



LONG ROAD TO BUSINESS LICENCE REFORM

EVALUATION ON IMPLEMENTATION OF BUSINESS
EASE IMPROVEMENT IN THE REGION





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EVALUATION ON IMPLEMENTATION OF BUSINESS EASE IMPROVEMENT IN THE REGION

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Foreword

One year approaching completion of United Indonesia Cabinet work period, in November 2013 the Vice President Boediono announced Business Ease Policy Package. The Package consists of eight targeted areas comprising 17 Action Plans or business climate improvement steps. Such steps are aimed to resolve a number of obstacles that have been source of difficulties currently, whether in starting a business or in its development such as in processing transfer of property ownership, obtaining access to credit, etc.

The Policy Package has been implemented at the national as well as regional levels. Records and assessment made on the performance (realization) show that part of the planned actions has been completed satisfactorily, while the other part has been failed. Certainly, taken into consideration business climate is a crucial issue in economic development, the new government under the leadership of President Joko Widodo shall continue all the remaining action plans and bring a significant change.

In order to assess and measure performance achievement, in particular at regional level on part of the action plans which are the domain of the region's function, the Regional Autonomy Watch (KPPOD) and Asian Development Bank (ADB) supported by Indonesia Investment Coordinating Board (BKPM) carry out an evaluation study on the implementation of the aforementioned Package. The three joined institutions conducting this study definitely have professional records and, moreover – in particular BKPM – has the authority and direct responsibility on the success of the plans.

By adopting the framework used in the survey “Ease of Doing Business (EoDB)” by the International Finance Corporation (IFC)-World Bank, we have done this study at several selected regions, namely Medan City (North Sumatera), Surabaya City (East Java), Balikpapan City (East Kalimantan), and Makassar City (South Sulawesi), and have taken Jakarta as the benchmark.

The result of assessment and measurement, also descriptive analysis on the abovementioned strategic issue are presented in this report. All the KPPOD researchers have done their best to perfectly assess and measure, and present in simple way technical and rather complicated matters in their findings so that the readers in general might understand easily. Certainly, we do hope that the report would be an input for the Government as well as the Local Government in policy formulation in their long way of improving business ease in Indonesia in the years to come.

Finally, comments and criticism from the readers and the users of this study are highly appreciated. Such inputs are very important for us for improvement in preparation of similar studies which are planned to be conducted in 2015-2016, with some enhancement in instruments and additional selected regions.

Robert Endi Jaweng

Executive Director

Regional Autonomy Watch
(KPPOD)

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1. Introduction

1.1. Background

In economic development context, investment plays an important role since it is the determining key for economic development by promoting increase in output significantly. Investment also automatically will increase demand for input, which in turn will increase work opportunity and people's welfare as a consequence of the increase in people's earnings.

Considering the importance of investment, an increase in regional economic competitiveness through creation of conducive investment climate is one of the Indonesia's national prioritized program mentioned in the National Mid Term Development Plan of 2010-2014. Creation of conducive investment climate through increasing business ease can be done by making a reform on business policy which in turn may promote investment in Indonesia.

World Bank and IFC have conducted Doing Business studies in 183 countries/economy. The studies give illustration on business ease at a country. Doing Business presents quantitative measurement upon policies at central [national] and region [sub national]

levels that arrange business establishment, building construction permit, and property registration processes.

Rank mentioned in Doing Business can be used as a reference for investors to invest in a certain country. The study does not just illustrate business ease condition in a particular country, but also can be used as an evaluation means of a government policy. Indonesia which is part of the study always gets unlikable rank, i.e. always be in more than 100th rank. The last time, in 2014, Indonesia gets rank of 120th out of 183 countries surveyed. Such low rank of Indonesia in Doing Business has the potential to be an inhibiting factor for investment.

Business ease in Indonesia has been measured, among others, through the study of Doing Business (IFC-World Bank). Result of the study shows that Indonesia's rank is still low, i.e. rank 129th (2012), 128th (2013), and 120th (2014). Such low rank of Indonesia as shown in Doing Business has the potential to be an obstacle for investment.

In response to the study, Government of Indonesia has made some important policies. At 2009, for example,

Table 1 Rank of Business Ease in Indonesia 2013-2014

Indicator of Business Ease	DB 2014 Rank	DB 2013 Rank	Change in Rank
Starting Business	175	171	-4
Dealing with Construction Permits	88	77	-11
Registering Property	101	97	-4
Getting Credit	86	82	-4
Protecting Investors	52	51	-1
Paying Taxes	137	132	-5
Trading Across Border	54	52	-2
Enforcing Contracts	147	146	-1
Resolving Insolvency	146	142	-2
Getting Electricity	121	121	NC

the Government issued a 4 Ministers/Head of Non-Ministerial Government Institution (LPNK) decree which determines speeding up licensing process of starting a business to be just 17 days. Following it, in 2012, through Presidential Regulation Number 54 of 2012, Central Government resolved to expedite number of days needed for processing business licenses at starting phase, i.e. from 45 days (DB study finding of 2012) to be 20 days (target set for 2013).

Although the abovementioned target has not been reached optimally, Central Government resolved to continue the agenda of improving business ease in this

country. One important step here is determination of eight areas of policy packages on business ease by the end of 2013. The eight packages contain 17 action plans or improvement steps for inter-institutions that must be carried out by February 2014 at the latest. Such packages consist of improvement in starting a business, getting electricity, paying taxes and insurance premium, resolving civil dispute on an agreement, resolving insolvency, registration of ownership of rights on land and building, licensing in relation to building construction, and improvement of procedure on getting credit.

Table 2 Action Plan on Business Ease Improvement in Indonesia

Program Area	Detailed Action Plan
Starting a Business	<ol style="list-style-type: none"> 1. Issuance of Government Regulation (PP) and Presidential Regulation (Perpres) on worker registration and social security program containing process simplification, i.e. to be simultaneously executed in one work day; formerly, worker registration requires 14 days while registration for worker social security membership takes 7 days (simultaneously). (Ministry of Manpower and Transmigration) 2. Issuance of Minister of Trade's Regulation directing issuance of Permanent Business Trading License (SIUP) and Company Registration Certification (TDP) at OSS (PTSP) within 3 days simultaneously; formerly it took 15 days. (Ministry of Trade) 3. Issuance of Local Regulation on OSS and delegation of authority from Governor of DKI Jakarta to the Head of OSS. (Provincial Government of DKI Jakarta). 4. Revision on Company Law to cancel basic capital and equity capital requirements. (Ministry of Law and Human Rights) 5. Process of preparing academic paper regarding draft of Law on Business Entity other than Company and Cooperative. (Ministry of Law and Human Rights)
Licensing in relation to Building Construction (IMB)	<ol style="list-style-type: none"> 1. Improvement on procedures, time, and cost for delegation of authority from Governor of DKI Jakarta to Head of OSS in issuance of Building Construction Permit (IMB). (Provincial Government of DKI Jakarta) 2. Speeding up process of getting potable water from PT PAM Jaya, i.e. from formerly 8 days to be 3 days. (PT PAM Jaya) 3. Speeding up process of getting telephone connection (PT Telekomunikasi Indonesia Tbk.)
Ownership Registration on Land and Building Rights (RP)	<ol style="list-style-type: none"> 1. Issuance of Head of National Land Board (BPN) Regulation on procedure of registering property/change of name of land owner (certificate) which contains simplification of procedure, time, and cost. (BPN)
Tax and Insurance Premium Payments	<ol style="list-style-type: none"> 1. Issuance of Director General of Taxes' Regulation on online tax reporting system which confirms that it is not required to submit documents/hardcopy report. (Ministry of Finance) 2. Simplification of the procedure to pay for social security programs which consists of: elderly, death, accident at workplace, and healthcare programs. (PT Jamsostek Persero)

As a response to the study, and as an attempt to improve business ease in Indonesia, at October 25, 2013 Central Government issued 8 packages of policies for business ease which were further spelled out into 17 action plans. It has been determined that the 17 business ease action plans shall be completed by February 2014 at the latest.

From the 17 action plans, some are the domain of regional government (City/Regency) to conduct. Central government, through monitoring and evaluation activities, has the interest to observe how the regions implement the 17 action plans. In order to do monitoring and evaluation, it is important to have field study to examine implementation of the action plans by measuring business ease at some cities in Indonesia.

1.2. Research Inquiries

The main inquiries in this Research are:

1. How is the illustration of business ease in Indonesia after launching of 17 action plans of business ease by the Central Government?
2. How is effectiveness of Central Government's action plan implementation in order to improve investment climate at the region?
3. What are the obstacles and problems faced during implementation of the action plans?

1.3. Objectives of the Study

Objectives of the study are:

1. To observe business ease in Indonesia after launching of 17 action plans/improvement steps on business ease by the Central Government.
2. To examine and measure effectiveness of Central Government's action plan implementation in order to improve investment climate or to increase business ease in the regions.
3. To examine obstacles and problems faced during implementation of action plans on improvement of investment climate in the regions. Result of the study is also used as materials to conduct evaluation on action plan implementation at Central and Regional levels.

1.4. Benefit of the Study (Significancy)

From the Study, some benefits are expected to be gained as follows:

1. Central Government can obtain some illustrations on implementation of 17 action plans which can be used as input for making policy on further improvement in business ease at the regions.
2. Regional government can obtain illustration on the condition of business ease at its own region.

1.5. Scope of the Study

The main objective of the study is to observe improvement on business ease in relation to implementation of policy packages in four (4) of eight (8) areas of reform target, i.e.:

1. Starting a business
2. Licensing in relation to building construction
3. Registering ownership of rights on land and building (property)
4. Paying taxes and insurance premium

The four policy areas are selected to become focus of the study, since they become very important phases for investor. In addition, the four policy areas are selected since they are assumed to be the main domain of the regional government.

Furthermore, legalisation of Law No. 40 year 2004 on National Social Security System (SJSN) and Law No. 24 year 2011 on Social Security Provider (BPJS) which instructed formation of BPJS in 2014 have brought a reform on social security system in Indonesia. Payment in social security system has drawn Central Government's attention which then issued 17 action plans on business ease. It is expected that such action plans are not just to improve business ease in Indonesia due to availability of better access, but also to increase number of worker participant in social security program. Referring to this, to observe BPJS implementation in the region, the study will also focus on action plan number 3, i.e. payment of taxes and insurance premium.

The study is conducted in four regions, i.e. Medan City, Balikpapan City, Makassar City, and Surabaya City. These cities are selected based on some considerations such as economic scale, intensity of business activities, and have become the study locations for 2010 and 2012 Doing Business Subnational Studies.

2. Main Findings

By focusing attention on how local entrepreneurs of small and medium scales of business open and run their business in accordance with prevailing national and regional rules and regulations, this study is useful for the decision makers to make improvements on economic regulations in business. The study adopted Doing Business Study by IFC, but only focuses on three aspects of doing business, they are: starting a business, building construction licensing, registering land and building (property) ownership of rights. In a more limited scope the study also discuss tax payment (in particular local taxes) and employee's protection (insurance premium) – which in Indonesia's context is BPJS. Following are main findings of the study.

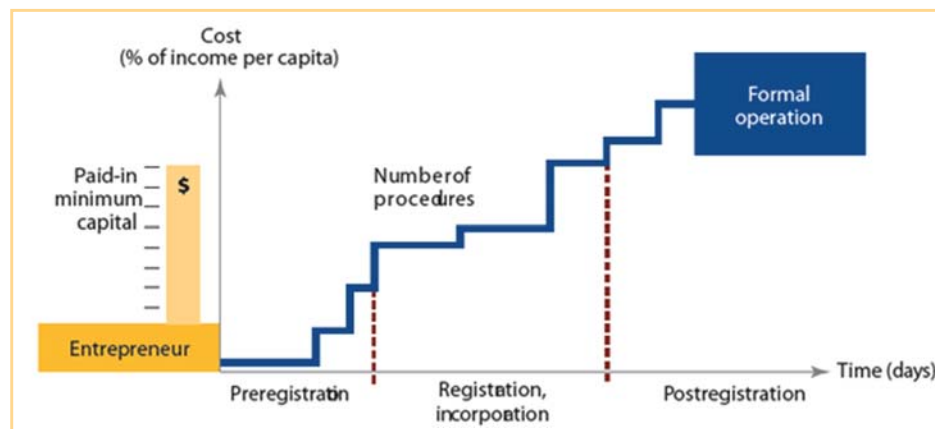
2.1. Starting a Business

Official registration of company has many direct benefits for the company as well as for the business owner and the employees. A legal entity exists longer than its founder. Resources are collected since all shareholders are joined to start and run a company. An officially registered company has many accesses to services and institutions – such as court, bank, and new market – which are not easy to get by an informal company. Such condition will also limit financial obligation of the company owner on the investment, so that there are no risk on owner's individual assets.

While employees of registered company get benefit from protection given by the law. In addition, the more entrepreneur starts business in formal sector, the more easier for the government in conducting registration and control; also it provides better work opportunities, and resulting in more revenues for the government from taxes.

Starting a business is the first step in business activity. For this aspect, all the procedures that shall be followed by an entrepreneur when starting and running a commercial business activity in formal sector were recorded. All matters that are included in this aspect of starting a business are the steps to obtain all the required permits and approvals and fulfillment of all the obligations so as to convey information, verification or required statement regarding the company and its employees to the relevant authorized institutions.

Central Government has issued regulation to merge and simplify requirements on business permit in the region. Some local governments have actively supported such policy and have made some reform not only in order to follow national regulation but also to boost economic growth in their region. Some examples of such reform that have been mandated at national level and implemented at regional level are cancellation or deduction of the cost for obtaining permits in the region, implementation of one stop licensing service,



Source: Doing Business in Indonesia 2012, IFC World Bank

Assumption on Business

1. As a Limited Liability Company or a kind of business having limited responsibility that is most often used by domestic entrepreneur.
2. Running business in selected business center cities.
3. 100% owned by domestic shareholders and has 5 shareholders which are not of legal entities.
4. Has starting capital as much as 10 times income per capita at the end of 2010, paid up in cash.
5. Running business in general trading, such as production or selling of goods or general services. The company is not running international trading activities and nor dealing with such products that are subject to special tax regulation; for example, alcoholic drink or tobacco. The company does not apply such production process resulting in high pollution.
6. Rent commercial factory and office and not the owner of the property..
7. Is not eligible to get investment incentive or other special facility.
8. Has at least 10 until 50 employees, all Indonesian citizen, in one month after the company starts running its operational activities.
9. Has turnover of at least 100 times income per capita.

annulment of the domicile letter, and implementation of time limit imposed on issuance of permit and approval in the regions. This real condition can be seen at the five cities in the regions that have been surveyed, wherein local permits are issued with no cost imposed, except for certain permits which, by the Law on Tax and Regional Retribution (Law No. 28/2009) are still subject to tax. Furthermore, a joint Letter of Decree at Ministerial level has mandated implementation of an integrated information system to ease change of data within relevant local and national government institutions which are involved in business registration process.

