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Indonesia establishes a special regime for its International Financial Centre

Indonesia establishes a special regime for its International Financial Centre

Law No. 6 of 2026 establishes a special legal and regulatory framework for the Indonesian International Financial Centre (PFII), with financial and administrative autonomy and certain distinct legal features. While the Law sets out the overall framework, key operational matters concerning PFII institutions, licensing and supervision, permitted products and transactions, dispute resolution, and tax and other incentives remain to be detailed in implementing regulations required by 19 February 2027.

I. At a glance

- Law No. 6 of 2026 was promulgated on 19 August 2026. One or more PFII locations may be established by Government Regulation, but not within a Special Economic Zone.
- As a separate financial ecosystem, PFII will have a council, operating authority, and independent financial-services regulator, supported by dedicated arbitration and a special two-tier court. English language, foreign currency, and international or common-law principles may be used within the PFII framework.
- The PFII framework operates as a special regime within the Indonesian legal system. Depending on the subject matter, PFII-specific rules may supplement, modify or displace generally applicable Indonesian rules, while certain Indonesian laws continue to apply.
- What it means for your business. PFII opens new options for regional treasury, cross-border finance, funds, family offices, and innovative products, but needs a separate licence and ring-fencing from domestic business.

II. How PFII differs from the existing framework

Area	General Indonesian Framework	PFII framework	Client impact
Regulatory perimeter	Financial services are principally regulated and supervised by the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK), Bank Indonesia (BI), and other sectoral authorities generally applicable for financial sectors.	Financial-sector and supporting financial-sector activities conducted in or from PFII are regulated and supervised by the Financial Services Supervisory Authority (Lembaga Pengawas Jasa Keuangan/LPJK). Access by PFII participants to the wider Indonesian market remains subject to applicable restrictions and approvals.	Groups need a clear PFII versus domestic perimeter, separate permissions and controlled cross-border distribution.
Legal system and language	Indonesian civil and commercial law, Indonesian-language requirements, and general court procedures ordinarily apply. Law 24/2009 requires Indonesian in agreements involving Indonesian parties, and courts have voided English-only contracts.	PFII regulations may disapply or replace specified civil/business rules and incorporate international principles, jurisprudence, and common-law concepts. English is used for decisions, policies, contracts, and proceedings.	Common-law principles may be overridden by mandatory Indonesian law and public order when enforced outside PFII (e.g., English-law consideration vs Article 1320 of the Civil Code). Re-paper contracts for governing law, language, forum, interpretation hierarchy, and mandatory Indonesian-law overlays.

II. How PFII differs from the existing framework (continued)

Area	General Indonesian Framework	PFII framework	Client impact
Dispute resolution	Commercial disputes use general/special courts and arbitration under Law 30/1999; foreign awards generally require recognition through Central Jakarta District Court.	PFII has arbitration plus an exclusive special court with first instance and appeal. No cassation or judicial review after appeal, except the limited statutory route for refusal of award enforcement on national-interest grounds.	Forum selection may materially change finality, remedies, evidence, enforcement, and litigation timelines.
Permitted structures and products	Entities and products follow the Company Law, capital-market, banking, insurance, fintech, and other sector rules.	PFII may permit companies, special purpose vehicles (SPVs), trusts, and other legal forms. Activities include banking, insurance, Sharia finance, capital markets, derivatives, carbon, bullion, trusts, family offices, funds, over the counter (OTC) markets, and digital assets.	Assess whether the PFII wrapper improves bankruptcy remoteness, investor familiarity, fund structuring, or treasury efficiency.
Domestic-facing restrictions	Domestic financial business is conducted under general Indonesian licences, rupiah, foreign exchange (FX), and product-distribution rules.	PFII financial firms generally cannot take funds from or sell products to persons outside PFII in Indonesia without relevant approval; rupiah accounts and domestic lending are restricted. Penalties for dealing with domestic clients and any reverse-solicitation allowance are not yet specified. Cross-border transfer rules under the PDP Law (Law 27/2022) still apply.	Ring-fence customer onboarding, marketing, booking, payments, and lending. Avoid assuming a PFII licence passport into Indonesia.

