

**AREA OF PRACTICE**

ABNR is principally engaged in the provision of legal services to foreign companies, banks and international institutions operating or setting up operations in Indonesia as well as to Indonesian enterprises contracting with foreign companies and institutions or with other Indonesian companies. ABNR specializes in the handling of commercial, corporate and financial legal matters. Such matters include financial and corporate restructurings, project finance, banking and financial transaction, mergers and acquisitions, joint venture arrangements, licensing arrangements, petroleum and energy sector operations, capital market transactions, mining operations, construction, shipping, aviation, labor matters and intellectual property matters. ABNR has a comprehensive database of all applicable Indonesian laws, regulation and administrative procedure.

ABNR does not generally handle litigation but will, if so requested, undertake cases in which it has particular competence. Otherwise, ABNR firm will advise clients as to the choice of Indonesian litigators and coordinate and supervise the conduct of court proceedings.

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This Newsletter is meant to keep our clients and friends informed of the recent regulations in Indonesia, which we feel may be interesting to them. You will, therefore, not find all recent legislations in this Newsletter and the selected items are also not dealt with in length. You will find that the articles contain only the general information about such recent regulations. If further information or a deeper analysis of the topics published in the Newsletter is needed, please contact us at the address or telephone and e-mail address indicated.

REGULATION ON PROVISION, USAGE AND TRADING OF BIOFUELS

As an effort to accelerate the use of biofuels as alternative energy, the Minister of Energy and Mineral Resources on 26 September 2008 issued Regulation No. 32/2008 regarding Provision, Usage and Trading of Biofuels as Alternative Fuels (the "Regulation"). The Regulation replaces the old regulation on the same subject matter.

The government's first step to gradually increase the use of biofuels comes in the form of requiring fuel business license holders to use biofuels and of urging other users (including for household, industrial and transportation purposes) to gradually shift to biofuels. The Regulation's attachment sets out the scheduled phases for the minimum biofuels usage requirement until year 2025. Under the Regulation, the term 'alternative fuels' includes bio-diesel, bio-ethanol, and pure biofuel. It is expected that by 2025 the country's fuel usage includes 20% biodiesel, 15% bioethanol, and 10% pure biofuel.

The Regulation, being the principal regulation for the biofuels also regulates the biofuels' categorization, standard and quality, trading activities, price determination and the obligations of the business license holders.

The Regulation became effective on the day of its issue. (hmb)

NEW INCOME TAX INCENTIVES FOR INVESTMENTS

The government has issued Government Regulation No. 62 of 2008 ("GR 62") that revises GR No. 1 of 2007 concerning Income Tax Facilities for Investments in Specified Business Fields and/or Dedicated Regions. With GR 62, the government's income tax incentives are now extended to 23 business fields in general (formerly 15) and 15 business fields in dedicated regions (formerly 9).

The income tax incentives include:

- a. A reduction of the respective net income by 30% of the investment total for 6 years, each of which by 5% each year;
- b. Accelerated depreciation or amortization, as follows:

Category: Fixed Tangible Asset	Useful Life	Rate of depreciation and amortization by the	
		Straight Line method	Declining Balance method
I. Nonbuilding			
Category I	2 years	50%	100% (charged directly to income)
Category II	4 years	25%	50%
Category III	8 years	12,5%	25%
Category IV	10 years	10%	20%
II. Building:			
Permanent	10 years	10%	-
Nonpermanent	5 years	20%	-

- c. Imposition of 10% income tax on dividends paid to nonresident taxpayers, or otherwise a lower rate subject to the prevailing Agreement for the Avoidance of Double Taxation;
- d. Extended loss carry forward of more than 5 years but less than 10 years, with an additional period of 1 year for investors that are:
 - (i) newly investing in the fields of business listed, and the activities are conducted in industrial and bonded zones;
 - (ii) employing at least 500 all-level Indonesian workers for 5 consecutive years;
 - (iii) investing/expending at least Rp 10,000,000,000 in economic and social infrastructure in business locations;
 - (iv) within 5 fiscal years, expending at least 5% of the investments in domestic research and development for product development or production efficiency purposes; and/or
 - (v) using domestic products in at least 70% of their raw materials and/or components since their fourth investment year.

The twenty-three (23) businesses eligible for the facilities are those that are:

1. involved in animal husbandry development (*Pengembangan peternakan*);
2. involved in the exploitation of industrial plantation forests (*Usaha Pemanfaatan Hutan Tanaman IUPHHK-HTI (HTI)*);
3. involved in the mining of and use of lower quality coal (*Penambangan dan Pemanfaatan Batubara Mutu Rendah (Low Rank Coal)*);
4. engaged in geothermal energy (*Pengusahaan Tenaga Panas Bumi*);
5. in the milk and dairy food industry classification (*Kelompok Industri Susu dan Makanan dari Susu*);
6. in the 'other foods industry' classification (*Kelompok Industri Makanan Lainnya*);