There are significant discrepancies within surveyed cities. Decentralisation process that has been started since the last decade has given local government authority to issue business permits. The result is, each local government applies its own business practices and implements national regulation in such way that is different from one to another. In addition, representatives of some national institutions in the regions are conducting their services in more efficient way compared to services performed by representatives of national institutions in other regions.

Bureaucracy reform on licensing at Makassar City and Medan City has been able to shorten duration and procedure of processing permits for starting a business. There are only 8 procedures and 25 and 34 days needed to process permits for starting a

business at the two cities. This is the shortest time and procedures that can be achieved by the two cities, shorter than those achieved by the other three cities being surveyed. While Jakarta, representing Indonesia in the Doing Business survey is the city having longest procedure and time compared to other big cities in Indonesia, although from the aspect of cost, Jakarta is a city with the cheapest cost for starting a business. For Surabaya and Balikpapan, although from the aspect of duration of licensing require only 27 days totally (this is 7 days shorter than that in Medan), but having more number of procedures that must be followed (9 procedures).

Jakarta as Indonesia's representative in Doing Business survey which has been compared to other cities in other countries in the world, in fact is worse than other four cities in the country. The other four cities are better in the aspects of cost, numbers of days and procedures for starting a business. While if compared to the result of Doing Business in 2012, Jakarta and Balikpapan have been declining in aspect of number of procedures as well as in number of days aspect for starting a business. On the other sides, Medan, Surabaya, and Makassar have been progressing.

Makassar and Medan still require Nuisance Permit to be processed for starting a business. Such requirement has resulted in additional cost and time to start a business. Fortunately, to obtain nuisance permit at both cities it can be processed as one package together with

Table 3 Procedure, Time, and Cost for Starting a Business at Five Big Cities in Indonesia

No	City	Number of Procedure	Time	Cost (Rp)	% to GDP per capita
1	Jakarta DB 2014	10	48	6.244.464	20,5
2	Medan	8	34	8.887.500	29,2
3	Surabaya	9	27	7.280.000	23,9
4	Balikpapan	9	27	9.300.000	30,5
5	Makassar	8	25	9.680.000	31,8
6	Cambodia DB 2014	11	104	-	150,6
7	China DB 2014	13	33	-	2,0
8	India DB 2014	12	27	-	47,3
9	Malaysia DB 2014	3	6	-	7,6
10	Philippines DB 2014	15	35	-	18,7
11	Thailand DB 2014	4	27,5	-	6,7
12	Best performer globally	New Zealand (1)	New Zealand (0.5)	-	Slovenia (0)

Note: To calculate cost at Cities in Indonesia, Indonesia's GDP per capita of Rp 30,460,800 (US\$ 3,400) is used

the process of Business Trading License (SIUP) and Company Registration Certificate (TDP), therefore it will not have impact on number of procedures to be followed. While for the other three cities, there are no more requirements to obtain nuisance permit for starting a business. Nuisance permit is still required in Makassar and Medan based on a reason that issuance of business permit has to take into consideration thoroughness and impact of business activity on the environment. Any business activity, no matter how small it is, will cause a disturbance to the environment.

Surabaya has not yet implemented OSS system thoroughly. This condition results in that licensing

process and authorities to sign permits are scattered all over the government institutions. The One Roof Integrated Service Unit (UPTSA) in Surabaya has just been causing longer bureaucracy in licensing, although it has been supported by Surabaya Single Window (SSW) system. SSW is useful for transparency of information and to ease exchange of data and information within relevant institutions, however, it has not been succeeded in responding to the challenge of shortening time and simplifying procedures to obtain permits for business activities in Surabaya City.

Minimum capital is still required although is not required to be proven. A requirement of minimum

Table 4 Comparison of 2012 and 2014 Doing Business Study Results

No	City	Number of Procedure		Time		Cost (% to GDP per capita)		Cost (Rp)	
		2014	2012	2014	2012	2014	2012	2014	2012
1	Jakarta	10	8	48	45	20,5	17,9	6.244.464	4.806.816
2	Medan	8	11	23	39	29,2	21,2	7.887.500	5.696.250
3	Surabaya	9	9	27	32	23,9	23,5	7.280.000	6.300.000
4	Balikpapan	9	8	27	28	30,5	26,3	9.080.000	7.050.000
5	Makassar	8	10	21	35	31,8	22,0	7.580.000	5.900.000

capital may become a constraint for entrepreneurs who plan to register their companies legally – in particular small scale company which needs capital to run its business activities. In practice, such requirement of minimum capital does not provide a strong protection for investor during bankruptcy process. Law regarding Limited Liability Company (Law Number 40 year 2007) determines a requirement of Rp 50,000,000 for minimum authorized capital, with 25% (Rp 12,500,000) of which shall be paid up to the bank account.

It is still required to improve licensing services at relevant offices in selected cities. Regime of business licensing has been improved during the last years. However, there are still discrepancies within cities

in licensing services. Issuance of Minister of Trade's Regulation (Permendag) directing issuance of Business Trading License (SIUP) and Company Registration Certificate at OSS (PTSP) within 3 days simultaneously which formerly took 15 days. Four cities have implemented OSS in handling business licensing, but there are still variations within cities. Moreover, OSS in Surabaya has become a new constraint in processing permits.

Surabaya is the only city that does not follow central government's action plan for processing SIUP and TDP as one package at OSS. In Surabaya, the UPTSA has just added procedures to be followed in order to obtain SIUP. While in other cities SIUP and TDP can

Table 5 Implementation of Government Action Plan to Improve Starting a Business Process

Jakarta	Medan	Surabaya	Balikpapan	Makassar
1. Issuance of Government Regulation and Presidential Regulation regarding worker registration and social security program containing process simplification, i.e. to be simultaneously executed in one work day, which formerly require 14 days for worker registration and 7 days for Jamsostek membership of worker social security, simultaneously. (Ministry of Manpower and Transmigration)				
Simultaneously 14 days, Worker registration: 14 days, Jamsostek membership: 7 days	Simultaneously 7 days, Worker registration: 3 days, Jamsostek membership: 7 days	Not simultaneously 10 days, Worker registration: 3 days, Jamsostek membership: 7 days	Not simultaneously 8 days, Worker registration: 1 day, Jamsostek membership: 7 days	Simultaneously 8 days, Worker registration: 3 days, Jamsostek membership: 8 days
2. Issuance of Minister of Trade's Regulation directing issuance of Business Trading License (SIUP) and Company Registration Certificate (TDP) at OSS (PTSP) within 3 days simultaneously which formerly took 15 days. (Ministry of Trade)				
One Package at OSS (for SIUP & TDP) 14 days	One Package at OSS (SIUP, TDP & Nuisance Permit) Cost: Rp 607,500,- 10 days	Not in one Package: SIUP at OSS (UPTSA) 4 days TDP at Regional Office of Industry & Trade 3 days	One Package at OSS (SIUP & TDP) 5 days	One Package at OSS (SIUP, TDP, & Nuisance) Cost: Rp 300,000 5 days
3. Issuance of Local Regulation on OSS and delegation of authority from Governor/Mayor to the Head of OSS				
Has been delegated to OSS	Has been delegated to OSS	OSS (UPTSA), Regional Office of Industry and Trade, Technical Regional Offices	Has been delegated to OSS	Has been delegated to OSS

be processed as one package at OSS, in Surabaya TDP is still processed at the Regional Office of Industry and Trade (Disperindag). SIUP is processed at UPTSA, but it still requires a recommendation from Disperindag; this makes time needed for issuing permit exceeds time that has been determined in the SOP (3 days) to be 4 days in average. On the other sides, implementation of one package system for processing permits at Medan, Balikpapan, and Makassar can cut procedures and time required for starting a business.

Government action plan to leave out the requirement of paid-up capital in starting a business has not been realized. There are two action plans in business ease in relation to minimum capital required, i.e. Revision on Law regarding Limited Liability Company (PT) in order to leave out authorized capital and paid-up capital requirements, and the process of preparing academic paper regarding draft of Law on Business Entity other than PT and Cooperatives; both are the responsibility of the Ministry of Law and Human Rights. The two action plans have not been realized yet, but different from the previous year when it is required to show a valid payment evidence for minimum capital through a bank account, in the year 2014 such requirement was no longer applicable at the four cities being studied. It is just required to make a statement letter from the Board of Directors mentioning that a minimum capital of Rp 12,500,000 has been deposited to the company's treasury. Such practice is definitely enabling business founders to make a manipulation to avoid their obligation to pay the required minimum capital before establishing their business.

A reform in services at the Ministry of Law and Human Rights on business establishment by applying online system has been proven as providing an ease and expedite the process. Four initial requirements for business establishment – i.e. company's name clearance, signing of the company's establishment deed, legalization of the company's establishment deed, and pay for the administration cost for processing the company establishment – are obligatory and applicable all over Indonesia and issued nationally, can be processed simultaneously by a Notary only in 2 days. By using the online system that has been arranged by Director General of AHU, the process to check and reserve company name is started from the notary/applicant buying a voucher at a certain Bank determined by the Government, i.e. BNI Bank.

In accordance with Governmental Regulation Number 38/2009 (legalized on May 28, 2009 and be effective on June 3, 2009) regarding Non-Tax State Revenue (PNBP) applicable to the Ministry of Law and Human Rights, the cost for this procedure is Rp 200,000. The voucher code is the access key for the notary to reserve the name in the online AHU system. By this system time needed to check the name is shorter, i.e. only takes a few minutes or one work day. Such procedure is one of updated AHU system aimed to assist notary who in the past got many burden resulted from applicants being not making payment yet. By the current system payment has to be made in front using a mechanism of buying a voucher to reserve the company name. However, to buy a voucher for the company name it is still done manually and can not be done online or by transfer of funds.

The uniqueness of the company name shall be checked to assure that the name has not been used by another Indonesian company, in order to avoid rejection from the Ministry of Law and Human Rights on the company's establishment deed and articles of association. Since such process shall be done through a computerized processing system, therefore name reservation and checking shall be conducted by a notary (because the new computerized system for payment of the Non-Tax State Revenue (PNBP) to the State Treasury can be accessed only by a notary). By the current online AHU system, company's name reservation is easier and only few are rejected. The system can tolerate similar names provided that there is a difference even though only in one letter. Such difference is not acceptable in the previous system.

Some of central regulations are not followed at regional level. From field observation at four cities, it is found that implementation of many central government regulations in the regions are vary. For example is the Residential Letter (SKDU), which in fact is no longer required, but in some regions it is still obligatory. In Makassar, to obtain permits which are City Government's authorities, it is still required to obtain SKDU from the Borough (Kecamatan) and Urban Village (Kelurahan). While in Medan, SKDU is required by Notary and Tax Office in order to get a taxpayer registration number (NPWP) and value-added tax collector number (NPPKP). The Notary asks for SKDU to the entrepreneur with a reason that since the validation of the company's establishment deed can be done online, then responsibility for the company's legality is imposed to the Notary.

2.2. Worker's Social Security and Tax Obligation

The second step of the two business establishment steps which is also applicable all over the country but is conducted in the region by representatives of national institutions in the region – is to obtain taxpayer registration number and to register for worker's social security. Two government action plans related to payments of tax and social security are as follows:

1. Simplifying the procedure for payment of social security program which consists of: retirement benefits, death benefits, work injury benefits, and health benefits (PT Jamsostek Persero)
2. Issuance of Director General of Taxes' Regulation on online tax reporting system which confirms that it is not required to submit hardcopy documents/reports. (Ministry of Finance)

2.2.1. Social Security

Obligation to provide Social Security is applicable for all companies. Based on prevailing regulation for worker's social security (Law No 24 year 2011), everyone including foreigner who works for a minimum period of six months in Indonesia, is obliged to become participant of the Social Security program, and the employer, in stages is obliged to register him/herself and his/her workers as participants to the Social Security Office (BPJS) in accordance with the social security program he/she wishes to follow. Participation in social security as mentioned above in this case is participation at the Worker Social Security Office (BPJS-TK). Application for participation may be submitted after worker's recruitment process started by the company.

Procedure to process Social Security at Worker Social Security Office (BPJS Ketenagakerjaan) is applicable nation-wide. Here, such procedure is meant as every interaction made by the company founder with the officer in charge of the BPJS-TK. Interaction made by the company founder or company's official with the company's worker is not viewed as a separate procedure. Procedures made before as well as after company establishment are legal obligations for the entrepreneur in order to run his/her business legally, and those procedures shall be recorded as procedure category.

Following are the process of applying participation in *BPJS Ketenagakerjaan*:

1. Manually: applicant fills in the form F1 (form can be downloaded from the website) and fills in applicant's personal data; this process may be done by applicant's consultant or applicant him/herself. Applicant attaches documents as required, such as business permit documents (SIUP, SITU, and TDP). No need to attach company statute.
2. Online application: Applicant can enter directly the registration data on the BPJS online system. The company may fills in the amount of work injury benefits (JKK), retirement benefits (JHT), and death benefits (JK). Once entered into the BPJS current account data then the BPJS system will update the company data entered. With that data, the payment that must be paid by the company will appear. The payment can be done through e-payment and not through virtual account. Currently there are four banks appointed namely Bank BNI, Bukopin, BRI, and Mandiri. After payment is made, then the BPJS participation card will be issued, as long as there are no data change from what is available at the BPJS database.
3. Registration for e-payment; the company shall first register an account at the BPJS system with the corporate email; they will get a booking code number, then they shall go to the appointed bank to pay their contribution. Through the e-payment system, BPJS no longer accepts cash payment or office transaction but all goes through the appointed bank. The e-payment application can be done through e-banking, sms-banking etc.

