



INFORMATION

The Omnibus Law Job Creation Act under Law Number 11 Year 2020

President Joko Widodo signed the Omnibus Law on Monday, November 2, 2020. The Job Creation Law or Ciptaker was officially promulgated on “*Law of the Republic of Indonesia Number 11 of 2020 concerning Job Creation*”. The Job Creation Law consists of 15 chapters and 186 articles which regulates various things from employment to the environment.

The omnibus law is a comprehensive bill that would regulate many provisions in various industry sectors that combined into one law. This law aims to strengthen the economy by increasing competitiveness, creating jobs opportunities, and to simplify Indonesian business which designed to simplify complex state regulations. Overall, there are 11 clusters that are discussed in the Omnibus Law of the Job Creation Bill, there are: Simplification of land permits, Investment requirements, Employment, Convenience and protection of MSMEs, Ease of doing business, Research and innovation support, Government administration, Imposition of sanctions, Control of land, Ease of government projects, and Special Economic Zones (KEK).

The implementation of the measures will make Indonesia becoming the attractive destination for foreign businesses and investors. There are four changes that will affect the foreign investors: *simplifying business licensing, easing foreign investment restrictions, easing labor laws, and streamlining corporate tax regulations.*

- 1. Simplifying business licensing**

The omnibus law strengthens existing regulations by simplifying the business license process across almost all business sectors, including maritime and fisheries, energy and mineral resources, electricity, infrastructure, and transportation. The role of the national Investment Coordinating Board (BKPM) will be strengthened and will be set to play a pivotal role in streamlining the issuing of all business licenses. Under the proposed law, a foreign investor will be able to obtain a business license through an online single submission (OSS) system; therefore it eliminates the need to go through multiple ministries or other government institutions.
- 2. Easing foreign investment restrictions**

According to Omnibus Law on Article 12 of Law No. 25 of 2007, the foreign investment for investors in Indonesia consists of two fields; open and closed. Closed business fields to investment includes: *narcotics cultivation and industry class, all forms of gambling and / or casino activities, catching fish species listed in Appendix I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the utilization or taking of coral and utilization or taking of corals from nature which are used for building materials / lime / calcium, aquariums, and souvenirs / jewelry, as well as live or dead coral (recent death coral) from nature, chemical weapons manufacturing industry; and industrial chemical industry and industrial ozone depleting substances.*
- 3. Easing labor laws**

Indonesia has relatively strict labor laws, for example the laws provide for generous mandatory severance compensation, by far the most generous in the APAC region. This law has deterred many foreign investors. The omnibus law aims to make labor laws more flexible and market-friendly, and bring them more in line with other countries in the region.
- 4. Streamlining corporate tax regulations**

Mostly, the proposed omnibus law covers corporate taxation. Essentially, the bill provides for a unification of Indonesia’s scattered tax regulatory framework. It aims to minimize overlapping regulations and provide many corporate tax incentives, including adjustments to the following rates.
- 5. Corporate income tax rate:**

The bill will gradually decrease the corporate income tax rate from 25 to 20 percent for the period 2021 to 2023. Besides, the qualified public companies that trade at least 40 percent of their shares on the Indonesian stock exchange can apply for an additional 3 percent rate reduction. This decrease will make Indonesia more competitive with neighboring countries.
- 6. Dividend tax rate**

The bill will provide for income-tax-free dividend payments, as long as the full amount is reinvested in Indonesia.
- 7. Interest tax rate**

Indonesia’s current interest tax rate of 20 percent is high relative to other APAC countries. The proposed omnibus law will reduce of the rate of income tax coming from interest payments. According to Kemenkeu, Income Tax Article 26 rates on domestic interest income received by foreign tax subjects (SPLN) can be lowered lower than 20% as regulated in the next government regulation (PP). As for the current regulation, a 20% tariff is imposed.

Please find attached the Omnibus Law on Job Creation Act on Law Number 11 Year 2020 [here](#).

Reference:  
Omnibus Law on Job Creation Act on Law No.11/2020  
Minister of Finance 2020  
Detik News.com  
Greenhouse.co

Source:  
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Italian Business Association in Indonesia (IBAI)  
c/o Istituto Italiano di Cultura Jakarta  
Jl. HOS Cokroaminoto No. 117 Menteng Jakarta 10310 INDONESIA  
P: +6281 1979 4262 E: [ibai@ibai.or.id](mailto:ibai@ibai.or.id)