

ACI Webinar

**“SPECIAL ECONOMIC ZONES IN INDONESIA
– PROGRESS AND CHALLENGES DURING
PANDEMIC ”**

Experience of Kendal SEZ-

***By Mr Stanley Ang
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June 23, 2021***



Words of Wisdom

“ Call it what you will, incentive are what get people to work harder.”

- Nikita Khrushchev



Chairman of Soviet Union Council of Ministers (1958-1964)

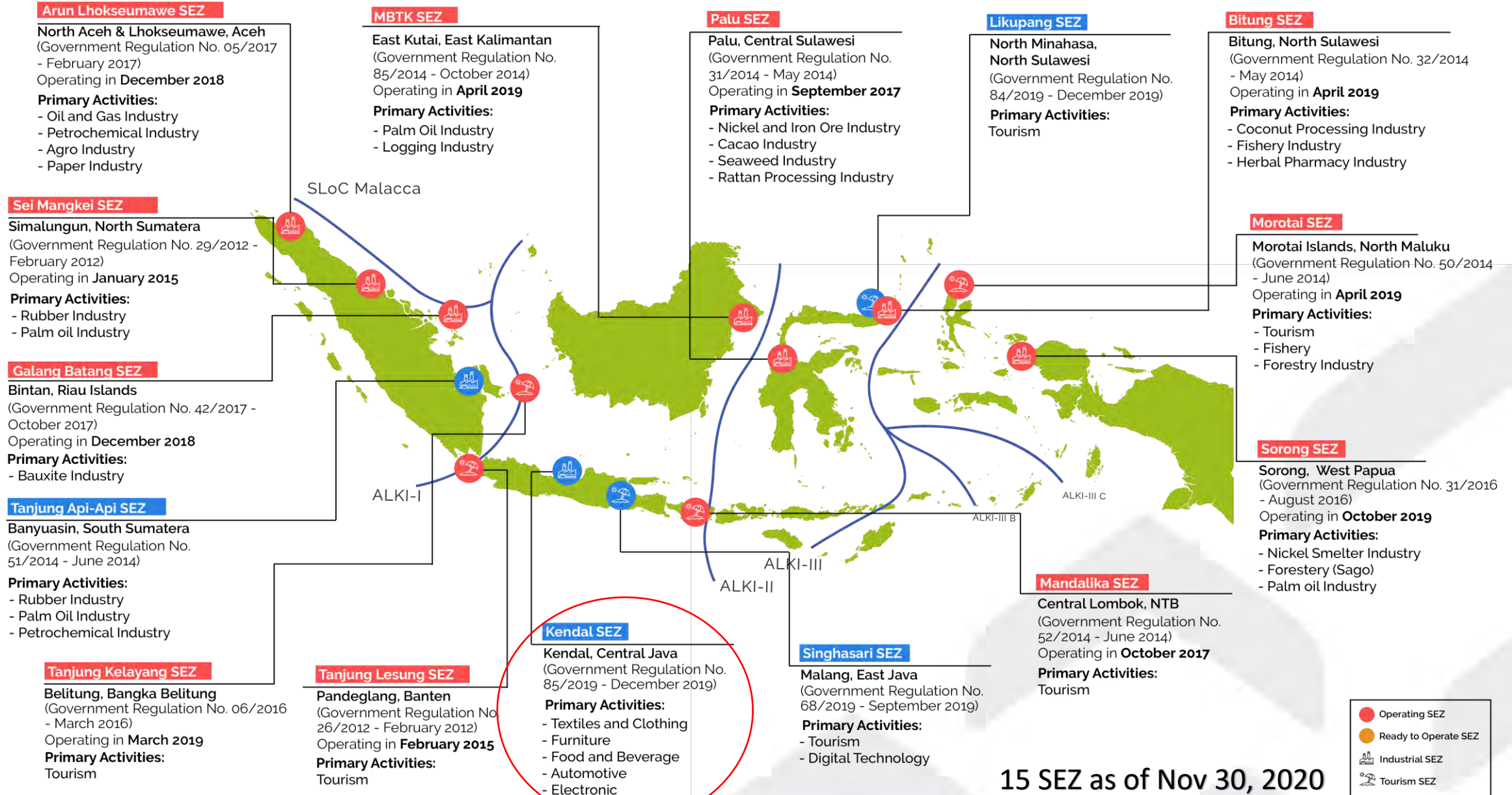
We are going to discuss today :



1. Benefits and Incentives of SEZ - a summary
2. Journey of Kendal SEZ
3. Challenges of Kendal SEZ
4. Progress of Kendal SEZ
5. Video of KEK Kendal

1. Benefits and Incentives of SEZ- a summary







15 SEZ as of Nov 30, 2020

- Operating SEZ
- Ready to Operate SEZ
- Industrial SEZ
- Tourism SEZ


CORPORATE INCOME TAX (CIT)

| | Categories | Applied in all SEZ | Remarks |
|---|--|------------------------------|---------|
|  <p>Tax Holidays</p> <p>Corporate Income Tax (CIT)</p> | <ul style="list-style-type: none"> • 10 years zero CIT for minimum investment of USD6.9 million (IDR100 billion) • 15 years zero CIT for minimum investment of USD34.5 million (IDR500 billion) • 20 years zero CIT for minimum investment of USD67 million (IDR1 trillion) | <p>For Business Entities</p> | |