Time needed is one work day since the complete set of documents is submitted and the first contribution paid (One Day Service). Come today, pay today, as stipulated in the service standard of Worker Social Security Office (BPJS service standard blueprint).

There is no integrated system to prevent entrepreneur from avoiding obligation to protect his/her workers in some cities. Worker's protection in the regions is carried out by requiring the entrepreneur to register his/her workers to the local Office of Manpower. Unfortunately, in Makassar, Balikpapan, and Jakarta such requirement is easily avoided due to its nature of self assessment (the entrepreneur's own awareness) with no measures to prevent such avoidance of the obligation. The stipulation to obligate worker registry to the Manpower Office at the cities is

solely and is not as a requirement for obtaining other public services, such as to get business permit, banking or tax service, etc. An entrepreneur will just realize benefit of the worker registry to the Manpower Office when he/she faces a problem related to industrial relations between the company and its workers which needs local government's mediation.

Coordination and policy synchronisation inter governmental institutions in application of worker social security (BPJS) are needed. Coordination and policy synchronisation between local government institution and Worker Social Security Office (BPJS Tenaga Kerja) are needed. BPJS Tenaga Kerja needs a binding system to prevent possibility of withdrawal or avoidance of the company's obligation. Medan and Surabaya have made Jamsostek participation compulsory so as to enable the company to get public service. This can be seen as a good initial step to prevent entrepreneurs from avoiding their obligation to protect their workers through worker's insurance. Local Government of Medan City issued Mayor's Regulation No 21 year 2014 regarding worker's social security participation obligation to obtain certain public services. Article 4 and 5 of the Regulation stipulate that every employer and every worker are required to follow worker's social security participation; and participant's certificate and evidence of last contribution payment, legalised by BPJS Tenaga Kerja become evidence which shall be attached to the application document for obtaining public service in Medan City including business permit process, participation in government project, and Building Construction permit (IMB).

In Surabaya and Balikpapan, registration of worker to the local Manpower Office is a precondition to apply for BPJS. Such coordination and cooperation between BPJS and the Local Government like this shall be developed to prevent the company from avoiding its obligation to provide social security protection to its workers. Good practices like this shall be applied at various government institutions as well as private companies in order to improve worker's protection. Making fulfillment of obligation to protect workers as a requirement for communicating with, or for obtaining services from various institutions (government, banks, tax, etc) is an effective safety net to anticipate possibility of company's withdrawal or avoidance on its obligation to provide protection for its workers.

To increase social security participation, Medan

City Government made an MoU to cooperate with Worker Social Security Office (BPJS Tenaga Kerja).

BPJS Office of Medan City places BPJS officials at the Office of BPPT of Medan City, therefore the community may apply for BPJS participant or obtain information regarding BPJS. Punishment applied for not registering as participant is not to get certain public services. There is no cost charged upon BPJS Tenaga Kerja process. Nonetheless, if it is processed through a consultant, BPJS will give money to the consultant, amounting to Rp 100,000 per month as a stimulus for the consultant for its assistance to BPJS.

2.2.2. Fulfillment of Tax Obligation

Entrepreneur's obligation in relation to taxes includes registering him/herself as taxpayer, pay tax, and filing his/her tax obligation. Tax obligation includes central as well as local governments' taxes. The obligation for central government tax on a company running business in trading are, among others, Corporate Income Tax (PPH Badan), Article 21 of Individual Income Tax imposed on worker, and Value Added Tax. The company can obtain service for payment of such obligation at the Bank and at the Tax Office (KPP) available in the company's domicile area. While obligation for local taxes is managed by the local government, such as Land and Building Tax at urban and rural areas (PBB-2), Fees for Acquiring Rights on Land and Building (BPHTB), and other compulsory local taxes.

To obtain taxpayer registration number (NPWP) and Value Added Tax Collector number (NPPKP) as the first step to fulfill tax obligations, a Domicile Letter issued by the Borough is in fact still required. Its practices in the fields vary since some Tax Offices still require Company's Residential Letter (SKDU), but other Tax Offices do not require an SKDU letter. In fact such process in Tax Office is not complicated; in average it only requires 3-4 days in all the regions. Although central government has issued an SOP for the process, but in practice variation occurs within regions. At one region the process can be done online, while at other regions it must be manually, or a combination between the two.

There are still many constraints in processing Central and Local tax payments. Although there are many innovation that can ease tax filing, but the built

system is not able to overcome problems arisen in tax payment and filing. There are still many confusing forms; moreover, inadequate supporting infrastructure has resulted in not all taxpayers make use of e-SPT (tax filing). There are still many entrepreneurs using manual and conventional ways by coming directly to the Tax Office for tax filing process.

Local Government revenues from tax levied obtained from Land and Building Tax (PBB) and Fees for Acquiring Rights on Land and Building (BPHTB) mostly depend on accurate data support and good system. Declining of the Local Government revenues from PBB and BPHTB since tax collection handed over to the local government is due to inadequate accurate and concrete data. In its effort to increase revenues from both kinds of taxes, the local government simply raises sale value of the tax object (NJOP) of the land and the building at no rational basis. At the other sides, it has no concrete basis data regarding potentials of the two kinds of taxes. To overcome this, in Balikpapan City the Neighbourhood Association (RT) has been involved in updating and delivering Tax Assessment of Land and Building Tax (SPPT-PBB) in order to increase revenues from PBB. For this purpose, the Neighbourhood Association is given an incentive amounting to Rp 3,000/SPPT for each taxpayer who already paid PBB. Such program gets positive response from Heads of RTs.

The process for Land and Building Tax (PBB) registry and Fees on Acquisition of Rights on Land and Building (BPHTB) in the regions has become more complicated since collection of the two kinds of taxes has been handed over to the region. In Makassar, for example, Regional Technical Executive Unit of Land and Building Tax (UPTD PBB) of Makassar City Local Revenue Office (Dispenda) requires that a letter to request issuance of PBB/PBB correction must be acknowledged by the Borough Chief where the tax object is located. Applicant fills in the data at the request letter provided by the Local Revenue Office. When the data has been completed then the Borough Office will approve, sign and put official stamp on it. Regarding registration of Land Deed, any change in ownership shall be registered at the UPTD PBB of the Local Revenue Office. The taxpayer shall submit report on the change of land rights ownership. Then an official will make a field check to analyze conformity between the building and its purpose, measure the land's object points and analyze market value (proper or not). After field check is completed, the document will be

processed for making a change in the SPPT PBB.

Alternative places for paying Land and Building Tax (PBB) and Fees on Acquisition of Rights on Land and Building (BPHTB) have been limited since collection of the taxes has been handed over to the region. The process of local taxes payment at the four studied cities can only be made at the counter of the Local Development Bank at Local Revenue Office. Payment shall be made in cash, and may not be done through an ATM. This is different from that when the taxes were still belong to the State (managed by the central government), wherein payment through an ATM, or directly made at several banks either government-owned banks (BNI, Mandiri, etc.) or private banks (BCA, Agro, Panin, Niaga, etc), were allowed. There is a constraint for the local government to make cooperation with private bank due to a requirement to deposit the money to the Local Government Treasury in 24 hours the latest since received by the Bank. For the private Bank such requirement is not beneficial, because the Bank just becomes the party to receive payment of taxes but it will not yield any profit from depositing the money to its cashier.

Central Government's regulation makes it difficult to pay Land and Building Tax (PBB) in the Region.

Law Number 1 year 2004 on State Treasury regulates that regional revenues collected from land and building tax shall be deposited to the local treasury within 1x24 hours. With such regulation, only local government-owned banks (BPD) are able to fulfill this requirement, since local treasury is in BPD; BPD can directly transfer to current account of the local treasury. On the other sides, this regulation causes difficulty on private Bank when it wants to be a partner in PBB collection in the region, since normally the private Bank wants 14 days minimal time to keep PBB money paid by taxpayers. Failure to have cooperation with private Bank as PBB payment counter has further caused PBB payment is not as easy as it was when it could be done online at many private Banks.

Balikpapan has made an MoU with BRI for PBB payment electronically (e-tax) to ease PBB payment.

Having realised the difficulties in tax payment in Balikpapan, the local government open Local Public Treasury Account (Rekening Kas Umum Daerah, RKUD) at BRI Bank. On 16 July 2014, a cooperation agreement (MoU) is signed by Balikpapan Local Government and BRI Branch at Balikpapan City. Two

days later, on 18 June 2014 a launching of PBB payment through BRI was conducted. In addition to opening PBB payment at two branches, 23 units, and 36 terraces, BRI also applies electronic tax payment system (e-tax) by transfer mode and through ATM which can be done 24 hours a day. This system adopted those that have been implemented in Jakarta and Bogor City for PBB payment.

2.3. Processing Building Construction Permits

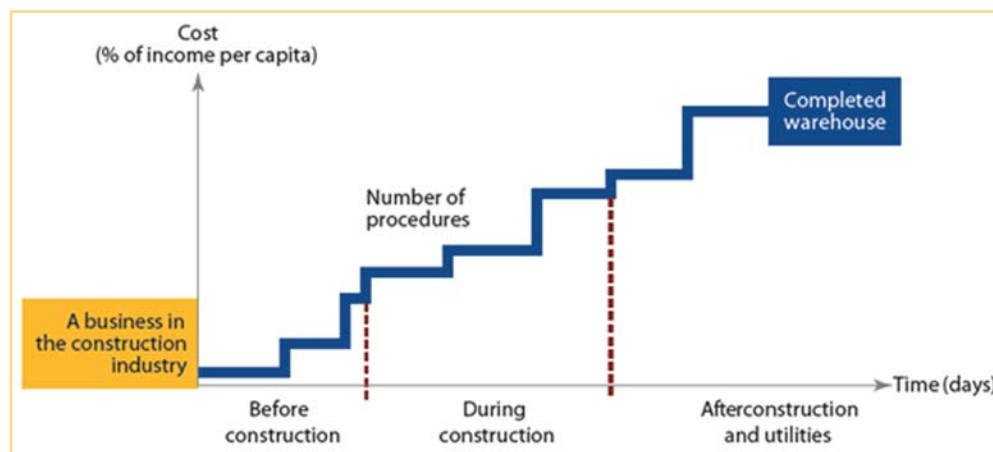
Improvement in licensing service on building construction has been given special attention from the government in order to enhance business climate in Indonesia. This study more specifically tries to examine licensing service practices in relation with building construction at four cities, and what obstacles faced in making a reform in business licensing. For those purposes, the study makes records of all the procedures that have to be fulfilled by companies running business in construction sector to construct a warehouse building in accordance with standardized criteria that have been determined. Such procedures include submission of all the relevant project documents (for example, building construction plan and location map) to the authorized party; obtaining all the principle approvals, permit, letter of approval and certificates as needed; fulfillment of all the requirements for notification letters; and going through all the required inspections. This survey divides warehouse building construction process into several different procedures and makes calculations on time and cost needed to complete each procedure

Information were collected from experts in building licensing field, including architects, law consultants in building construction, construction companies, utility service providers, and public officials in charge of licensing process for building construction, including approval and inspection processes. To ensure that the collected data are comparable with other surveyed countries, several assumptions in business aspect, warehouse construction and utility installation projects are used.

The process and stipulations to obtain permits for constructing a building are vary at the five cities. This situation shows that it is not easy to find a proper balance between security and efficiency. A good regulation will assure that public security and government income are maintained, while making the construction process to be more reachable for the service users as well as the service providers themselves. Construction regulation shall be made clearer and easy to be adjusted along with economic and technology changes. Unclear regulations, too rigid and/or poorly implemented may push construction entrepreneurs to enter informal sector, which is an unexpected situation for them.

Difference system in construction licensing service has resulted in significant differences in procedures and time needed to complete the licensing process.

The process of building construction permit in Balikpapan, Medan, and Makassar consist only 10 procedures, while in Surabaya it is 19. Concerning duration, Balikpapan is the fastest, i.e. it takes only 45 days while Surabaya needs 105 days; Jakarta is



Sumber: *Doing Business di Indonesia 2012*, IFC World Bank

Table 6 Research Assumptions in Obtaining Building Construction Permits

Company BuildCo:
<ul style="list-style-type: none"> › Is a Limited Liability Company and operates at the local city › 100% owned by private company and domestic shareholders . › Has complete permits and is insured to conduct construction project, such as constructing a warehouse. › Has already paid all taxes and all insurance applicable for business activities in general (accident insurance for construction workers, and liability insurance).
Ownership and BuildCo's Employees:
<ul style="list-style-type: none"> › Has 5 owners, but none of them is as legal entity › Employs 20 building construction experts and certain number of employees, all are Indonesian citizens having technical expertise and professional experience needed to obtain construction permits and approvals › Employs at least one employee having profession as licensed architect and has been registered at local architect association.
Location owned by BuildCo:
<ul style="list-style-type: none"> › Total area 929 m² (10,000 feet²) › 100% owned by BuildCo, and has been registered at real estate registry and local land agency › Has an access road and is located at the local city (for example, at the suburbs area but is still within the legal boundary of the city) › Is not located at economic zone or industrial zone, but meets the requirements of area zoning for warehouses where similar warehouses can be found in the area.
Warehouse Specifications:
<ul style="list-style-type: none"> › Consists of 2 floors, stands on the ground (no underground), with total building area 1,300.6 m² (14,000 feet²). Height of each floor is 3 meters (9 feet, 10 inches) › For storing non-hazardous goods, such as books .
Estimated value of the Warehouse:
<ul style="list-style-type: none"> › IDR 4,552,100,000,-

in fact even longer, i.e. 158 days. Such difference in number of procedures is due to different mechanism and requirements in obtaining building construction permits. Some regions have been implementing OSS for some procedures, while other regions like Surabaya has not implemented OSS system in building construction licensing service.

There are three action plans to improve Indonesia's rank in Dealing with Construction Permits, as follows in table 8.

Authority delegation on building construction permits to OSS Agency is still hard to implement.

There has not been any city totally delegating its authority in licensing process to the OSS Agency.

In Balikpapan, delegation of Construction Building Permit (IMB) service to the OSS Agency has been ups and downs. Before September 2009, IMB process at Balikpapan was conducted at OSS Agency, subsequently from September 2009 to May 2014 its technical process was put back to the technical Agency. Since June 2014 technical process of IMB has been returned back to OSS Agency, in this case is BPMP2T. Limited number of employees (human resources) having technical expertise to handle the licensing process has become one of the factors causing such authority has not been delegated completely to the OSS. Surabaya and Jakarta have not delegated IMB process to OSS, resulted in time duration and number of IMB procedures to become the longest and the greatest compared to those in other cities in Indonesia.

