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**Business Community Cautiously Welcomes New Regional Tax Law**

The business community has welcomed the law on regional taxes and levies, passed on Tuesday, in which the closed-list provisions will help specify and limit regional taxes and improve the business climate. The long-awaited law seeks to address the need for a better investment climate, after complaints about the burden of illegal levies. Following the new law, regions can only impose taxes and levies specified in the closed-list. They are not permitted to impose other types of taxes and levies, which may harm the regional investment climate.

The law covers 16 regional taxes — five for provinces and 11 for cities or municipalities. It also includes provisions on 30 regional levies. The law introduces new regional taxes including on cigarettes, swallows' nests, land and buildings in villages and cities, alongside acquisition fees for land and buildings. The taxes of up to 75 percent on certain entertainment shows and a progressive tax on private vehicles "might hurt people's purchasing power and [the] automotive industry.

Finance Minister Sri Mulyani Indrawati said there are "preventive and corrective" mechanisms to avoid illegal levies issued by regions in a bid to ensure a more positive regional investment climate. "There are sanctions and mechanisms — preventive and corrective. If they [try to] issue [illegal levies], they can be prevented by recommendations from the Finance Ministry, to be implemented by the Home Ministry," she said.

Regions are given greater authority to determine levies and given extra discretion to determine the rate of such levies, but taking into account the benefits to their areas. However, Mulyani said regions should take into consideration local economic conditions and the state of their industries when determining tax rates, to avoid negative impacts to the national economy.

It is expected the new taxes and levies will already be effective by 2011. Regional revenues will account for 24 percent of regional budgets, up from 19 percent this year. Most taxes and levies stated in the law should start to be implemented by 2011, as the regions will need time to issue supporting regulations before implementing new taxes, although the new law will start to be effective by next year. Acquisition fees for land and buildings will be fully implemented by January 2011, while taxes on land and buildings and on cigarettes will not start until 2014.

Source: *The Jakarta Post*, headlines p.1, 19 Aug. 09

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**SBY and Boediono Officially Announced as Election Winners**

The nation's election commission officially announced on Tuesday that Susilo Bambang Yudhoyono and Boediono had been elected president and vice president of Indonesia. Abdul Hafiz Anshary, chairman of the General Elections Commission (KPU), said that current president Yudhoyono had passed all the requirements to take a second five-year

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term in office following the result of the presidential election conducted on July 8, 2009. Suropto Bambang Setiadi, Secretary General of KPU, read the decision letter. "We declare Susilo Bambang Yudhoyono and Boediono as the elected president and vice president from the 2009 presidential election," Bambang said. Hafiz said that the pair had met the minimum requirement of obtaining at least 50 percent of overall votes and 20 percent of votes in at least half of Indonesia's provinces. However, the KPU has not yet announced the seat allocation for the House of Representatives following the legislative elections in April.

Source: *The Jakarta Globe* 18 Aug 2009 p.B3

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### PLN to Put a Cap on Geothermal Prices

State utility PT Perusahaan Listrik Negara will soon set a ceiling on the prices it will pay for electricity bought from privately owned geothermal power plants, an official from the Ministry of Energy and Mineral Resources said on Monday.

Jacobus Purwono, the ministry's director general for electricity and energy utilization, said that per his meeting with PLN, the ceiling price will be announced within two weeks. The move is expected to provide a boost to the geothermal energy sector, which is seen as advantageous for being renewable and potentially cost-competitive, but suffers from high up-front costs, long development periods and lack of standardized pricing. The ceiling price, according to Purwono, will vary depending on the capacity of each geothermal power plant and will also differ according to the project as well. "PLN can set the ceiling price as it wishes, our approval isn't necessary," he said.

The Wayang Windu plant in Pengalengan, West Java, is currently the biggest geothermal power plant in the country, with two turbines that generate 110 MW and 170 MW. Its total generating capacity is expected to hit 400 MW by the end of 2012

Source: *The Jakarta Globe*, 18 Aug 2009, p. B2

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### BI Sees 2009 Inflation below 4%

Bank Indonesia expects 2009 year-end annual inflation to fall to below 4 %, Senior Deputy Governor Darmin Nasution said on Friday, a downward revision on a previous forecast of below 5%, Reuters reported.

"At the end of the year, inflation may be below 4%," Nasution told reporters.

Nasution declined to comment on any implications of the forecast on the central bank's overnight policy rate, which currently stands at 6.5%.

Source: *The Coordinating Ministry for Economic Affairs, Trade and Investment News*, 18 Aug. 09

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### PLN expects to save Rp10T in fuel costs

State power company PT PLN expects to save Rp10 trillion in fuel costs when its first-phase "crash program" power plants comes on line with its full 10,000 MW boost to capacity, Antara reported.

Most of the power plants will start operating next year, PLN president director Fahmi Mochtar said on Tuesday.

"In 2009, three of the 35 thermal power plants will start operations," he said.

The cut in fuel costs would result from the difference in prices between coal and fuel oil, he said. He said the operation of the power plants would also help PLN reduce the number of power cuts in several parts of the country.

Source: *The Coordinating Ministry for Economic Affairs, Trade and Investment News*, 18 Aug. 09

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### Q2 Growth Welcomed, but Downturn Still Looms: BPS

Jakarta's economy grew by 1.4 percent during the second quarter of this year, with communications and transportation sectors leading the way, recent data from the Jakarta Central Statistics Agency (BPS) revealed Monday.