VALUE ADDED TAX

| | Categories | Applied in all SEZ | Remarks |
|---|--------------------------------|---|---|
|  | <p>From outside SEZ</p> | <ul style="list-style-type: none"> • Delivery from domestic territory: • VAT not collected for: • delivery of taxable goods • delivery of taxable services: constructions, contract manufacturing, and repairs (during development stage) | <p>For Export only</p> <p>For domestic sales VAT is still applicable</p> |



IMPORT DUTIES

| Categories | Applied in all SEZ | Remarks |
|--|---|------------------------------|
|  <p>Imported Goods</p> | <p>Capital goods:</p> <ul style="list-style-type: none"> • <u>Exemption</u> of import duty • VAT import <u>not collected</u> | <p>For Business Entities</p> |
| | <p>Raw materials:</p> <ul style="list-style-type: none"> • <u>Deferred</u> import duty • VAT import <u>not collected</u> • Luxury tax <u>not collected</u> • Import income tax <u>not collected</u> | <p>For Business Entities</p> |

NON-FISCAL INCENTIVES

| | Categories | Applied in all SEZ | Remarks |
|---|------------------------------|--|------------------------------------|
|  | Export obligation | None | Applied for all industries |
|  | Foreign ownership | Full foreign ownership is allowed (negative list are not applied in SEZ) | Applied for all industries |
|  | Domestic market sales | Zero percent duty for products with at least 40% local content | Applied for all industries |
|  | Limitation of goods | Limitation of goods not applied to enter SEZ | Applied for all industries |
|  | One Stop Service | Provided by the SEZ Administrator | All services and business licences |

NON-FISCAL INCENTIVES

| Categories | Applied in all SEZ | Remarks |
|---|--|---------|
|  <p>Immigration</p> | <p>Special treatment for foreign workers</p> <ul style="list-style-type: none"> • VOA users could be extended up to 5 times • Temporary resident status for foreign workers and their families • Permanent resident status for Property holder and senior foreigner | |
|  | | |