II. How PFII differs from the existing framework (continued)

Area	General Indonesian Framework	PFII framework	Client impact
Currency and capital flows	Law 7/2011, foreign-exchange rules, and BI requirements apply, with rupiah generally mandatory for domestic transactions.	Business is principally in foreign currency. Repatriation is guaranteed and external capital controls generally do not apply, subject to PFII rules and anti-money laundering (AML)/countering the financing of terrorism (CFT), beneficial-ownership, and tax-information obligations.	Design treasury and cash-pooling with a documented PFII nexus, source-of-funds verification, and domestic-interface controls.
Tax incentives	General Income Tax, Value-Added Tax (VAT), luxury-sales tax, customs, and special economic zone (KEK) incentive rules apply.	Potential 100% corporate income-tax reduction, 0% final tax, foreign-source income exemption, withholding relief, VAT not collected, luxury-sales-tax exemption, and import-duty relief. PFII cannot be located in a KEK.	Model incentives net of qualification, substance, clawback, transfer pricing, treaty, and Pillar Two/Qualified Domestic Minimum Top-up Tax (QDMTT) exposure. Please refer to Tax Flash No. 16 for details.
People and family offices	General immigration, employment, residence, and worldwide-income rules apply, subject to existing exemptions and golden-visa rules.	Special immigration, manpower, residency, and golden-visa facilities are contemplated. Qualifying individuals may receive 0% final tax; qualifying foreign family-office participants may be outside domestic tax residence and inheritance tax.	Do not relocate personnel or assets before testing active-income restrictions, registration, residence, reporting, and home-country tax.

II. How PFII differs from the existing framework (continued)

Area	General Indonesian Framework	PFII framework	Client impact
Implementation timing	Existing regulators and laws continue to apply.	Implementing rules are due within six months of promulgation and will cover location, institutions, licences, tax, customs, products, court procedure, fees, and special facilities.	Commercial readiness depends on a broad rulebook. Sequence commitments around regulatory milestones, not headline incentives.

III. Key legal references

- Law No. 6 of 2026 on the Indonesian International Financial Centre (*Pusat Finansial Internasional Indonesia*/PFII), promulgated on 19 August 2026.
- Law No. 4 of 2023 on Financial Sector Development and Strengthening (P2SK Law), together with the sectoral laws and regulations governing banking, capital markets, insurance, financing, fintech, and other financial services.
- Law No. 40 of 2007 on Limited Liability Companies, as amended, and other Indonesian civil and commercial laws to the extent they remain applicable within PFII.
- Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution, including the existing framework for recognition and enforcement of arbitral awards outside the PFII regime.
- Law No. 7 of 2011 on Currency and applicable Bank Indonesia regulations on foreign exchange, payment systems, capital flows, and the use of rupiah.
- Applicable Indonesian tax, customs and excise laws and regulations, including the Income Tax and Value-Added Tax regimes, international tax commitments and the 15% global minimum tax framework.
- Applicable anti-money laundering, counter-terrorist financing, beneficial-ownership, sanctions, data-protection, immigration, and manpower requirements, together with the implementing regulations required under Law No. 6 of 2026.

IV. Conclusion

Law No. 6 of 2026 lays the foundation for a dedicated international financial centre regime in Indonesia, potentially opening new opportunities for cross-border financing, investment funds, family offices, treasury activities, and innovative financial products. The significance of the new regime will ultimately depend on how it is implemented in practice, particularly the regulatory boundaries between the PFII and Indonesia's domestic financial market, and how the proposed incentives will interact with applicable licensing, anti-money laundering, data protection, employment, and international tax requirements.

Businesses considering PFII should use the six-month implementation period to identify suitable activities and structures, map domestic-facing restrictions, review contractual governing-law and dispute-resolution choices, model tax benefits after Pillar Two and QDMTT effects, and prepare licensing, governance, systems, and operational-separation plans. Binding commitments should remain conditional on the relevant Government Regulation and implementing regulations confirming location, eligibility, regulatory permissions, tax treatment, court procedures, and transitional arrangements.

Note that PFII rules may displace Indonesian civil and business law and adopt common-law principles, through three distinct mechanisms:

- **Party choice of law** – based on agreement, within applicable limits.
- **PFII Regulations** – valid only within the PFII Council's delegated authority.
- **PFII Court gap-filling** – broad discretion may reduce predictability.

Practical stakes: English law requires *consideration* for an enforceable promise; Article 1320 of the Civil Code does not. Until the rules clarify which doctrines apply, contracts should state governing law and interpretation hierarchy expressly.

Important note

This alert is based on Law No. 6 of 2026. Material aspects remain subject to implementing regulations due within six months of promulgation. This publication provides general information only and is not legal or tax advice.



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