Table 7 Dealing With Construction Permit

No	Region	Number of Procedure	Time (Days)	Cost (Rp)	Cost % of GDP per capita
1	Jakarta DB 2014	13	158	28.273.700 (102.082.750)	87,2 (335,1)
2	Medan	10	71	93.167.255	305,9
3	Surabaya	19	105	71.434.540	234,5
4	Balikpapan	10	45	60.675.950	199,2
5	Makassar	10	48	79.993.189	262,6
6	Cambodia DB 2014	21	652	-	35,7
7	China DB 2014	25	270	-	344,7
8	India DB 2014	35	168	-	2.640,4
9	Malaysia DB 2014	15	130	-	14,7
10	Philippines DB 2014	25	77	-	79,4
11	Thailand DB 2014	8	157	-	8,3
12	Best performer globally	Hong Kong SAR, China (6)	Singapore (26)	-	Qatar (1.1)

Note: To calculate costs in Cities in Indonesia, GDP per capita in Indonesia: Rp 30,460,800/ (US\$ 3,400) is used

Although Surabaya has been implementing Surabaya Single Window (SSW), however, without any change in its business process (OSS) it will not be able to simplify procedure and time needed for the licensing process.

Construction building licensing relates to very technical matters and needs conscientiousness.

Technical expertise in building construction is absolutely needed, therefore in processing permit

Table 8 Action Plans & Improvement Achievements in relation with Building Construction Permit (IMB)

Jakarta	Medan	Surabaya	Balikpapan	Makassar
1. Improvements in procedures, duration, and costs due to authority delegation from Governor/Mayor to the Head of OSS in issuance of Building Construction Permit (IMB).				
Local Regulation is available but not yet implemented OSS Office and the P2B Office	All processes are conducted at the Office of City Planning and Building	The processes are spread over at One Roof Integrated Service (PTSA), Ciptakarya Office, Environment Affairs Office, Transportation Office, etc.	The processes are conducted at OSS Office, City Planning and Housing Office, and Environmental Agency	The processes are conducted at OSS Office and City Planning and Building Office
2. Shorter time for PT PAM Jaya potable water installation, i.e. 3 days compared to formerly 8 days				
8 days	20 days	18 days	17 days	25 days
3. Shorter time for telephone connection installation.				
4 days	6 days	6 days	7 days	6 days

such process still involves technical local government Agencies which can handle the problems. In addition to technical aspect, building construction has to take into consideration security factor; therefore careful attention shall be conducted. OSS presence in building construction licensing process has just lengthen the process chain which has an impact on duration of such process.

Dealing with building construction permit is relatively simpler compared to meeting the requirements for the permit.

In Makassar, for example, in order to get Building Construction Permit (IMB), the applicant has to obtain permission from the neighbourhood. For the licensing procedure the Unified Permit and Investment Agency (BPTPM) has provided forms for all the required documents, and put altogether in one folder namely Building Construction Permit Forms. Applicant shall fill in all the required data on the formed letter; after filled in correctly, the document shall be approved by the Borough Administration by having signature of the Borough Head on the document and then the document is given official stamp. For the Statement Letter/No Objection Notification from neighbourhood, the applicant has to get signatures of the neighbours right adjacent to the piece of land where the building will be constructed (northern, eastern, southern, and western), then goes to the Borough Administration to obtain its consent.

Applicant's Declaration Letter contains following points:

1. That it is true that the land status is not in dispute and or not registered as dispute object at the court or is not under collateral confiscation (CB) by the authorized agency;
2. Applicant's willingness to bear the risk if there is a dispute, and will not involve the Local Government Office of City Planning and Housing;
3. That during the construction process the Applicant will always follow all regulations pertaining to Building Construction Permit, take care of the public facilities and will not place building or building materials on the right of way (ROW) without permit;
4. That the Applicant is willing to keep the environment clean by not keeping the debris/materials/building materials outside land lot, not cutting trees at right of way area, and willing to make traffic sign plates at the Applicant's own cost

after obtaining technical permission from the Local Office of City Planning and Housing;

5. That the land location/lot which permit is being processed is within the Applicant's control and the Applicant will demolish partly/entirely the construction and bear the financial loss if instructed so by the Mayor of Makassar, and from that time on the Applicant who sign the Declaration Letter promise not to start with the construction before obtaining a permit from the Mayor of Makassar;
6. That should this Declaration cause a loss on other party's interest, and is not true or contains falsehood, the Applicant is willing to take the risk if the Local Government of Makassar impose a punishment on the Applicant's building according to the prevailing regulations;
7. That it is true that this Declaration is made based on awareness and full of responsibility without any pressure and does not involve any other party;
8. That if within 6 (six) months after PIMB application is registered and being processed at the Makassar City Government the Applicant does not conduct his/her obligation as retribution payer, the application will be automatically canceled.

Application of environmental licensing in relation to business establishment is not uniform at all the cities. It is not easy to make a balance between security and efficiency. Good rules will definitely maintain the public security and government revenue, and at the same time promoting the construction process to be more accessible for both service user and service provider. In Makassar Environmental Management Efforts/Environmental Monitoring Efforts (UKL/UPL) are not required for obtaining IMB, while in Surabaya there are still requirements for UKL/UPL, recommendation for Traffic Impact Analysis (Amdal Lalin), etc.

Procedures and requirements for obtaining building construction permits are vary within cities in Indonesia.

A difference in requirements results in a difference in duration to process permits. Makassar is the only city that no longer requires environmental documents for gaining IMB; while other cities require environmental documents with their variations. Jakarta and Surabaya still require Environmental Management Efforts (UKL) and Environmental Monitoring Efforts (UPL) documents to gain IMB. While for Medan and Balikpapan only environmental management

and monitoring (SPPL) document is required.

Many pre-construction requirements (in Surabaya) contribute to additional and longer procedures, time, and costs. For Surabaya there are 11 pre-construction requirement permits, while other cities require only 5 to 7 preconstruction permits.

A difference in cost for gaining Building Construction Permit (IMB) is due to the difference in base tariff used in calculation of retribution. Jakarta has not been following national regulation in relation to the formula of IMB retribution tariff calculation. Compared to the other four cities, costs for IMB in Jakarta is the cheapest since base tariff applied still uses Local Regulation No 6 year 2006 instead of Law No 28 year 2009 on Regional Tax and Retribution. If Jakarta has adjusted the base tariff as stipulated in Law No 28 year 2009 it would also increase IMB tariff and may be even higher than those in Surabaya and other.

Potable water supply service from Local Government-owned Potable Water Company (PDAM) has not reached the Action Plan target determined by the Central Government. In the Action Plan it is determined that time needed for potable water supply connection provided by PT PAM Jaya is 3 days, shortened from formerly 8 days (PT PAM Jaya). Currently Jakarta has the shortest time although it is still 8 calendar days. While in Balikpapan it takes 25 days which is the longest. Other cities vary between 20 to 15 days. The duration mostly depends on availability of existing potable water connection at the location. This reflects that PDAM is a local government-owned business company at each city. The similar case also occurs on the costs which are influenced by, and vary according to the particular policy made in each city. In Balikpapan the cost is Rp 2,476,000 which is the most expensive, while in Surabaya it is amounting to Rp 935,000 which is the cheapest one.

To obtain telephone connection it still requires 4 to 7 days. Shortening the time need for telephone connection installation (PT Telekomunikasi Tbk) is still a homework for PT Telekomunikasi Tbk which is a state government-owned business company. The Company shall provide the same quality in its service in telephone connection installation anywhere. The cost is Rp 547,000 applicable nationally for all the cities. Jakarta is a city with the fastest time for telephone connection installation, i.e. 4 days, while in Balikpapan people has to wait until 7 days to get the connection.

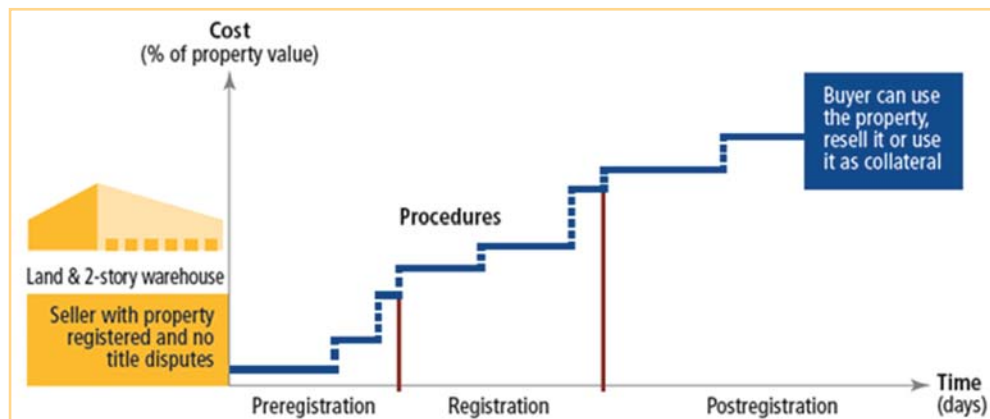
2.4. Registering Property

This indicator records all the procedures that shall be followed by an entrepreneur (purchaser) in order to purchase a property from another entrepreneur (seller) and to transfer ownership of the rights on the property to be under the name of the purchaser so that the purchaser may use the property to expand his/her business, i.e. use it as a collateral to obtain a new loan or, if he/she wishes, to resale the property to another entrepreneur. Such process is started when all the necessary documents have been obtained, such as copy of the certificate of ownership of the seller if necessary, and making a trace to find out the company's obedience to prevailing regulations (due diligence), if required. The transaction is completed when the purchaser can use the property as a collateral to obtain loan from a bank or to resale it.

Each procedure that is required by the prevailing regulation or based on current practice, whether it is the responsibility of the seller or the purchaser or shall be fulfilled by the third party in the name of the seller or the purchaser, will be considered. To assure that the collected data are comparable with those used in other cities or countries surveyed, there are several assumptions used in relation with all the involved parties, property, and procedures followed in the transaction.

Registering Property in Indonesia is still a process with the highest cost compared to average cost for the similar process in neighboring countries. Two most costly components in the process are fees on transferring the title of ownership amounting to 5% of the sale value which shall be paid to the central government, and 5% of the sale value after deducted with the non-taxable sale value (nilai obyek pajak tidak kena pajak/NOPTKP) which shall be paid to the local government. Variation in cost within regions (cities) is only due to differences in the non-taxable sale value as a deduction to the fees on acquiring land and building rights (BPHTB) which must be paid to the local government. Jakarta is the city with the lowest cost since NOPTKP as tax deduction reaches Rp 80 millions, or highest compared to the other four cities. While each city of Medan, Makassar, and Balikpapan has the same NOPTKP, i.e. Rp 60 millions.

There are at least two of six or seven procedures in registering property currently are the authorizations



Source: *Doing Business in Indonesia 2012*, IFC World Bank

of the local government. There are at least four Offices that shall be visited by the Seller or the Purchaser who wants to transfer the rights on land building, namely: Land Deed Official, National Land Agency (BPN), Bank, and Local Revenue Office. Two procedures which authorities belong to the local government are Fees on Acquisition of Land and Building Rights (BPHTB) and Registration of Land and Building at the Local Revenue Office under the name of the new owner. Although

part of the property registration process is standardized to follow national regulations, however, local factors – such as registration volume, transferring the title of ownership, and service efficiency – have resulted in significant differences within study object cities in duration of the services.

In order to improve services in land affairs, BPN has been mandated to implement action plan by issuing

Research Assumptions for Registering Land and Building

Land and building to be transferred are the land and building which are located at the suburban area. The purchaser has agreed to the seller's offer to buy the property (consisting of land and building) and the terms of the contract between the two parties have been agreed. Both parties are ready to fulfill the general requirements before handover of the rights on the land and building occurs.

1. Assumptions regarding the company that wishes to buy and register the land and building are:
 - A limited liability company located in the city of Medan.
 - Privately owned with domestic shareholders (no foreign or state ownership).
 - The company conducts general commercial activities.
2. Assumptions regarding the land and building to be registered are:
 - Currently owned by another limited liability company which is owned privately with domestic shareholders.
 - Is located at the local city.
 - Is not as a collateral/mortgage.
 - The owner has had the land and building for the last 10 years.
 - Has been registered at the National Land Agency and/or the real estate registry and free from any dispute.
 - Valued at IDR 1,621,409,473 or 50 times income per capita.
 - Consists of one piece of land and one building. The land area is 557.4 square metres (6,000 square feet). On the ground there is a 2-floor building, which functions as a warehouse with total area of 929 square metres (10,000 square feet).

Table 9 Number of Procedures, Time, and Cost for Registering Property

No	City/Country	Number of Procedure	Time (Day)	Cost (Rp)	% to the Property Value
1	Jakarta DB 2014	6	22	176.076.451	10,86
2	Medan	6	27	177.076.451	10,92
3	Surabaya	6	36	176.326.452	10,87
4	Balikpapan	6	24	177.076.451	10,92
5	Makassar	8	26	177.076.451	10,92
6	Cambodia DB 2014	7	56	-	4,4
7	China DB 2014	4	29	-	3,6
8	India DB 2014	5	44	-	7
9	Malaysia DB 2014	5	14	-	3,3
10	Philippines DB 2014	8	39	-	4,8
11	Thailand DB 2014	2	2	-	6,3
12	Best in the World	4 Economies (1)*	New Zealand (1)*	-	5 Economies (o)*

Notes: Value of the property is Rp. 1.621.409.473,-

*) There are more than one country have the same rank for the indicator. For the list of the countries, see website Doing Business (<http://www.doingbusiness.org>).

Head of National Land Agency's regulations on property registration/ transferring the title of land ownership (certificate) which contain simplification of procedures, time, and costs. Subsequently, the Head of National Land Agency has issued **Letter of Decree No 37/KEP-3.41/II/2014 concerning Quick Wins Program on Bureaucracy Reform** of National Land Agency year 2014; Letter of Decree of the Head of BPN No 53/kep-100.6.2/ii/2014 year 2014 on assignment of 33 (thirty three) Land Agencies as executors of quick wins on land affairs services of the second phase in 2014. Both Letters of Decree were issued on **26 February 2014**.