2. Journey of Kendal



JAVA ISLAND – CENTRAL JAVA



1 hour
From Jakarta
to Semarang



5 hours
From Jakarta
To Kendal



1 hour
From
Surabaya
To Semarang



3 hours
From
Surabaya
To Kendal



Tanjung Priok

7 Mio TEU /annum

470 km to Jakarta



Tanjung Mas

800 Thousand
TEUs/annum

300 km to Surabaya

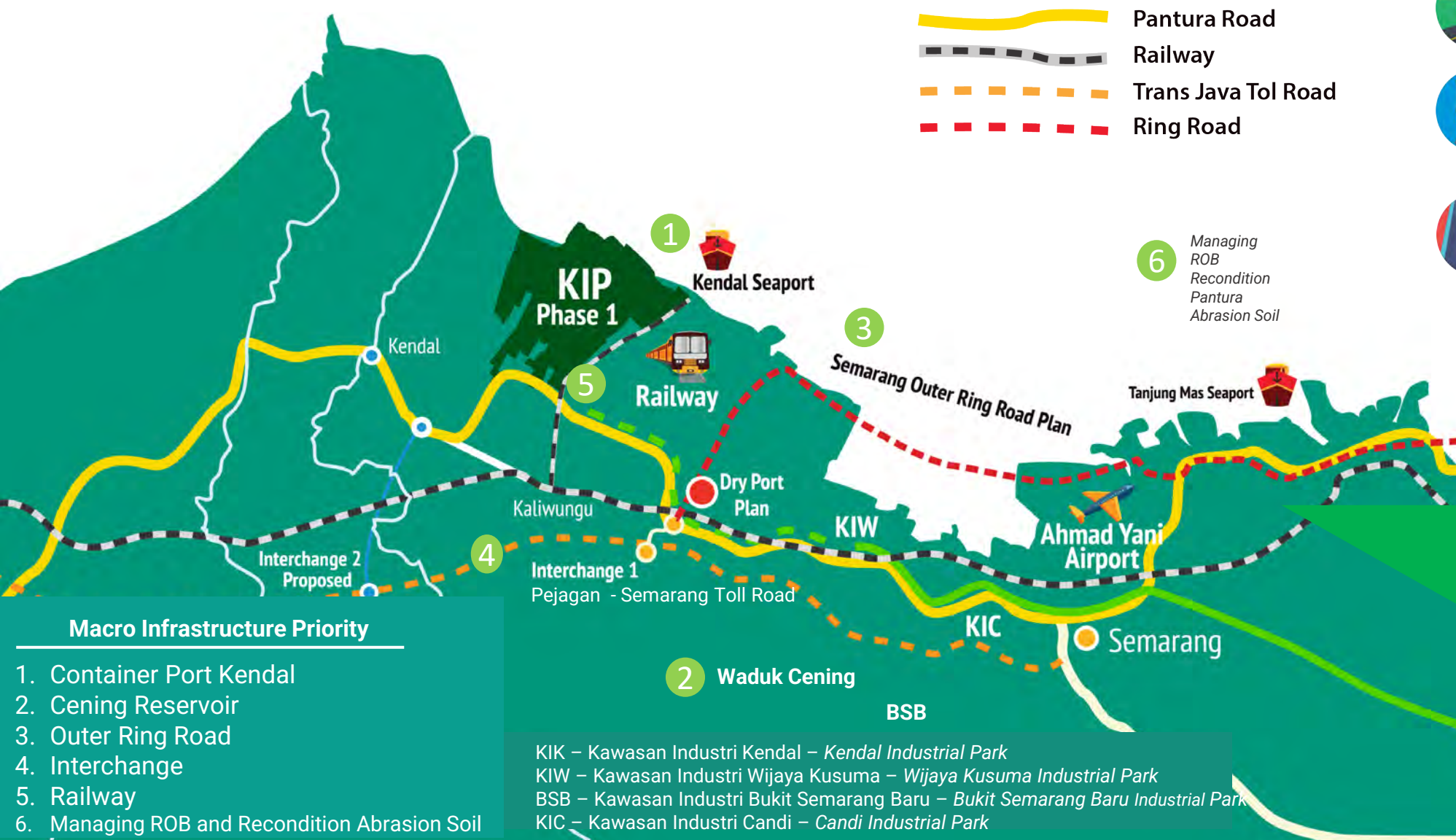






Tanjung Perak

3.2 Mio TEU /annum



1. MACRO INFRASTRUCTURE PLANNING TO SUPPORTING GROWTH OF INDUSTRIAL PARK IN CENTRAL JAVA (KENDAL CORRIDOR - SEMARANG AND SURROUNDING AREA)



-  **Kendal International Seaport**
(to be done in 2022)
-  **Toll road**
(Completed in 2018)
-  **Railway**
(to be done in 2021)
-  **Ring Road to Tg MAS**
(to be done in 2021)

High Connectivity = High amount of visitors

Macro Infrastructure Priority

1. Container Port Kendal
2. Cening Reservoir
3. Outer Ring Road
4. Interchange
5. Railway
6. Managing ROB and Recondition Abrasion Soil

KIK – Kawasan Industri Kendal – Kendal Industrial Park
 KIW – Kawasan Industri Wijaya Kusuma – Wijaya Kusuma Industrial Park
 BSB – Kawasan Industri Bukit Semarang Baru – Bukit Semarang Baru Industrial Park
 KIC – Kawasan Industri Candi – Candi Industrial Park

Journey of Kendal SEZ During the Pandemic



- KIK designated as Kendal KEK – Dec 18, 2019
- Presidential Decree on New set of incentives (Feb 24, 2020)
- Covid Wave in Indonesia- March 2020 onwards
- Implementing Regulations –Dec 30, 2020

3. Challenges of Kendal KIK



Our Challenges throughout 2020

- We face two destabilizing forces

(a) the delayed in passing the implementing regulations.

(b) The Covid

A. From the delayed in passing the implementing regulations

(a) For committed business entities- operational issues such as VAT, import duties, etc become pressing and urgent

(b) For prospective customers- this created uncertainties that some prefer to wait.

Our Challenges throughout 2020 (Con't)

- Thankfully we received immense help for the National Board of SEZ and various relevant government officials:
 - (a) The National Board of SEZ organized zoom meetings with committed business entities and various government officials to discuss how to handle on going operational issues.
 - (b) consultation sessions were also conducted for prospective customers.

B. From Covid:

- (a) Mobility controls seriously impacted on the numbers of investors who could visit Kendal SEZ to for site inspection and to proceed with their investment plans
- (b) Existing business entities also faced problems with getting their expatriates to Indonesia.
- (c) Some of our business entities also faced market disruptions to their businesses
- (d) Logistics costs had gone up
- (e) Operational costs had gone up with needs to provide for costs of testing, disinfection etc

4. Progress of Kendal KIK



Progress of Kendal SEZ

We shall use the following parameters to show the impact of SEZ policies on the development of Kendal SEZ.

- Growth of Business Entities
- Composition of Investment
- Growth of Investment value
- Value of Export
- Employment data