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7. in the textile and clothing industry classification (*Kelompok Industri Tekstil dan Industri Pakaian Jadi*);
8. in the pulp, paper and paperboard industry classification (*Kelompok Industri Bubur Kertas (Pulp), Kertas dan Kertas Karton/Paper Board*);
9. engaged in natural oil refinery (*Pengilangan Minyak Bumi*);
10. engaged in the construction of mini natural gas factories (natural gas refinery industry) (*Pembangunan kilang mini gas bumi (Industri Pemurnian dan Pengolahan Gas Bumi)*);
11. in the industrial chemical industry classification (*Kelompok Industri Bahan Kimia Industri*);
12. in the 'other chemicals' industry classification (*Kelompok Industri Barang-Barang Kimia Lainnya*);
13. engaged in the man-made fiber industry (*Kelompok Industri Serat Buatan*);
14. in the rubber and rubbery products industry classification (*Kelompok Industri Karet dan Barang dari Karet*);
15. in the porcelain products industry classification (*Kelompok Industri Barang-Barang dari Porselin*);
16. in the iron and steel based metal industry classification (*Kelompok Industri Logam Dasar Besi dan Baja*);
17. in the non ferrous based metal industry classification (*Kelompok Industri Logam Dasar Bukan Besi*);
18. in the machines and fittings industry classification (*Kelompok Industri Mesin dan Perlengkapannya*);
19. in the electric motors, generators and transformers industry classification (*Kelompok Industri Motor Listrik, Generator, dan Transformator*);
20. in the electronic and telematics industry classification (*Kelompok Industri Elektronika dan Telematika*);
21. in the land transportation industry classification (*Kelompok Industri Alat Angkut Darat*);
22. in the ships and boats construction and repair industry classification (*Kelompok Industri Pembuatan dan Perbaikan Kapal dan Perahu*); and
23. engaged in the manufacturing of non ferrous based metal (*Industri Pembuatan Logam Dasar Bukan Besi*).

The fifteen (15) businesses in dedicated regions eligible for the facilities are those that are:

1. involved in the growing of food crops (*Pengembangan tanaman pangan*);
2. engaged in the development of horticulture (*Pengembangan Budidaya Hortikultura*);
3. in the food manufacturing industry classification (*Kelompok Industri Pengolahan Makanan*);
4. in the agro-based natural resources processing industry classification (*Kelompok Industri Pengolahan SDA berbasis Agro*);
5. in the leather, leather products, and footwear industry classification (*Kelompok Industri Kulit, Barang dari Kulit, dan Alas Kaki*);
6. in the paper and paperboard packing and packaging industry classification (*Kelompok Industri Kemasan dan Kotak dari Kertas dan Karton*);
7. in the plastic products industry classification (*Kelompok Industri Barang dari Plastik*);

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8. in the cement, lime and gypsum industry classification (*Kelompok Industri Semen, Kapur, dan Gips*) [Note: Cement industries involved in reconstruction in Aceh in the wake of Tsunami are also eligible to the facilities];
9. in the electric accumulators and batteries industry classification (*Kelompok Industri Akumulator Listrik dan Batu Baterai*);
10. in the ships and boats construction and repair industry classification (*Kelompok Industri Pembuatan dan Perbaikan Kapal dan Perahu*);
11. in the furniture industry classification (*Kelompok Industri Furnitur*);
12. engaged in sea fishing and saltwater fish processing (integrated business) (*Penangkapan Ikan di Laut dan Pengolahannya (Usaha Terpadu)*);
13. engaged in marine crustacean fishing and the product processing (integrated business) (*Penangkapan Crustacea Laut dan Pengolahannya (Usaha Terpadu)*);
14. engaged in marine mollusk fishing and the product processing (integrated business) (*Penangkapan Mollusca Laut dan Pengolahannya (Usaha Terpadu)*); and
15. engaged in transshipment ports.

GR 62 came into effect on 23 September 2008. (wb)

NEW REQUIREMENT FOR FOREX PURCHASE

Consistent with its mission to stabilize the country's currency, Bank Indonesia takes a measure against the recently prevalent Rupiah speculative transactions by issuing Regulation No. 10/28/PBI/2008 regarding Purchase of Foreign Currencies in Banks Against the Rupiah (the "Regulation").

In essence, the Regulation requires that the purchase of foreign currencies in excess of US\$ 100,000 in a month in a bank may be done only if there is an economic justification for the purchase. Hence an individual, a legal entity or a foreign party wishing to purchase foreign currencies worth more than US\$ 100,000 a month must show to the bank proof of the underlying transaction that requires him/her/it to purchase the foreign currency amount. The requirement applies to both Indonesian as well as foreign parties. The Regulation imposes to the banks the responsibility to ensure that the provisions of the Regulation are complied with.

The Regulation was issued on 12 November, and has been in force since 13 November 2008. (hmb)

ABOUT US

New Partner Appointment

The partners of Ali Budiardjo, Nugroho, Reksodiputro are pleased to announce the appointment of new partners, *Ms. Chandrawati Dewi* and *Mr. Luky I. Walalangi*, with effect from 1 January 2009.

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