'Quick Wins' Program is a program to improve system and work mechanism, way of thinking, and working culture systematically and consistently in line with the aim and objectives of the Bureaucracy Reform, so that in turn it can increase public trust to the National Land Agency of the Republic of Indonesia. Implementation of the program is the service with pick-up the ball system which shall be performed at the National Land Agencies in 33 regions nation-wide.

Quick Wins of the National Land Agency of the Republic of Indonesia in the year 2014 consist the following:

1. Examination on Land Rights Certificate; this is a kind of service in land affairs aimed to examine conformity of the physical data and yuridical data contained in the Certificate of land ownership with those contained in the Land Book kept by the Land Office;
2. Transferring the rights on land ownership resulting from buy-and-sell transaction; this is a kind of land affairs' service aimed to make a record of legal actions occurred in relation to transferring of land rights;
3. Change the Rights in order to increase people's rights; this is done in accordance with the Head of the National Land Agency's Regulation Number 6 year 1998; this is a kind of service in land affairs aimed to make a record of land rights change, the Right of Building (HGB) to be the Right of Ownership (Hak Milik) at the Land Affairs Office;
4. Repeal of the Hak Tanggungan (Roya, or the rights of ownership which is used as a security of a debt by meant of lien); such repeal process is a kind of land affairs' service aimed to record an annulment of the Hak Tanggungan at the Land Book kept by the Land Office.

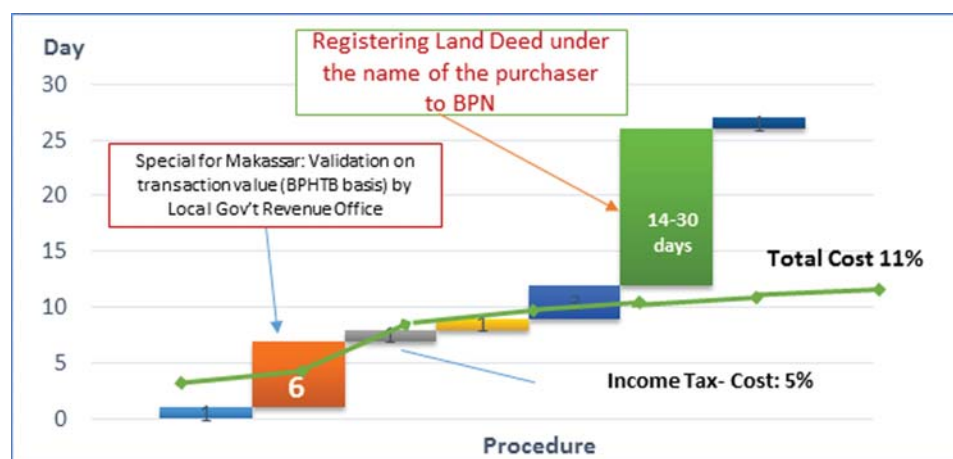
Implementation of Quick Wins is related to requirements, costs, time, procedures, and reporting; it shall refer to the Head of National Land Agency's Regulation Number 1 year 2010 on Standard of Service and Land Affairs Arrangement. Implementation of Quick Wins shall be reported hierarchically and periodically, completed with number and kinds of Quick Wins services accomplished, to the Head of National Land Agency of the Republic of Indonesia through the Chief Secretary of the National Land Agency of the Republic of Indonesia.

Not all of the Quick Wins programs have been implemented satisfactorily. Result of the study at the five cities in relation with number of the procedures, time, and costs for registering land still shows some problems in particular in the time spent to complete registration of land and building at the BPN Office. Variations in services can reach between 14 days to 30 days at the BPN Offices in the five cities surveyed. In fact, BPN is the central government office that is assigned to work in the region. The difference occurs due to a difference in availability of resources compared to number of transactions that must be handled.

Except for Makassar, registering land and building only needs six procedures. There is one procedure that makes Makassar different from other cities, i.e. the need to obtain approval/validation on transaction value from the Local Revenue Office. Such procedure is conducted before the seller and the purchaser pay Income Tax and Fees on Acquisition of Land and Building Rights (BPHTB) to the Local Revenue Office.

At one side, this procedure will grant legal aspect for both the seller and the purchaser on transaction value, which is approved by the Local Revenue Office, as the basis for tax payment and BPHTB; however, at the other side, it becomes an additional procedure that must be followed by the parties when they wish to transfer their property. Different from that in Makassar, in Balikpapan validation will be done after payments of tax and BPHTB are made. If from validation process by the Local Revenue Office it is found that the transaction value as the payment basis for BPHTB and Tax is lower than it should be, then a decision letter on Tax/BPHTB payment shortage (Surat Ketetapan Kurang Bayar Pajak/BPHTB) will be issued. It means that such process has an impact on law uncertainty.

Registering of the Land Deed at the Office of National Land Affairs is still the main obstacle in registering land and building in Indonesia. Although this service is a responsibility of the central government agency in the region, namely BPN. However, time needed to accomplish such process varies within regions. The fastest is 14 days in average; it is in Makassar and Surabaya, while the longest process is in Medan and Balikpapan, which needs 30 days in average. These durations are average durations; in practice it could be 30 days until 6 days, mostly depends on the workload of the BPN's official. Certainly, this situation is far from expected result of improvement efforts as have been instructed in the action plan concerning improvement on recording property/transferring the title of land ownership (land certificate) which consists of procedure simplification, duration, and costs..



Source: Doing Business in Indonesia 2012, IFC World Bank

The Office of Land Affairs in Surabaya City has been implementing verification on certificate's validity of the new certificate which was issued in 2013 and on through electronic system. This process has cut time needed to verify certificate, i.e. it can be completed in just one day.

Regulatory basis are:

- a. Government Regulation Number 13 year 2010 on the Types and Tariffs of Non-Tax State Revenue Applicable in the National Land Agency;
- b. Regulation of the Head of National Land Agency No. 1 Year 2010 on Standards of Land Service and Arrangements

The same situation also occurs in Makassar. The two cities are able to process land and building registrations only in 21 days and 23 days, which are shorter compared to the other two cities, Medan and Balikpapan, although they are one day longer than that in Jakarta..

2.5. Why Targets Are Not Achieved?

Simplification of licensing process in the region is being inhibited by the central government regulation. Rationally, some regions realize that there are some permits that can be simplified and not needed. However, since such permits which authority belongs to the local government refer to the State's law, the local government dares not to simplify the process. For example, Business Trading License (SIUP) and Company Registration Certificate (TDP) have the same character, therefore the process may be simplified by uniting both processes. SIUP has a function as business permit that provide legitimation in general to every company to conduct each activity. In addition, each activity shall be accessible for the government to monitor, and can be taken into consideration when preparing policy application in other economic areas. It means that, in addition to its function as a permit, SIUP also functions as government's source of information. While TDP which is not a permit, also functions to provide information for the government in business sector's activities.

Referring to the requirements determined for SIUP and TDP applications, there is a possibility to integrate SIUP and TDP, but central government regulation needs to be revised. Issuance of SIUP refers to Minister of Industry and Trade's Regulation Number 09/M-DAG/PER/3/2006 connected with Minister of

Trade's Regulation Number 36/M-DAG/PER/9/2007 on Guidelines on Issuance of Business Trading License (SIUP). While Company Registration Certificate (TDP) is regulated in Law Number 3 year 1982 on Company Registration Obligation (WDP) which is often called as UU-WDP. TDP is also regulated further in Minister of Industry and Trade Letter of Decree Number 596/MPP/Kep/9/2004 regarding Implementation Standard of Company Registration Obligation, and Letter of Decree of the Minister of Industry and Trade Number 597/MPP/Kep/9/2004 on Guidelines on Administration Cost for Company Registration Obligation connected with Minister of Trade's Regulation Number 37/M-DAG/PER/9/2007 year 2007 on Company Registration Implementation.

If seen from their characteristics, TDP and SIUP are permits having the same category. The two permits also have some same functions, namely as data of the company located in the region. In some aspects the two kinds of permit show duplication or overlapping. But since there is a central government regulation used as the base of the processes, the region dares not to simplify the processes. The same case happens in Nuisance Permit (HO). HO is in fact just one particular process and indicator in issuance of business permit, and not as a stand alone permit. But again the region can not repeal it as one of the requirements to starting business. Furthermore, in HO case, this is the only permit which enabling the region to.

A difference in inter-region services shows that national policy is not immediately followed by local government. Not all the central government's instructions are implemented in the regions. For example, Nuisance Permit (HO) and Company's Domicile Letter (SKDU) which based on central government's policy is no longer required for company legalization process in accordance with assumptions used in this case study. But some regions such as Makassar and Balikpapan still require it. Stakeholders in the regions think that some permits are still required because they consider regional characteristics and carefulness aspects in processing permits. Therefore it is expected that Central Government policies shall not be applicable for all the regions, rather, they must be adjusted with the particular region's condition and characteristic.

On the other side, policy or regulation made by the central government are not completed with

technology for their implementation. In fact, at certain level licensing services are highly related to technology. In addition to guidelines, the regions also consider important to get technology support to ease licensing process which has become their authority. For application of online licensing for example, the regions need to obtain aids, i.e. technology for its application, and not just support for the system through improvements in regulation aspect.

Application of information and communication technology without followed by improvement in the business process will not improve business ease significantly. Surabaya with its Surabaya Single Window (SSW) without any change in its business process is unable to simplify procedures and shorten time needed for licensing process. SSW is more focused on improvement in transparency aspect and information clarity on requirements, time needed and procedures to be followed. While the process itself has not been simplified. Medan has applied ICT in implementation of licensing service, but not yet followed by an improvement in business process, i.e. improvement in the system of One Gate Integrated Licensing Process.

Investment Issue vs Environmental Issue. Sustainable development policy requires that there shall be a

balance between development and environmental protection or sustainability. Environmental bearing capacity shall be the main consideration taken in execution of certain economic activity at a region. The problem is, not all the regions/cities has had Regional Spatial Planning (RTRW) which determines zoning for business activities. Balikpapan is one of the many cities that has not owned Local Regulation on Regional Spatial Planning; such absence of zoning consequently impedes licensing process, since there is no clarity which location may and may not be utilized for business activities. **The importance of thoroughness aspect (verification) in issuing permit in a region is one of the main reasons why environmental aspect becomes an obstacle in expediting licensing at the region.**

Limited number and quality of human resources to conduct services in licensing are the obstacles to meet standard operating procedure (SOP). The number of licensing to be processed at the four cities being studied is enormous. In average, there are about 400 to 600 permits (new permit as well as extension of existing ones) that need to be served, however the number of officials to conduct the service is limited. This reveals that the number of employees and the number of permits to be processed are not in good.

Table 10 Data on Number of Permits Issued by Licensing Service Agencies in Four Cities

City	Year	Nuisance Permit/HO (Permit)	SIUP (Permit)	TDP (Permit)	IMB (Permit)	Human Resource (Person)
Medan	2013	7.725	7.183	6.242	NA	80 (Gov't employee)
	2014	4.693	4.308	3.834	NA	
Surabaya	2013	846	3.710	7.776	4.096	75 (Gov't employee)
	2014	794	9.160	6.169	3.663	
Balikpapan	2013	2.952	2.200	2.301	1.816	38 (Gov't employee)
	2014	1.508	1.223	1.308	NA	
Makassar	2013	3.360	4.679	4.939	8.067	80 (Gov't employee) 110 (Outsourcing)
	2014	1.890	2.821	2.478	2.512	

Notes:

- Data for 2014, are the data collected until September 2014.
- IMB data for Balikpapan City in 2014 are not accessible since IMB licensing service is put back to the local government technical agencies;
- IMB data for Medan City are not obtained, licensing process is at the local government technical agencies (SKPD Teknis)

2.6. Future Agenda

Some agenda that are urgently needed to be implemented in order to improve business ease in Indonesia are, among others, **rationalization of business permits through simplification of requirements, integration, and cancellation of permits that are not essential**. It must be admitted that the presence of business licensing in the region, such as Business Trading License (SIUP), Company Registration Certificate (TDP), Nuisance Permit (HO), Building Construction Permit (IMB), and so on – is based on the State regulation, either as the Law, Government Regulation, or sectoral Ministerial Regulation. To simplify licensing at the region, an evaluation on existing regulations at national level which have been used as reference and legal base for local regulations shall be conducted.

Rationalisation shall be made not only on licensing of main business permits, but also on the preconditions to fulfill the requirements in licensing. This study found out that the main obstacle also occurs due to many preconditions to be met in licensing. It starts from the lowest level, neighbourhood consent, Neighbourhood Association (RT), Community Association (RW), the Borough Administration (Kelurahan), and so on, before one can apply for a permit.

In addition of rationalization of permits, **improvement in licensing service bureaucracy at national level as well as at the region through improvements in institutional affairs, work system, and technology support are urgently needed to be conducted**.

This is important since implementation of a policy is one crucial point that often becomes an obstacle. Therefore, institutional improvement and work system supported by technology are believed would be able to ease implementation of licensing service improvement at the region. De-bureaucratization and deregulation shall be supported by improvement on the relevant business process.

The last point to be considered is the need to have enforcement of national policy at the regional level supported by adequate infrastructure and human resource enhancement. A number of national policies to enhance business climate shall be supported by the local government. Disobedience of the region to the central government policy, by neglecting directions and policies, will certainly have its adverse impact on business smoothness in the region. For example, national policy to repeal a requirement of Domicile Letter, which is not followed at some regions by continuously applying it. Support in human resources as service provider in business licensing also is a determining factor on the service quality. Therefore, enhancement in human resource capacity shall be continuously encouraged.

3. Methodology and Data

3.1. Method and Approach

This Study adopted the method used in yearly Study of Doing Business by the International Finance Corporation (IFC) to measure ease of business at 183 countries worldwide. This Study will use the same measuring instruments used at cities worldwide which conduct Sub-national Study of Doing Business. Such instruments consist of three topics to be measured, i.e. Starting Business, Dealing with Construction Permits, and Registering Property. Although we use the study approach applied by IFC in Doing Business as our method base, however, this Study will also be completed with such measurements which are easy to follow, and be made in harmony with 17 action plans that have been prepared by the central government. This Study will focus on authorities of regional government for the abovementioned 17 action plans, therefore this Study will only evaluate those of regional government's domain.