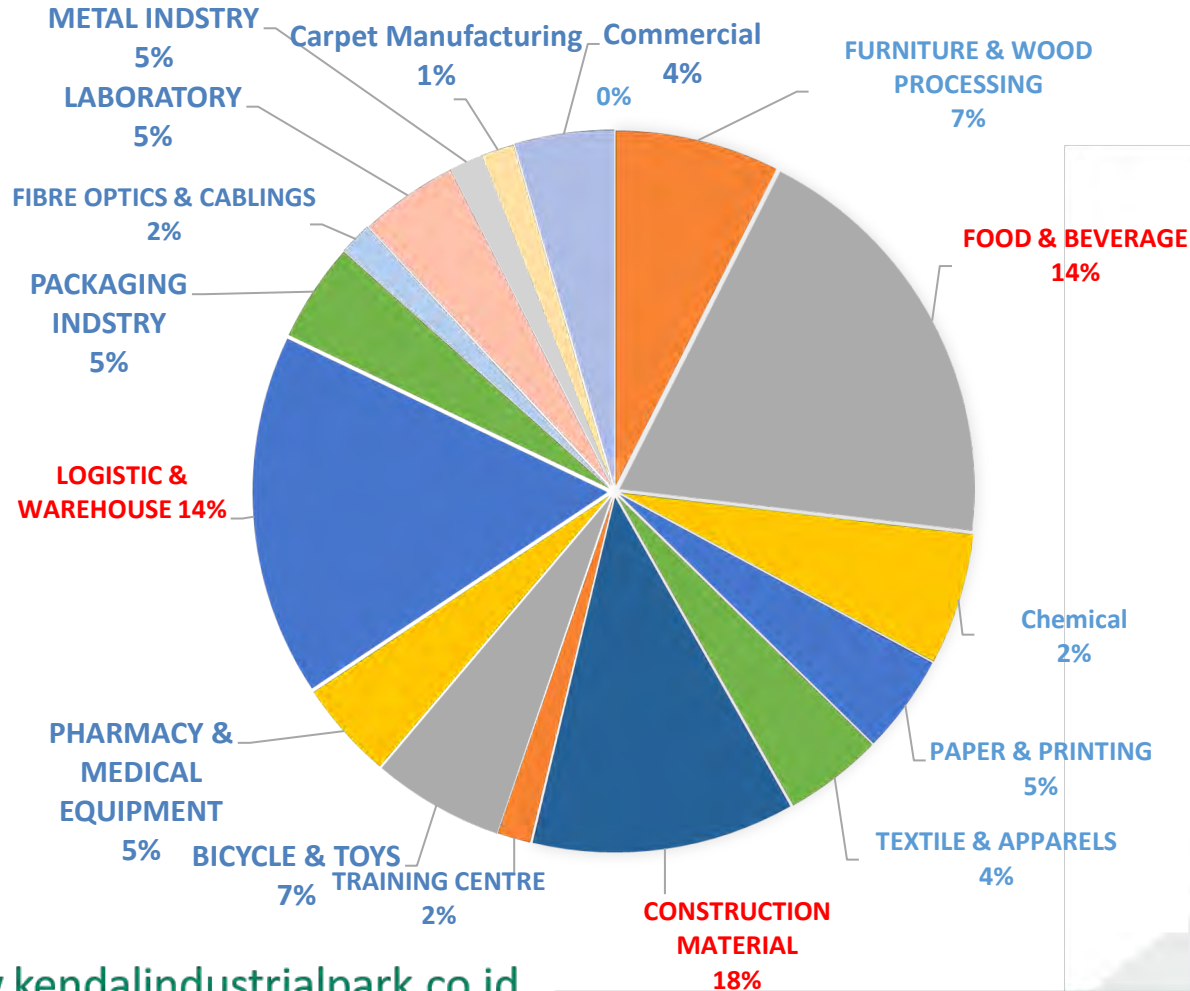


CUSTOMER UPDATE KENDAL INDUSTRIAL PARK

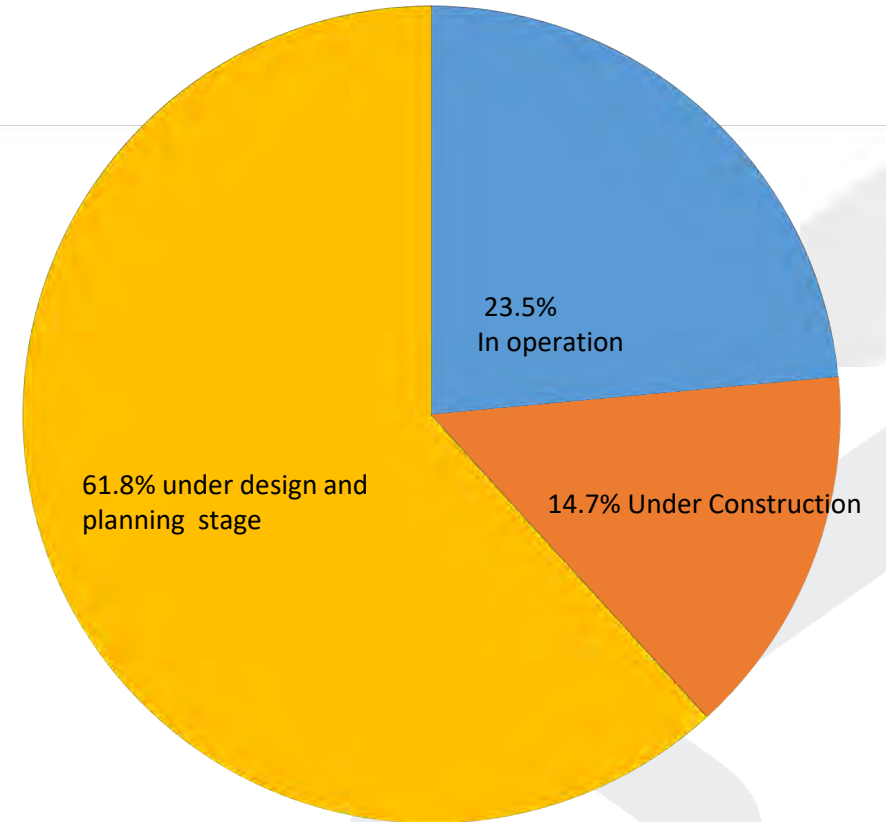
Total To Date: (68 Confirmed Tenants)