"The growth was still below that of the entire nation," BPS chief Agus Suherman said, adding that the national economy grew 2.3 percent during the same period.

However, the city's income was significantly higher than that of Indonesia. The city's year-on-year income grew 5.01 percent, compared to the rest of Indonesia's 4 percent. Cumulatively, courier services and communications posted the highest gains, at 15.42 percent, while construction and services grew by 6.40 percent and 5.74 percent, respectively.

However, the manufacturing and financial sectors have been declining since the beginning of the year, and will continue to fall. The growth of the services sector might mean more expansion in the IT sector since it does not need a very big workforce to get ahead.

These small businesses, however, absorb far less workers than large manufacturers, and most of their recruitment is organized through family or friends.

Businesses thriving in the hospitality sector, such as hotels and restaurants, might offer a better view of the services sector. Government spending increased by 2.34 percent during the second quarter, compared to the -1.83 percent growth in the previous quarter, the BPS said.

"But the government needs to be quicker in spending its budget, to produce more projects and consequently more jobs for the community," Agus said, before citing the administration's habit of delaying spending until the third or fourth quarter of the year.

Jakarta is targeting 4 percent growth by the end of the year, but the current downturn may prevent it from achieving this goal, Agus said. (dis)

Source: *The Jakarta Post*, 12 Aug.09

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## INA NEWS

### EU Indonesia Business Dialogue Brussels 28 - 29 September

On 28 and 29 September, the EU will host the EU Indonesia Business Dialogue in Brussels. Top level delegations from Indonesia and the European Union will meet to discuss the removal of obstacles to increased trade and investment. It is the first European-Indonesian top-level business dialogue in more than ten years. The dialogue will focus on energy, forestry, fisheries, and agriculture. Special attention will be paid to aspects of sustainability, corporate social responsibility and corporate governance.

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## UPCOMING EVENTS

### 8 October

INA – Embassy of the Kingdom of the Netherlands Informal Cocktail Gathering

### 16 October

INA Open Golf Tournament 2009

### 3 December

INA – Embassy of the Kingdom of the Netherlands Informal Cocktail Gathering

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### Exclusive Offer from KLM to INA Members

KLM has introduced some Exclusive Fares to Benelux for the Indonesian Netherlands Association Members from USD1,217. To make a booking, contact KLM's Dedicated Corporate Desk at (021) 252 1739 or e-mail:

[Corporate.Indonesia@klm.com](mailto:Corporate.Indonesia@klm.com). For more information, please click <http://www.ina.or.id/> of INA website.

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## INA New Member

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	Indonesian Importers		Indonesian Exporters
1	want to import chocolate and confectionery <b>SINAR SUPERMARKET</b> Jl. Jemur Andayani 71, Surabaya Tel : +62- 31- 8438710 Fax : +62- 31- 8436761 Email: <a href="mailto:etjandrakusuma@hotmail.com">etjandrakusuma@hotmail.com</a> Attn. <b>Mr. Edward Tjandrakusuma</b>	1	Want to export wayang golek ( Golek Doll) <b>CV LIMA DUA ENAM</b> Jl. Raya Pajajaran 54, Bogor 16143 Tel : +62- 251- 393254, 92811309 Fax : +62- 251- 393254 Email: <a href="mailto:wayang_golek06@yahoo.com">wayang_golek06@yahoo.com</a> Attn. <b>Mr. Firman</b>
2	want to import industrial chemicals for soap and cosmetic industry <b>PT VISICHEM INTI</b> Jl. Tama Tekno Kav Multiguna Blok K2/10, BSD Tangerang 15322 Tel : +62- 21- 75880192 Fax : +62- 21- 75880195 Attn. <b>Ms. Senta Carolina</b>		
3	want to import wire rope, webbing slings <b>PT ARKAMAS RAYA</b> Jl. Kalimas Baru 71, Surabaya 60185 Tel : +62- 31- 3291231 Fax : +62- 31- 3291232 Attn. <b>Mr. Ponimin</b>		

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4	want to import circular saw, band saw, grinder . <b>PT MULTI PERKAKAS TEKNIK</b> Jl. P.Jayakarta 117 Blok B 30 Jakarta 10730 Tel : +62- 21- 6251620 Fax : +62- 21- 6280307 <b>Attn. Mr. Sobirin</b>	
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## INA PUBLICATIONS

### ***Werken met Indonesië* booklet (in Dutch) is available for sale**

Doing business in Indonesia is not easy. The culture differences between Indonesia and the Netherlands are sometimes bigger than what they look like on the surface. This booklet gives an overview and some practical tips of working with Indonesia and doing business in Indonesia. This book is not only appealing for people who want to learn Indonesia better but also for those who have known Indonesia for many years, this booklet will give the moment of "aha, I recognize this". The overview of this booklet is available on INA website ([www.ina.or.id](http://www.ina.or.id)). The cost of this booklet is Euro 20,- (Rp.280.000) for INA members and Euro 25,- (Rp.350.000) for non INA members. Should you want to give this booklet as a present for your colleagues, please contact us at [ina@ina.or.id](mailto:ina@ina.or.id).

### **Other INA publications:**

- Exporting to Europe
- Corporate Governance An Introduction
- Corporate Governance Self Assessment Checklist
- Peraturan Daerah Ramah Investasi
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