In addition, the Study will use standardised assumptions for each region to enable to make comparison within regions and at the same time to cross-check validity of information obtained. Finally, such obtained data can be used not only to pay attention on level of constraint to do business at a region, but also to identify source of such constraint and show rooms for reform.

3.2. Data and Data Collection

3.2.1. Kinds of Data

Kinds of data used in this Study consist of primary and secondary data. Primary data include various deep information regarding business ease condition and various constraints and challenges on action plan implementation in investment climate improvement in the regions.

Secondary data are applicable laws and regulations at central as well as regional levels, data on number of permits that shall be processed by entrepreneurs and other data required to support Study analysis.

Secondary data can be obtained from Local Government website, Bureau of Law of the Local Government, Central Agency of Statistics (BPS), OSS, or other institutions.

Collected data/information use factual information concerning matters which are arranged or implemented in relation to applicable laws and regulations, and enabling one to have a cross-check (data triangulation) within resource persons as well as with supporting data. Number of respondents is not a problem, since its emphasis is on representation of relevant parties and quality of the selected resource persons. This is also supported by prevailing regulations and records on regulation implementation practices at various relevant agencies.

3.2.2. Data Collection Technique and Source of Data

In order to respond to the Study queries, collection of data and information is conducted by using two methods, i.e.:

1. In-depth interview

This method is a qualitative research technique carried out by making intensive and deep interview in order to get information and perspective of the resource person. Such resource persons are as follows:

A. Entrepreneurs

- Land Deed Official (PPAT)
- Notary
- Entrepreneur Association
- Local Government-owned Potable Water, Inc. (PT. PDAM)
- Telecommunication, Inc. (PT. Telekomunikasi).

B. City Government

- OSS (PTSP)
- National Land Board (BPN)
- Local Government Agency of Manpower (Dinas Tenaga Kerja)
- Regional Social Security Operating Agency (BPJS Daerah)

- Regional Investment Coordinating Board (BKPMMD)

2. Focus Group Discussion (FGD)

FGD is a process of collecting certain, very specific information by having group discussion, wherein each participant is expected to be actively involved in the discussion. The aim of FGD is to gain input or information regarding a particular, specific problem.

In this Study, FGD is conducted to confirm interim finding(s) and to gain comprehensive inputs to be used for study analysis and reporting. FGD involves a certain number of representatives of related parties from central as well as region. During the discussion the local government is given opportunity to present his/her response (right of reply). FGD resource persons to be invited are as follows:

A. Entrepreneurs

- Entrepreneur Association
- Notary and PPAT Association

B. City Government

- OSS (PTSP)
- National Land Board

C. Government

- Indonesia Investment Coordinating Board
- National Land Board
- Ministry of Law and Human Rights
- Ministry of Manpower and Transmigration
- Ministry of Trade
- Ministry of Finance
- Ministry of Industry
- Social Security Agency (BPJS)
- Telecommunication, Inc

- 2). Economic characteristic with secondary and tertiary sectors as its base:
Manufacture, trade, and services which are secondary and tertiary sectors have been prime mover for the economy at the four cities being the study locations. Therefore, business ease has strong influence on the coming investment to the two sectors.
- 3). Representation of big islands in Indonesia:
The four cities represent big islands in Indonesia; Java Island is represented by Surabaya City, Sumatera Island by Medan City, Kalimantan Island by Balikpapan City, and Sulawesi by Makassar City.

It is to be noted that the abovementioned four cities were also study locations for previous 2010 and 2012 DB subnational Studies. Findings regarding business ease at the two periods can be important initial information to enrich this evaluation Study.

3.4. Analytical Method

Analytical method that will be used is descriptive analysis. Descriptive analysis is such an analysis to present and explain data, observation result, FGD, and resource person interview result. This analysis is aimed to get a picture on ease of business at four cities studied and to measure effectiveness of action plan implementation to improve investment climate in the regions.

Standardised assumptions used for each region also enable to make comparison within regions and also to cross-check validity of information obtained. Finally, such obtained data can be used not only to focus on level of constraint in business at a region, but also to identify source of such obstacle and show rooms for making a reform:

3.3. Research Location

The Study is conducted at sample locations representing biggest economic centers in Indonesia. The four cities to be the Study locations are:

1. Medan
2. Surabaya
3. Balikpapan
4. Makassar

Selection of the four locations is based on three reasons, i.e.:

- 1). Economic volume:
The four selected cities are cities of greatest economy. Such economic volume can be seen from Gross Regional Domestic Product (GRDP) of each city.

3.4.1. Measurement Instrument of Starting Business

Procedure: is meant as any interaction made by company founder with outsider, such as government agencies, lawyer, auditor, or notary. Interaction made between company founder or company official with company worker is not seen as separate procedure. Such procedures before or after company establishment which are obligatory for an entrepreneur in order to run business legally, will be recorded in procedure category.

Cost: only comprises of cost and legal tax. Bribes are exempted. If possible, it is suggested to include all relevant costs or calculation formulae (for example, in a certain percentage of the company's capital). Cost for professionals (notary, lawyer, or accountant) is only included if the company is obliged to use such services.

Time duration: is recorded based on calendar days and consists of average duration of each procedure. Span of time of each procedure starts from submission of application for the first time, and ended when the company has received final documents, such as company registration certificate or taxpayer identification number (NPWP) (for example: including time needed for making appointment with notary or waiting time spent after submission of document. It is assumed that the entrepreneur has never had any relations to any officials).

3.4.2. Measurement Instrument of Dealing with Construction Permits

Procedure: is meant as any interaction or contact made by Employee or Manager of the Company (Build Co.) with parties outside company organisation (Build Co.). It includes contacts with government offices, notary, National Land Board (BPN), real estate registry, PT PLN (Inc.), PT PDAM, PT Telkom, inspector either from government or private company, and technician (installer) who is not technician of the company (Build Co.). The procedures may be run simultaneously. Example of such procedures that are run simultaneously are given mark asterisk (*).

Cost: only comprises of legal cost. Tax that is paid just one time (not repeatedly) and needed for completing requirements of the special Project will be recorded. Bribes are exempted. If possible, mentions all relevant costs or calculation formulae (for example, in a certain percentage of the warehouse value). Cost for professionals (engineers' association, private enterprise to conduct tests, and so on) is only included if the company is obliged to use such services.

Time duration: is recorded based on calendar days; and minimum time for each procedure is 1 day. Time is calculated based on average duration needed by the respondent to complete one procedure in practice. Time duration of each procedure is started from submission of application or request, and ended when

the company has received final document or service as requested. If a procedure can be expedited legally with extra charge then fastest procedure will be selected. It is assumed that Build Co. will not waste time and has a commitment to follow all procedures without delaying. It is also assumed that Build Co. has already known all building construction requirements and their phases.

3.4.3. Measurement Instrument of Property Registration

Procedure: is defined as interactions made between buyer or seller, their agents (if the use of agents is required by prevailing laws or based on practices) or with external parties, which include government agencies, inspectors, notary, and law consultant. Interactions between company's owned authorized personnels and employees are not included in the procedure.

Cost: is recorded as a certain percentage of property value that is assumed to be equal with 50 times income per capita. It is only legal cost which is obligatory according to prevailing rules that will be recorded, including duty for transferring rights on land building, revenue stamp, and other payments that are made to property registration office, notary, public agencies or law consultant. Other tax such as tax on profit obtained in a transaction or value added tax is exempted from cost calculation. Costs borne by the buyer as well as by the seller are also calculated. If estimated costs conveyed by sources of information are different, then middle value will be reported and used.

Time Duration: is recorded in calendar day. Time measurement records middle duration that is needed to complete a procedure as stated by property registration law consultant, notary, and registration agency official. It is assumed that minimum time needed for each procedure is 1 day. Although there are procedures that may be conducted simultaneously, however, they can not be started at the same day (in other words, such procedure that can be carried out simultaneously will be started at the following day). It is assumed that an entrepreneur will not waste time and has a commitment to complete each necessary procedure without postponement. If accomplishment of a procedure can be expedited by paying additional cost, then such procedure having the shortest time is the one to be used.

4. Appendix: Summary List of Procedures for Each Indicator

4.1. MEDAN CITY

Province	: North Sumatera			
Total Area	: 265,10 km ²			
Population (2014)	: 2.122.804 person	Number of Procedure:	8	6
Density	: 8.008 person/km ²	Time (day):	34	27
GDP	: Rp 35.822.000.000.000,-	Cost (% of GDP Per Capita):	29,2	10,92
GDP Per Capita	: Rp 17.219.474,51			305,9

STARTING BUSINESS IN MEDAN CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Purchase of voucher to reserve company name in Bank BNI	1	200.000	-
2. Obtain Domicile Letter (Surat Keterangan Domisili - SKDU) from the Head of Village or the Building Owner	3	-	200.000
3. Acquiring the services of a public notary for: name reservation, obtain standard format for company's establishment deed, obtain approval for the use of company name, and obtain approval	2	6.500.000	-
4. Pay the State Treasury for the Non-Tax State Revenue (PNBP) fees for legal service at a Bank	1	1.580.000	-
5. Obtain a Taxpayer Registration Number (NPWP) and Value Added Tax (VAT) Collector Number (NPPKP) from the local Tax Office	7	-	-
6. Apply for the Business Trading License (SIUP), Company Registration Certificate (TDP), and the Nuisance Permit (HO) at the Integrated Licensing Service Agency (Badan Pelayanan Perijinan Terpadu-BPPT)	10	607.500	-
7. Register Workers to the Ministry of Manpower through Local Manpower Office	3	-	-
8*. Apply for participation in the Worker Social Security Program at the Worker Social Security Office (BPJS Ketenagakerjaan)	7	-	-
Total Time and Cost	34	8.887.500	200.000

TRANSFERING PROPERTY IN MEDAN CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Check the legitimacy and the validity of the land certificate at the local Land Agency (BPN) office	1	50.000	-
2. Seller pays the Transfer tax (PPH) at a Bank	1	81.070.474	-
3*. Buyers pays Tax on Acquisitions Rights on Land and Building (BPHTB) at the Local Revenue Office (Dispenda)	1	78.070.474	-
4. Execution of Sale and Purchase Land Deed (Akta Jual Beli) by the Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of Sub-District	2	16.214.095	-
5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer	21	1.671.409	-
6. Apply for change of the land and building tax (PBB) under the name of the buyer at the Local Revenue Office (Dispenda)	2	-	-
Total Time and Cost	27	177.076.451	-

DEALING WITH CONSTRUCTION PERMIT IN MEDAN CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Obtain a copy of land certificate legalized from BPN	1	25.000	-
2. Obtain Capability Statement of Environmental Management and Monitoring (SPPL) Approval from the Environment Control Agency-BLH	14	-	-
3. Request Building Construction Permit (IMB) at Medan City Planning and Building Agency	1	-	-
4. Receive Field Inspection and Building Plan Analyze by City Planning and Building agency (DTRB)	1	-	-
5. Obtain Building Construction Permit from City Planning and Building Agency (DTRB)	12	91.204.575	-
6. Applying for Warehouse Nisurance Permit (HO Gudang) at the Integrated Licensing Service Agency (Badan Pelayanan Perijinan Terpadu-BPPT)	7	390.180	-
7. Registering Warehouse (Warehouse Registration Certificate-TDG) at Trade and Industrie Agency	5	-	-
8. Registering PBB Warehouse at Local Office of Revenues (Dinas Pendapatan Daerah-Dispenda)	10	-	-
9. Applying for and Obtain Water Supply Connection from Local Government-owned Potable Water Company (PDAM)	20	1.000.000	-
10*. Applying for and Obtain Telephone Connection from PT Telekomunikasi Indonesia Tbk (Telkom)	6	547.500	-
Total Time and Cost	71	93.167.255	-

4.2. SURABAYA CITY

Province	: East Java		Starting Business	Registering Property	Dealing with Construction Permit
Total Area	: 333,063 km ²				
Population (2014)	: 2.813.847 person	Number of Procedure:	9	6	19
Density	: 8.449 person/km ²	Time (day):	27	36	105
GDP	: Rp 87.829.000.000.000,-	Cost (% of GDP Per Capita):	23,9	10,87	234,5
GDP Per Capita	: Rp 31.921.694,82				

STARTING BUSINESS IN SURABAYA CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Purchase of voucher to reserve company name in BNI Bank	1	200.000	-
2. Obtain Domicile Letter (Surat Keterangan Domisili Usaha - SKDU) from the Head of Village or the Building Owner	1	-	500.000
3. Acquiring the services of a public notary for: name reservation, obtain standard format for company's establishment deed, obtain approval for the use of company name, and obtain approval of the Company's Establishment Deed by the Ministry of Law and Human Rights	2	5.500.000	-
4. Pay the State Treasury for the Non-Tax Revenue (PNBP) fees for legal service at a Bank	1	1.580.000	-
5. Obtain a Taxpayer Registration Number (NPWP) and Value Added Tax (VAT) Collector Number (NPPKP) from the Local Tax Office	6	-	-
6. Apply for the Business Trading License (SIUP) at the Surabaya One Stop Shop (UPTSA)	3	-	-
7. Obtain Company Registration (TDP) from the Trade and Industry Agency (Disperindag)	3	-	-
8. Register Workers to the Ministry of Manpower through Local Manpower Office	3	-	-
9. Apply for participation in the Worker Social Security Program at the Worker Social Security Office (BPJS Ketenagakerjaan)	7	-	-
Total Time and Cost	27	7.280.000	500.000

TRANSFERING PROPERTY IN SURABAYA CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Check the legitimacy and the validity of the land certificate in the Local Land Office (BPN)	1	50.000	-
2. Seller pays the transfer tax (PPh) at State-Owned Bank	1	81.070.474	-
3*. Buyer pays Tax on Acquisition on Land and Building (BPHTB) at Local Revenue Office (Dispenda) or Jatim Bank	1	77.320.474	-
4. Execution of sale and purchase of the Land Deed (Akta Jual Beli Tanah) by Land Deed Official (PPAT) appointed by Head of the National Land Office or the local Head of a Sub-District	3	16.214.095	-
5. Registration of Land Deed at the Local Land Office (BPN) under the name of the buyer	30	1.671.409	-
6. Apply for change of the land and building tax (PBB) under the name of the buyer at the Local Revenue Office (Dispenda)	1	-	-
Total Time and Cost	36	176.326.452	-