16 operation, 10 in construction

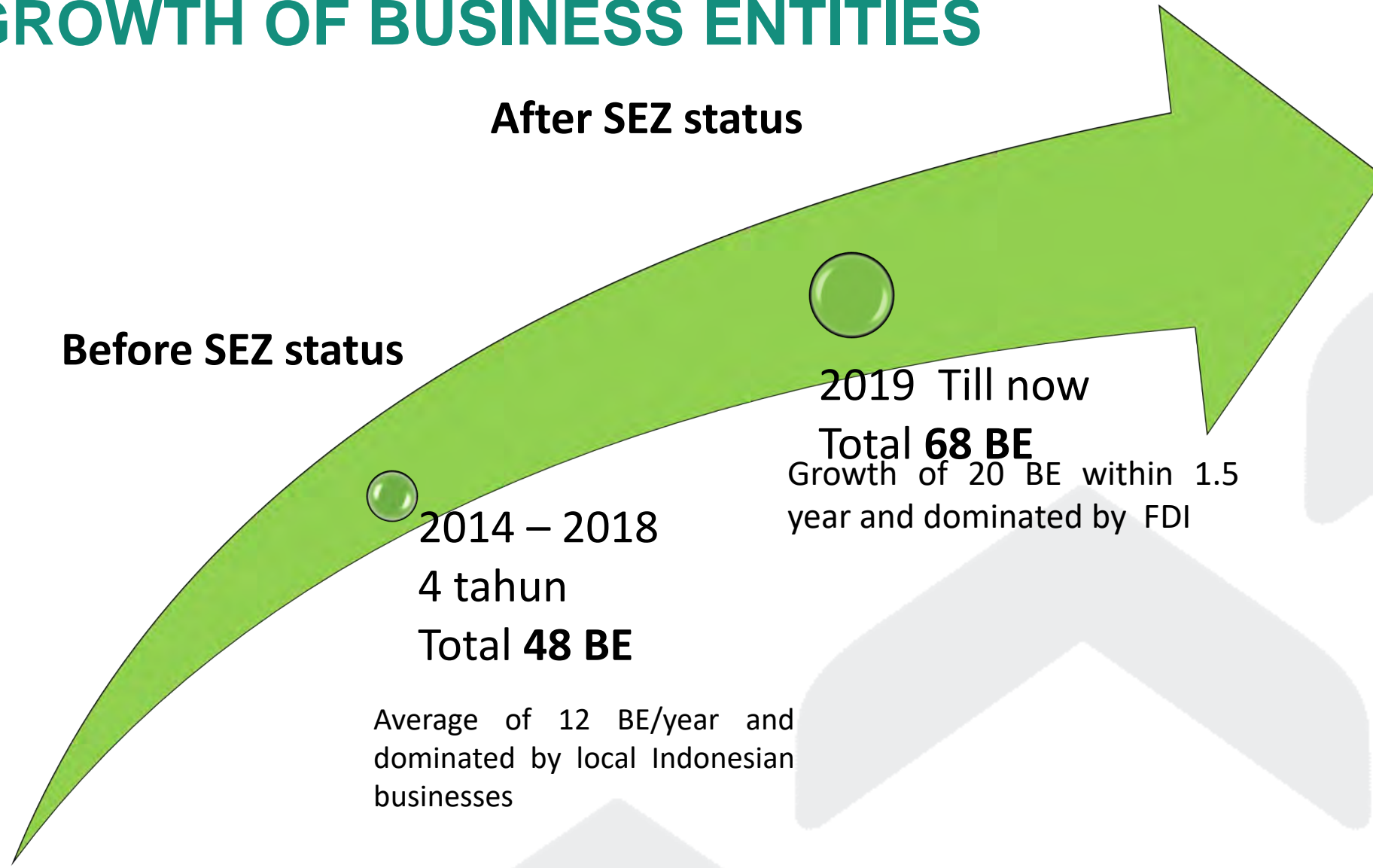
BASED ON BUSINESS TYPE



BASED ON THE UPDATE PROGRESS



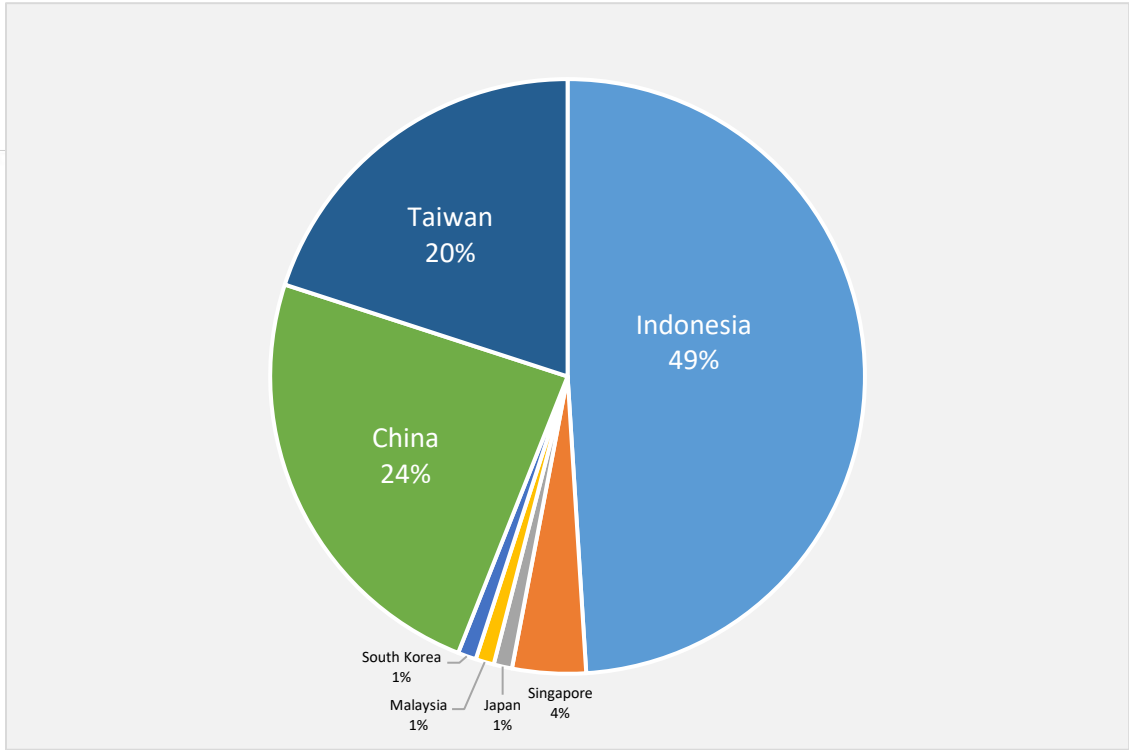
