface water purification, and water distribution directly from water terminals and tank trucks (provided that the tank trucks are under the management of the water company)	<ul style="list-style-type: none"> <li>Investment <math>\geq</math> Rp50 billion</li> <li>Employees <math>\geq</math> 300 people</li> <li>Drinking water must meet specific requirements (based on Indonesian National Standard or “SNI”)</li> </ul>

**Table 3 – new industries included under GR 52 with Regional limitation**

Business Field and scope of products	Region/ Province	Requirements
Utilization of coal for liquefaction	South Kalimantan, East Kalimantan, Central Kalimantan, Jambi, Bengkulu, South Sumatera, West Sumatera, Riau, Nanggroe Aceh Darussalam	None
Quarrying and extracting Iron Sand, Metal Ores, Uranium and Thorium Ores, Tin Ores, Black Tin Ores, Bauxite, Copper Ores, Nickel Ores, Manganese Ores, including processing.	All provinces except for Java island	Construction of and expansion to new smelters
Quarrying and extracting of Zinc ores and Zircon ores (including processing).	All provinces except for Java island	Construction of and expansion to new smelters

Business Field and scope of products	Region/ Province	Requirements
Various types of cement (hydraulic cement and charcoal or iron cement), such as portland cement, natural cement, cement containing aluminum, slag cement and super phosphate cement and other types of cement for Cement Industry	All provinces except for Java island	<ul style="list-style-type: none"> <li>– Investment <math>\geq</math> Rp300 billion</li> <li>– Employees <math>\geq</math> 150 people</li> <li>– Absorbing labors</li> <li>– Supporting infrastructure development</li> <li>– Supporting regional and industrial development</li> </ul>
<p>Basic Iron and Steel Making Industry which produces:</p> <p>a) Pig iron and steel in the base form (ingot, billet, round billet, bloom and/or slab)</p> <p>b) Integrated Continuous Process Steel:</p> <ul style="list-style-type: none"> <li>▪ Steel making up to plate/sheet</li> <li>▪ Steel making up to steel bar/wire rod/green pipe</li> </ul>	All provinces in Kalimantan and Banten	<ul style="list-style-type: none"> <li>– Investment <math>\geq</math> Rp400 billion</li> <li>– Employees <math>\geq</math> 100 people</li> <li>– Investment <math>\geq</math> Rp1 trillion</li> <li>– Employees <math>\geq</math> 100 people</li> </ul>
<p>Industry of Basic Precious Metals Manufacture including:</p> <p>Gold, and/or silver (precious metal in the base form – ingot, billet, slab, rod, pellet block, sheet, pig, alloy and/or powder)</p>	All provinces except for Java island	<ul style="list-style-type: none"> <li>– Investment <math>\geq</math> Rp400 billion</li> <li>– Employees <math>\geq</math> 100 people</li> </ul>
<p>Industry of Non-Ferrous Metals Manufacture including:</p> <p>Brass ingot, aluminium ingot, zinc ingot, lead ingot, brass billet, aluminium billet, brass slab, aluminium slab, brass rod, aluminium rod, brass pellet, aluminium pellet, bronze alloy and/or nickel alloy</p>	All provinces in Kalimantan island, Papua, Maluku and Sulawesi.	<ul style="list-style-type: none"> <li>– Investment <math>\geq</math> Rp400 billion</li> <li>– Employees <math>\geq</math> 100 people</li> </ul>
<p>Non-Ferrous Metal Rolling Industry including:</p> <p>Copper plate, copper aluminium, copper sheet, aluminium sheet, silver strip, zinc strip, aluminium strip, copper sheet, magnesium sheet, tin foil and/or platinum strip including the manufacture of metal wire</p>	All provinces in Kalimantan island, Papua and Sulawesi.	<ul style="list-style-type: none"> <li>– Investment <math>\geq</math> Rp400 billion</li> <li>– Employees <math>\geq</math> 100 people</li> </ul>

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