DEALING WITH CONSTRUCTION PERMIT IN SURABAYA CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Legalize a Copy of Land Ownership Certificate with a Notary	1	50.000	-
2. Request City Planning Statement (SKRK) at the Surabaya One-Stop Shop (UPTSA)	1	-	-
3. Recive Inspection on a City Planning Statement (SKRK) application from City Planning Agency (Dinas Cipta Karya dan Tata Ruang)	1	-	-
4. Pay Retribution at Jatim Bank Counter at the UPTSA	1	450.000	-
5. Obtain City Planning Statement (SKRK) at the UPTSA	14	-	-
6. Obtain Environmental Monitoring Plan and Environmental Management Plan (UKL-UPL) Approval from Local Environmental Control Agency (BLH)	30	-	-
7*. Process Traffic Impact Analysis (Andalalin) Recommendation in the form of Approval Letter on Traffic Management Plan to Local Transportation Agency (Dinas Perhubungan)	10	-	-
8*. Obtain Approval on Drainage Plan on Public Work Agency (Dinas PU dan Bina Marga)	10	-	-
9. Request Building Construction Permit (IMB) at the Surabaya One-Stop Shop (UPTSA)	1	-	-
10. Pay the Retribution on Building Construction Permit at Jatim Bank Counter at the One-Stop Shop (UPTSA)	1	65.550.240	-
11. Obtain Building Construction Permit at the Surabaya One-Stop Shop (UPTSA)	18	-	-

DEALING WITH CONSTRUCTION PERMIT IN SURABAYA CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
12. Request Nuisance Permit (Hinder Ordinantie-HO/Izin Gangguan) at Surabaya One-Stop Shop (UPTSA)	1	-	-
13. Receive Inspection on Nuisance Permit application from Local Environmental Control Agency (BLH)	1	-	-
14. Pay the Retribution on Nuisance Permit (HO) at Jatim Bank Counter at the Surabaya One-Stop Shop (UPTSA)	1	3.901.800	-
15. Obtain Nuisance Permit (HO) at the Surabaya One-Stop Shop (UPTSA)	11	-	-
16. Register Warehouse (TDG) from the Surabaya One-Stop Shop (UPTSA)	4	-	-
17. Register Land and Building Tax (PBB) at Local Revenue Agency (Dinas Pendapatan dan Pengelolaan Keuangan Daerah/ Dispenda)	1	-	-
18. Request and Connect to Water and sewage with from Local Water Company (PDAM)	18	935.000	-
19. Request and Connect to Telephone with PT Telekomunikasi Indonesia Tbk (Telkom)	6	547.500	-
Total Time and Cost	105	71.434.540	-

4.3. BALIKPAPAN CITY

Province	: East Kalimantan		Starting Business	Registering Property	Dealing with Construction Permit
Total Area	: 503,3 km ²				
Population (2014)	: 684.339 person	Number of Procedure:	9	6	10
Density	: 1.360 person/km ²	Time (day):	27	24	45
GDP	: Rp 11.303.000.000.000,-	Cost (% of GDP Per Capita):	30,5	10,92	199,5
GDP Per Capita	: Rp 20.271.566,90				

STARTING BUSINESS IN BALIKPAPAN CITY

Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Purchase of voucher to reserve company name in Bank BNI	1	200.000	-
2. Acquiring the services of a public notary for: name reservation, obtain standard format for company's establishment deed, obtain approval for the use of company name, and obtain approval of the company's establishment deed from the Ministry of Law and Human Rights	2	5.720.000	-
3. Pay the State Treasury for the Non-Tax State Revenue (PNBP) fees for legal service at a Bank	1	1.580.000	-
4. Arrange for Nuisance Permit (Ijin Gangguan Usaha-HO) at the Investment and Licensing Agency (BPMP2T)	7	1.800.000	-
5. Obtain a Business Domicile Letter (SKDU) from the Head of Local Borough (Kelurahan setempat)	1	-	500.000
6. Obtain a Taxpayer Registration Number (NPWP) and a Value Added Tax Collector Number (NPPKP) from the Madya Tax Office	2	-	-
7. Apply for a Business Trading License (Surat Izin Usaha Perdagangan-SIUP) and Company Registration (Tanda Daftar Perusahaan-TDP) at the Investment and Licensing Agency (Badan Penanaman Modal dan Pelayanan Perijinan Terpadu-BPMP2T)	5	-	-
8. Register to the Local Manpower and Social Affairs Office (Disnakersos) at Balikpapan City	1	-	-
9. Apply for participation in the Worker Social Security Program at the Worker Social Security Office (BPJS Ketenagakerjaan)	7	-	-
Total Time and Cost	27	9.300.000	500.000

TRANSFERRING PROPERTY IN BALIKPAPAN CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Check the legitimacy and the validity of the land certificate at the local Land Agency (BPN) office	1	50.000.00	-
2. Seller pays the Transfer tax (PPH) at a Bank	1	81.070.474	-
3*. Buyers pays Tax on Acquisitions Rights on Land and Building (BPHTB) at the Local Revenue Office (Dispenda)	1	78.070.474	-
4. Execution of sale and purchase of the Land Deed (Akta Jual Beli Tanah) by Land Deed Official (PPAT) appointed by Head of the National Land Office or the local Head of a Sub-District	1	16.214.095	-
5. Registration of Land Deed at the Local Land Office (BPN) under the name of the buyer	21	1.671.409	-
6*. Apply for change of the land and building tax (PBB) under the name of the buyer at the Local Revenue Office (Dispenda))	1	-	-
Total Time and Cost	24	177.076.451	-

DEALING WITH CONSTRUCTION PERMIT IN BALIKPAPAN CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Obtain Recommendation Letter for Environmental Management Plan and Environmental Monitoring Plan (UKL/UPL) at the Local Environmental Agency (BLH) of Balikpapan City	14	-	-
2. Request Building Construction Permit (IMB) at Investment and Licensing Agency (BPMP2T)	1	-	-
3. Receive Field Inspection and inspection minutes by the Local Agency of City Planning and Housing (DTKP)	5	-	-
4. Obtain Local Retribution Letter (Surat Keterangan Retribusi Daerah, SKRD) and Paying Retribution at DTKP Counter	1	49.747.950	-
5. Obtain Building Construction Permit (IMB) at Licensing Agency (BPMP2T)	2	-	-
6. Obtain Nuisance Permit for Warehouse Building at BPMP2T	5	7.803.900	-
7. Register the Warehouse (Tanda Daftar Gudang -TDG) at BPMP2T	7	100.000	-
8*. Making Revisions of the Data in the Land and Building Tax (PBB) at Local Office of Regional Revenues (Dispenda)	1	-	-
9*. Gaining Telephone Connection at PT Telkom	7	547.500	-
10*. Obtaining Water Supply from Local Government-owned Potable Water Company (PDAM) at Balikpapan City	17	2.476.600	-
Total Time and Cost	45	60.675.950	-

4.4. MAKASSAR CITY

Province	: South Sulawesi		Starting Business	Fegistering Property	Dealing with Constraction Permit
Total Area	: 199,26 km²				
Population (2014)	: 1.338.665 person	Number of Procedure:	8	8	10
Density	: 6.719 person/km²	Time (day):	25	26	48
GDP	: Rp 16.252.000.000.000,-	Cost (% of GDP Per Capita):	31,8	10,92	262,6
GDP Per Capita	: Rp 12.140.471,50				

STARTING BUSINESS IN MAKASSAR CITY

Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Purchase of voucher to reserve company name in Bank BNI	1	200.000	-
2. Obtain Domicile Letter (Surat Keterangan Domisili - SKDU) from the Head of Village or the Building Owner	2	-	500.000
3. Acquiring the services of a public notary for: name reservation, standard format for company establishment certificate, gaining approval for the use of company name, and validation of the company's Establishment Deed by the Ministry of Law and Human Rights	2	7.000.000	-
4. Pay the State Treasury for the Non-Tax State Revenue (PNBP) fees for legal service at a Bank	1	1.580.000	-
5. Obtain a Taxpayer Registration Number (NPWP) and Value Added Tax (VAT) Collector Number (NPPKP) from the local Tax Office	6	-	-
6. Apply for the Business Trading License (SIUP), Company Registration Certificate (TDP), and the Nuisance Permit (HO) at the Integrated Licensing and Investment Agency (BPTPM)	5	900.000	-
7. Register Workers to the Ministry of Manpower through Local Manpower Office	3	-	-
8*. Apply for participation in the Worker Social Security Program at the Worker Social Security Office (BPJS Ketenagakerjaan)	8	-	-
Total Time and Cost	25	9.680.000	500.000

REGISTERING PROPERTY IN MAKASSAR CITY

Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Check the legitimacy and the validity of the land certificate at the local Land Agency (BPN) office	2	50.000	-
2. Gaining approval/validation on the purchase transaction value by the Local Government Office of local Revenues (Dispenda)	6	-	-

REGISTERING PROPERTY IN MAKASSAR CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
3. Seller pays the Transfer Tax at a Bank	1	81.070.474	-
4*. Buyers pays Tax on Acquisitions Rights on Land and Building (BPHTB) at the Local Revenue Office (Dispenda)	1	78.070.474	-
5. Execution of Sale and Purchase Land Deed by the Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of Sub-District	1	16.214.095	-
6. Registration of the Land Deed at the Local Land Office (BPN) under the name of the buyer	14	1.671.409	-
7. Gaining approval of letter requesting issuance/correction of land and building tax in the Village Office	1	-	-
8. Apply for change of the land and building tax (PBB) under the name of the buyer at the Local Revenue Office (Dispenda)	1	-	-
Total Time and Cost	26	177.076.451	-

DEALING WITH CONSTRUCTION PERMITS IN MAKASSAR CITY			
Procedure	Time (Day)	Cost (Rp)	Unofficial Cost (Rp)
1. Obtain approval on Application Letter for Building Construction Permit (IMB), a Statement Letter, Letter of No Objection From Neighborhood, and approval of applicant statement from head of Village.	2	-	500.000
2. Obtain Approval from the Sub-District Head on the Building Construction Permit Application Letter	2	-	500.000
3. Request Building Construction Permit to the Mayor through the Integrated Licensing and Investment Agency (BPTPM)	1	-	-
4. Making Payment on Building Construction Permit (IMB) Retribution at a Local Bank	1	70.642.089	-
5. Obtain Building Construction Permit from BPTPM	14	-	-
6. Applying for Warehouse Nisuanse Permit (HO Gudang) and Registering Warehouse (Warehouse Registration Certificate-TDG) at the Integrated Licensing and Investment Agency (BPTPM) of Makassar	1	7.803.600	-
7. Obtain Approval on Application letter for Issuance/Revisions of the Data in the Land and Building Tax (PBB)	1	-	-
8. Registering Warehouse (new building) at PBB Regional Technical Executive Unit (UPTD PBB) at Local Office of Revenues (Dinas Pendapatan Daerah-Dispenda)	1	-	-
9. Applying for and Obtain Water Supply Connection from Local Government-owned Potable Water Company (PDAM)	25	1.000.000	-
10*. Applying for and Obtain Telephone Connection from PT Telekomunikasi Indonesia Tbk (Telkom)	6	547.500	-
Total Time and Cost	48	79.993.189	1.000.000

List of Procedures

Starting a Business
Dealing with Construction Permits
Registering Property

» Medan City, North Sumatera «
» Surabaya City, East Jawa «
» Balikpapan City, East Kalimantan «
» Makassar City, South Sulawesi «

Medan City, North Sumatera

Starting a Business

List of Procedures

Procedure 1. Purchase of voucher to reserve company name in Bank BNI

Time : 1 Day

Cost : IDR 200.000

(for company name check and reservation)

Comments:

Applicant is required to purchase a voucher to register its name through BNI Bank. The public notary will accept the name reservation voucher and the voucher's code will be used by as the access code by the notary to check the availability of the company's name as well as reserve the name through the online AHU system. The cost that has been paid and the name reserved is valid for a maximum of 60 days after it has been paid for. The applicant can conduct this procedure independently without the help of a public notary, but in general an applicant will use the services of a notary from the name reservation until the validation of the company's Establishment Deed in the Ministry of Law and Human Rights, even up to the processing of the business operations licensing.

Legal Basis:

1. Government Regulation No. 45 Year 2014 on the Types and Tariffs of Non-Tax National Income Applied in the Ministry of Law and Human Rights;
2. Regulation of the Minister of Law and Human Rights No. 4 Year 2014 on the Procedures to Apply for Validation of Legal Entities and Approval to Change Basic Statute and Information on the Change of Basic Statute and Change to the Data of a Limited Liability Company.

Procedure 2. Obtain Domicile Letter (Surat Keterangan Domisili - SKDU) from the Head of Village or the Building Owner

Time : 3 Days

Cost : No Cost

Comments:

SKDU is a letter explaining the residential status of the business location. Applicant applies for SKDU at the Village Office by bringing its requirements such as photo copy of residence identification card (KTP) of

the company founder, and a statement letter regarding location of the company's domicile and activities. Based on such data, the Village official will input company data into the SKDU form which is available at the Village office. In general, SKDU document will be signed by the Head of Village and the Head of Sub-District as attestation. If the company resides at a building then SKDU will be processed by the building owner. Officially, there is no fee charged on this procedure, however, usually the applicant pays for unofficial fee about IDR 100,000 – 200,000.

Notes:

In principle, based on the regulation SKDU is no longer required and can be replaced by a statement letter from the company founder. However some public notary as well as local government still requires SKDU in the process of licensing and taxpayer registration number (NPWP).

Prosedur 3. Acquiring the services of a public notary for: name reservation, obtain standard format for company's establishment deed, obtain approval for the use of company name, and obtain approval of the company's establishment deed from the Ministry of Law and Human Rights

Time : 2 Days

Cost : IDR 6.500.000,- (notary's service)

Comments:

Since only a public notary have access to the online AHU system, applicant must use the services of a notary, as one authorised to access the online AHU system, to process all the procedures involved in the establishment of a company. Public notary in general offers a package of services for establishing a company, starting from name reservation up until gaining the validation of the company from the Ministry of Law and Human Rights. Many public notaries also offers package up to the business operations permit.

The output resulting from this procedure are as follows:

1. *Company name reservation;*
The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and the articles of company.