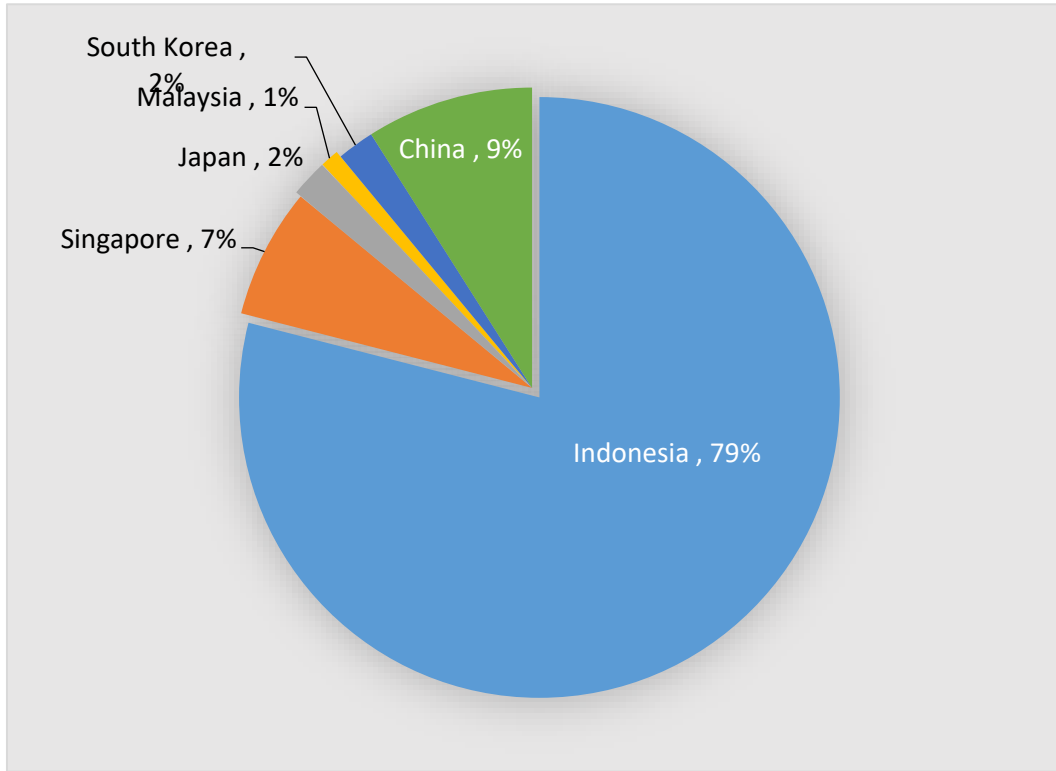
GROWTH OF BUSINESS ENTITIES



Composition of Investment

BEFORE SEZ

AFTER SEZ



2014-2018 (67 ha)

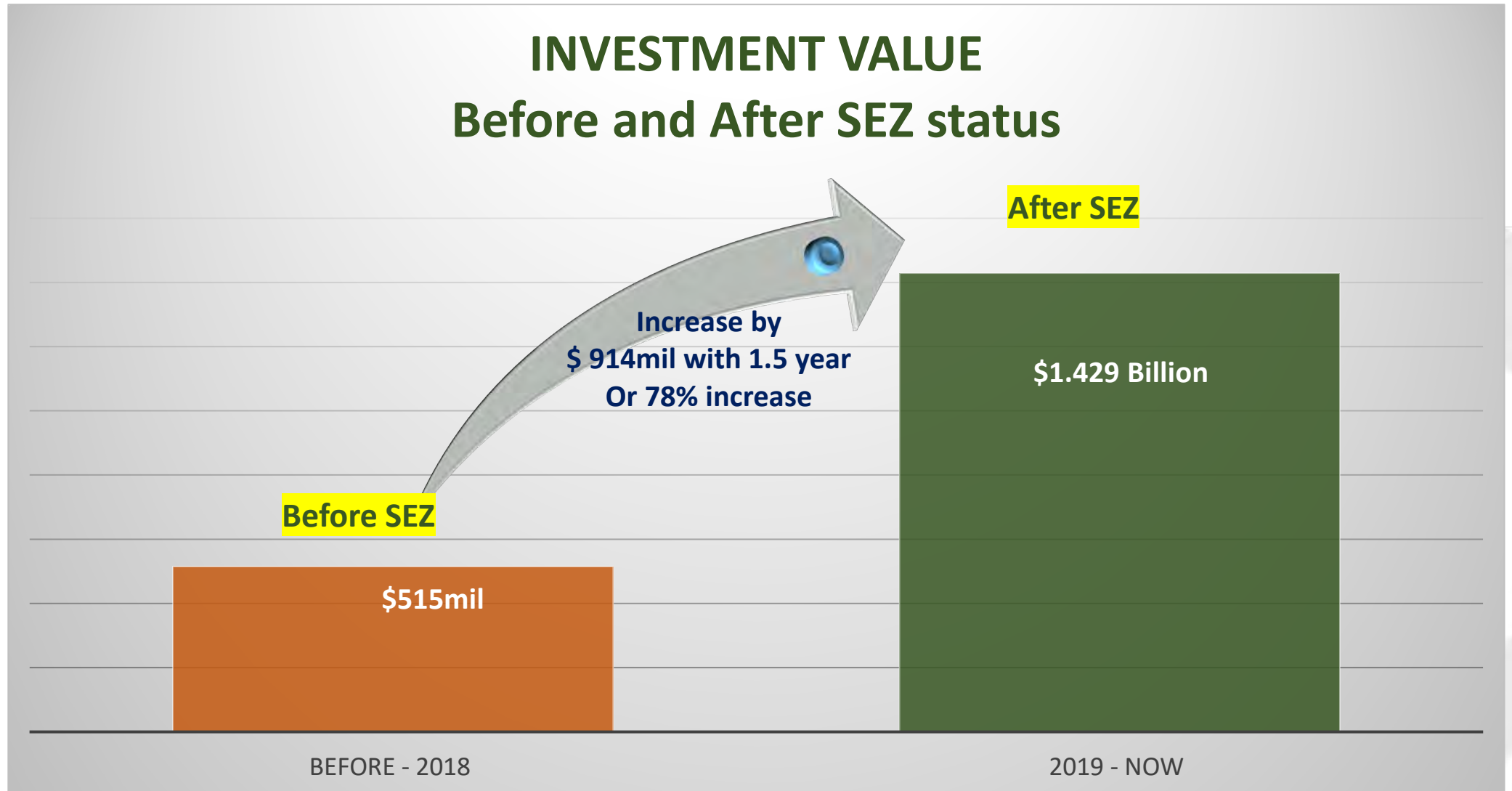
Average 16.75 ha/year

Increase average ±300%/th

2019-mid of 2021 (150 Ha)

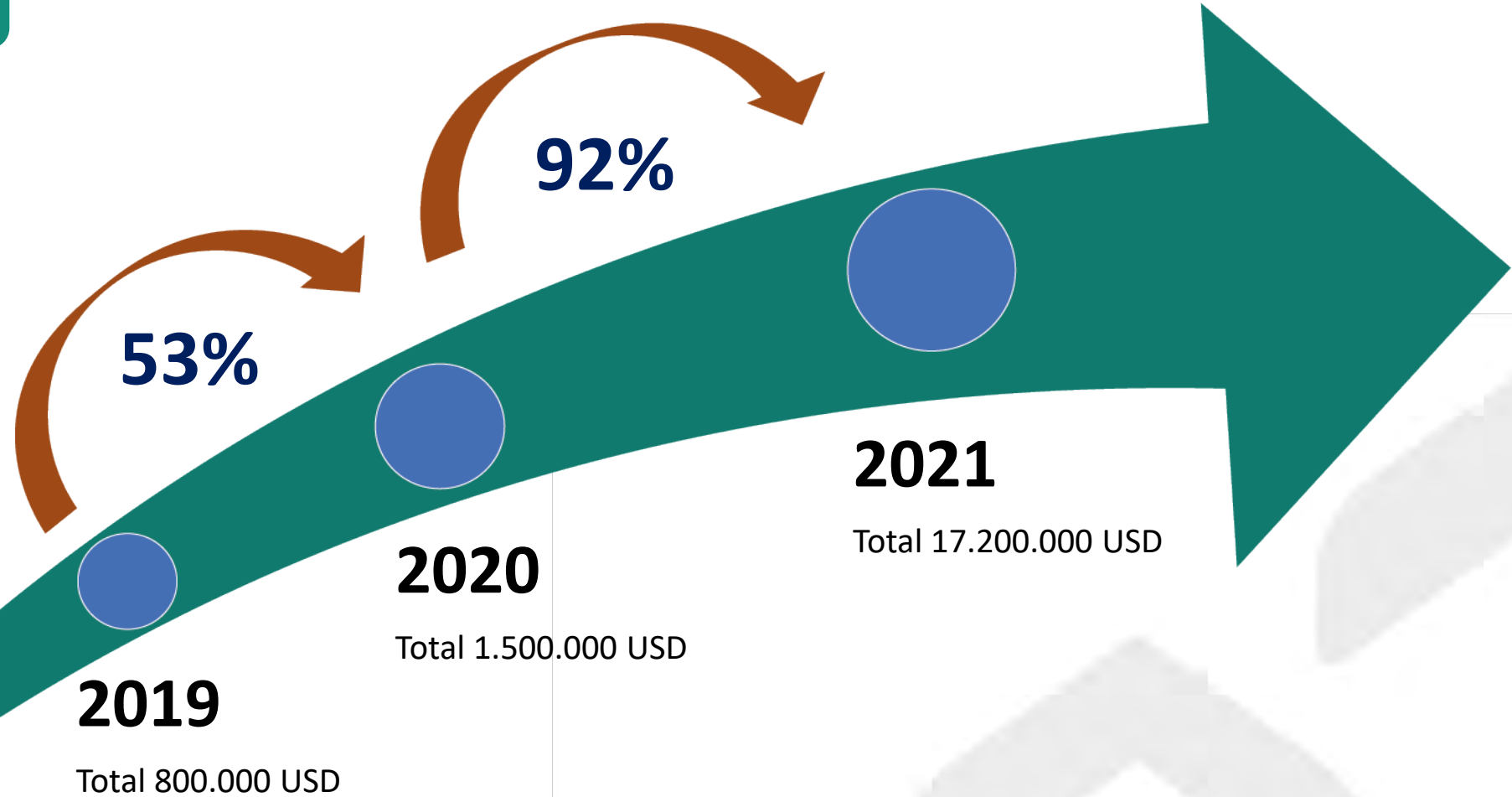
increase 83 ha in 1,5 years
(55.4 ha/year)



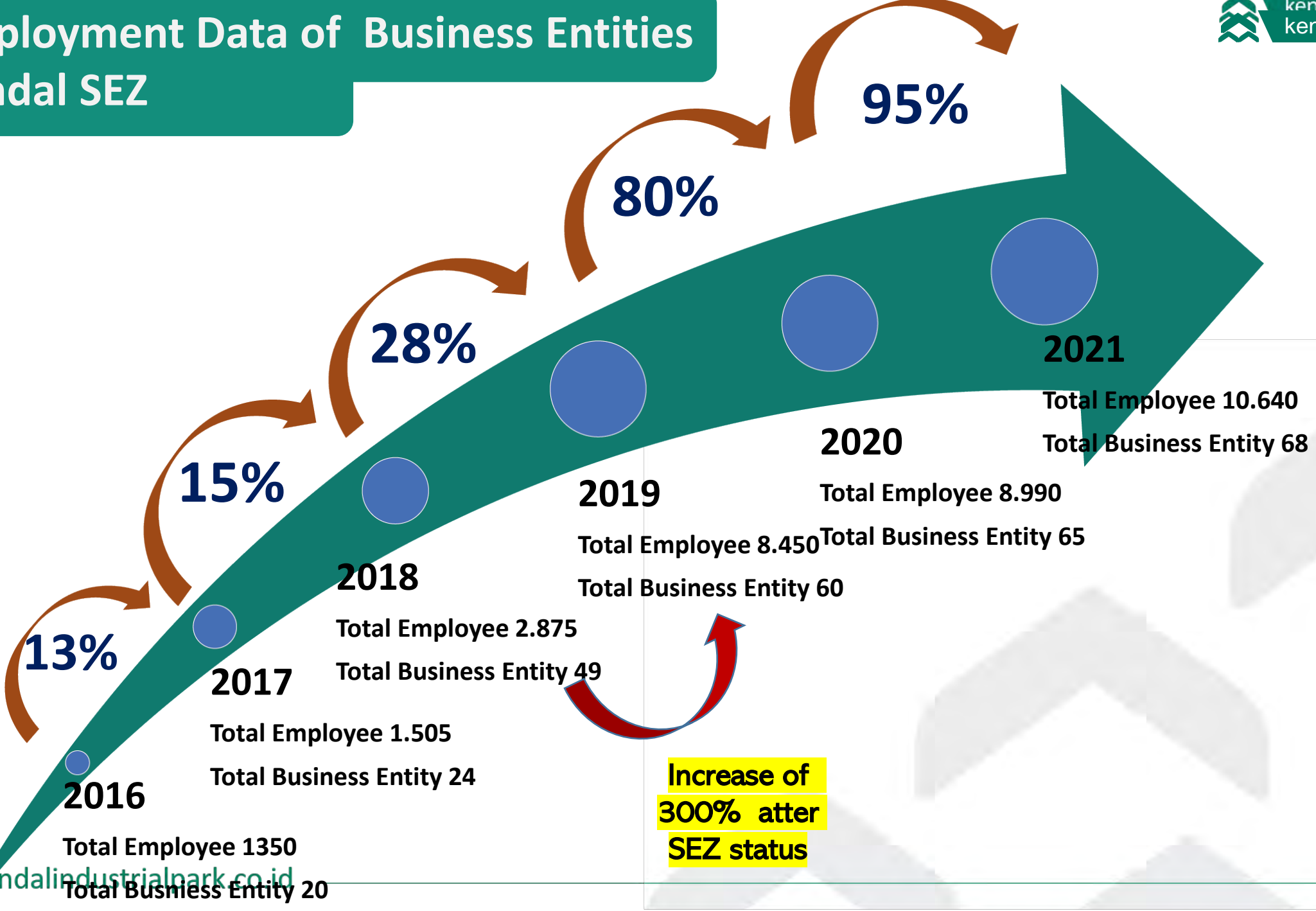


* USD in million

Export Data Business Entities in Kendal Industrial Park



Employment Data of Business Entities Kendal SEZ



Thank You...

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