2. *Signing of the company Establishment Deed:*
Notary together with the applicants will prepare the deed of company establishment and then signed by the company's founder. The standard format of the deed company establishment was provided by the notary.

3. *Approval of the company Establishment Deed (SK pengesahan) from the Ministry of Law and Human Rights:*

Based on Article 9, 10, 29 and 30 of the Law on Limited Liability Company No. 40/2007, the public notary that works on the company Establishment Deed is obliged to forward the required documents through the electronic system to the Ministry of Law and Human Rights. The process is as follows.

- a). The notary fills in the company data through the online AHU system. The data entered are identity of shareholders, identity of directors, identity of commissioners, purpose and goal of the company, authorized capital and paid up capital, and mechanism for the division of stocks;
- b). After the data input process is finished, a notification will appear confirming that the notary has entered the data correctly and that the notary will be responsible for the data inputted;
- c). After the notary agrees to that the data has been inputted correctly, the system will give another notification for payment of the required PNPB costs;
- d). The notary will pay the PNPB cost through the assigned bank, which is BNI;
- e). After the payment is done, another notification will automatically appear in the AHU online system that the payment has been completed and that the validation letter can be printed. The notary can print the company validation letter then;
- f). The physical document will be sent to the State Printing Office, and then the company will receive around 100 copies of the State announcement. The process to receive this state print document will take some time, on average between 6 months to 1 year.

The period needed to complete this procedure is two days. The process that will be done by the notary is as follows.

1. The first day, the notary (can be done together with the applicant) reserve the name as well as generate

the standard format for the deed establishment, and then the Establishment Deed is signed by the company's founder;

2. The second day, based on the signed Establishment Deed, the notary will enter the online AHU system and input the necessary company data. Once completed, and the non-tax State Revenues (PNBP) paid to the bank, the notary can print out the approval (SK Pengesahan) of the company deed establishment.

The cost prescribed here is the cost of the notary for services rendered. The amount can be different depending on the deal made between the notary and the applicant. In general, notaries in the Medan City ask for IDR 6,500,000, for a service package up to the validation of the company Deed by the Ministry of Law and Human Rights.

Legal Basis:

1. Law No. 40 Year 2007 on Limited Liability Company;
2. Government Regulation No. 46 Year 2014 on the Types and Tariffs of Non-Tax National income Applicable in the Ministry of Law and Human Rights;
3. Regulation of the Minister of Law and Human Rights No. 4 Year 2014 on the Procedures to Apply for Validation of Legal Entities and Agreement to Change Basic Statute and Information on the Change of Basic Statute and Change to the Data of a Limited Liability Company.

Procedure 4. Pay the State Treasury for the Non-Tax State Revenue (PNBP) fees for legal service at a Bank

Time : 1 Day

Cost : IDR 1.580.000,-

(IDR 1,000,000 for validation of the company's legal status + IDR 30,000 for announcement of the Limited Liability Company in the State Gazette of the Republic of Indonesia (BNRI) + IDR 550,000 for publication of the Limited Liability Company in the Supplement to the State Gazette of the Republic of Indonesia (TBNRI))

Comments:

This procedure is basically paying the PNPB costs for the process of company validation in the Ministry of Law and Human Rights. After signing of the company Establishment Deed, the notary would input the company data into the online AHU system. After the

data is inputted correctly, a notification will appear to pay the PNB. The notary will pay the PNB cost to the assigned bank which is BNI. The notary will then receive a PNB receipt from the bank. After the fees are paid, another notification will appear which allows the notary to printout the validation letter without the need to upload the receipt of the PNB. The obligation to pay the PNB for legal services involved in the establishment of a small scale limited liability company is prescribed in the Government Regulation No. 38 Year 2009 on the Type and Tariffs of Non-Tax National Income, which replaces the previous Government Regulation No. 19 Year 2007.

Legal Basis:

1. Government Regulation No. 46 Year 2014 on the Types and Tariffs of Non-Tax National Income Applied in the Ministry of Law and Human Rights.

Procedure 5. Obtain a Taxpayer Registration Number (NPWP) and Value Added Tax (VAT) Collector Number (NPPKP) from the local Tax Office

Time : 7 Days

Cost : No Cost

Comments:

Maximum one month since business operation starts, the company has to register itself to the Tax Office. The company is also obliged to obtain Value Added Tax Collector Number (NPPKP) if it is estimated that its yearly earnings will exceed IDR 600 million from selling of goods and services. NPWP and NPPKP can be processed simultaneously, however, NPPKP process needs more time since it requires field inspection. Such inspection process does not need presence of the applicant. Requirements for applying NPWP and NPPKP are: Applicant's residence identification card (KTP), Company Establishment Deed, AHU validation deed, photo.

Following is the process to gain NPWP and NPPKP:

1. Fill in the application form and attach Company's Establishment Deed, a letter explaining business activities, and residence identification card (KTP) of the Company's management personnels.
2. Register such documents to the local Tax Office. The applicant will receive a receipt of document submission.
3. NPWP card is issued and can be picked up directly by the owner or will be sent by mail, while NPPKP will be sent later. Sending the documents by mail

is also intended to verify company's location at once, however, such procedure just causes delay in receiving NPWP by the applicant.

Note:

Application for NPWP can also be carried out on-line, but the applicant still has to submit required documents physically. Most of them prefer to come to Tax Office directly.

Procedure 6. Apply for the Business Trading License (SIUP), Company Registration Certificate (TDP), and the Nuisance Permit (HO) at the Integrated Licensing Service Agency (Badan Pelayanan Perijinan Terpadu-BPPT)

Time : 10 Days

Cost : IDR 607,500,-

(for the Nuisance Permit-HO, while for SIUP and TDP there are no fees).

Comments:

Based on the Mayor Regulation No. 6 Year 2010 on task and function of the Integrated Licensing Service Agency (BPPT), SIUP, TDP, and HO can be processed parallelly at BPPT. The applicant is just required to attach one bundle of documents for the three permit applications.

Following are the requirements that shall be attached (Article 7 point 1 and 2 of the Local Regulation No. 22/2002):

1. Fill in the letter of application;
2. Photo copy of valid ID card (KTP) of the owner or the person responsible for the company;
3. Copies of 3x4 cm colour photo of the person responsible for the company, 3 pieces;
4. Photo copy of NPWP of the owner/responsible person or NPWP of the company;
5. Photo copy of Company's Establishment Deed including attested copy of Ministry of Law and Human Rights' validation;
6. Attested copy of business location ownership status (rent/own);
7. Photo copy of Tax Assessment (SPPT) and evidence of Land and Building Tax of the most recent year.

Applicant brings such documents for parallel permit application to the BPPT service Counter. Following is the permit process at BPPT:

1. Applicant applies for parallel permits to the BPPT

- service Counter;
2. The counter official will check whether the document is complete or not, completeness, input the data to the system and give a document receipt to the applicant;
 3. The Service Division Head will re-examine such document which has been declared as administratively and technically complete then will forward it to the technical team;
 4. The Technical Team will examine technically and make a field inspection. Result of the inspection will be written in a control card. Technical Team will also generate recommendation to issue permit and make calculation of retribution;
 5. Recommendation result from the Technical Team will be sent to the Division Head to be re-examined and then it will be handed to the secretary and to the Agency Head for further analysis and followed by issuance of the permit.
 6. The treasurer will prepare payment receipt and the Applicant pays retribution already calculated. The Applicant may take the issued permit after retribution.

The parallel process for permit application requires 10 days duration (and ISO since 2012). This is in line with the BPPT SOP.

According to central government regulations, which are stipulated in the Regulations of the Minister of Trade No. 46/M-DAG/2009 on SIUP and No. 37/M-DAG/2007 on TDP; there shall be no charges upon SIUP and TDP processes. Although the Local Regulations on SIUP and TDP have not been revised, however, Local Government of Medan City has been following national instructions. These regulations represent government's incentives to motivate companies to formalize their business.

In such package of permit process, only nuisance permit/HO will be imposed. Following is the formula used in computation of retribution on HO permit:

Formula for computation of nuisance Permit retribution for a NON-INDUSTRIAL company (Article 20 of the Local Regulation No. 22/2002 and Decision Letter of the Medan Mayor No. 47 Year 2002 Article 7, 8, 9, and 10):

Retribution Tariff = Environment Tariff x Location Index x Nuisance Index x Business Total Area x Building Total Area Index x Type of Business Index x

Type of Building Index

Looking at the study assumption and based on the Local Regulation, computation of the cost that shall be borne when applying a Disturbance Permit is as follows:
Environmental Tariff:

= IDR 450,- for Business Area

Location Index:

= 3 (Main Road city center)

Disturbance Index:

= 1 (Small)

Business Total Area:

= 100 m²

Building Total Area Index

= 2,25 (more than 40m²-100m²)

Type of Business Index:

= 1 (trading)

Types of Building Index:

= 2 (permanent)

HO Retribution:

= IDR 450 x 3 x 1 x 100 x 2,25 x 1 x 2

= IDR 607.500,-

Procedure 7*. Register Workers to the Ministry of Manpower through Local Manpower Office

Time : 3 Days

Cost : No Cost

Comments:

In accordance with Law No. 7/1981, companies with more than 10 workers or which pays wages IDR 1 million monthly is obliged to register at the Manpower Ministry.

In the process, the applicant will receive a receipt for the documents submitted. The local Manpower Office (Disnaker) will verify and issue an official registration letter to the applicant. The applicant will then return to the Manpower Office to collect the letter.

The procedure can be completed at the same time with the other post registration procedures by submitting an obliged report pertaining to manpower to the local Manpower Office.

Legal Basis:

1. Law No. 7 Year 1981 on the Company Obligation to Report Manpower Issues;
2. Regulation of Manpower and Transmigration Minister No. PER.14/MEN/IV/2006 on the Procedures for Companies to Report Manpower Issues;

3. Decree of Manpower and Transmigration Minister No. SE.3/Men/III/2014 on the Implementation of Companies Obligation to Report Manpower Issues.

**) An unofficial fee is about IDR 500,000.*

Procedure 8*. Apply for participation in the Worker Social Security Program at the Worker Social Security Office (BPJS Ketenagakerjaan)

Time : 1 Day

Cost : No Cost

Comment:

Based on Law No. 24 Year 2011 article 14, everyone including foreigner who works for a minimum of 6 months in Indonesia must become a participant of the Social Security program. Article 15 stipulates that the Employer is obliged to register him/herself and his/her workers as participants to the Social Security Office (BPJS) in accordance with the social security program to be followed. Such registration may be carried out in stages.

Registration of the workers are made to the Worker Social Security Office (BPJS Ketenagakerjaan) as the appointed agency by the government to implement social security program

The following is the procedures to apply for participation (registering workers) in the program at the Worker Social Security Office:

1. Manually: Applicant fills in F1 form (the form can be accessed through the website) with personal data of the applicant. When coming to the Social Security Office, applicant may be represented by his/her consultant or the applicant him/herself. The applicant attaches required documents such as business permit documents (SIUP, SITU, TDP). No need for attested Company establishment certificate.
2. Online application: the applicant can enter the registration data on the BPJS online application system directly, and fills in the amount of contributions to be paid. The contributions consists of Work Injury benefits (JKK), Retirement benefits (JHT), Death benefits (JK). Once entered into the current account (RC) of BPJS, then the BPJS system will update the company data entered. With that data, the contribution that must be paid by the company will be created. The payment can be done through e-payment and not through virtual account. Currently, there are

4 banks have a cooperation with Worker Social Security Agency, namely BNI, Bukopin, BRI and Mandiri. Once payment is made, then the BPJS card will be issued, as long as there is no data change with what is available at the BPJS database.

3. Registration for e-payment; the company must first register an account at the BPJS system with a corporate email and they will get a booking code No., then they shall come to the appointed bank to pay their contribution. Through the e-payment system, BPJS no longer accepts cash payment or office transaction but all goes through the appointed bank. The e-payment application can be done through e-banking or sms-banking etc.

Time needed: is one working day since the complete set of documents is submitted and the first contribution paid (one day service). Come today, pay today, as stipulated in the blueprint service standard of Worker Social Security Office (BPJS blueprint service standard).

Fee: There is no fee for BPJS process. If a consultant processes the application, there will be some fee for the consultant's service, for example IDR 100,000 per month as a stimulant for the consultant in assisting BPJS.

Legal Basis:

1. Law No. 3 Year 1992 on the Worker Social Security;
2. Law No. 40 Year 2004 on the National Social Security System;
3. Law No. 24 Year 2011 on the Social Security Implementing Agency;
4. Government Regulation No. 83 Year 2013 on Revisions to Government Regulation No. 14 Year 1993 on the Worker Social Security Program Implementation.

Source: www.bpjsketenagakerjaan.go.id

Notes:

To raise social security participants, City Government of Medan makes an MOU of cooperation with Worker Social Security Agency, such as placing a BPJS official at BPPT Office, so that people can either register for participation in BPJS program or get information pertaining to BPJS.

In accordance with Regulation of the Medan Mayor No. 21 Year 2014 on Worker Social Security participation obligation as a condition for obtaining certain public services, Articles 4 and 5 stipulate that every employer and worker is obliged to become participant of the

Worker Social Security, and certificates of participation and payment receipt of the last contribution validated by the BPJS Ketenagakerjaan will become evidences which shall be attached in applying for public services in Medan City including in processing business permit, participation in government project, and building construction permit. If such regulation is not followed, a punishment such as must not receive certain public services will be applied.

Several facilities in the BPJS Ketenagakerjaan system:

1. Access to service through 174 branch offices and 512 outlets in cities/regencies all over Indonesia;
2. Access to service through banking network;
3. Access to service through e-channels with features such as e-registration, e-payment and e-claim;
4. Ease of administrative process of participants data;
5. Payment of contribution through virtual account mechanism in Mandiri, BNI, BRI and Bukopin Banks;
6. Access to information on Worker Social Security Agency program (Program BPJS Ketenagakerjaan) through website, sms, call centre and banking network (branch offices, ATMs and mobile access);
7. Value creation from the Worker Social Security Agency program (Program BPJS Ketenagakerjaan) through improving the participant card by the smart card concept.

**) This procedure can be done simultaneously with the previous procedure.*

Dealing with Construction Permits

List of Procedures

Procedure 1. Obtain Legalized Copy of Land Ownership Certificate from Local Land Office (BPN)

Time : 1 Day

Cost : IDR. 25.000,-

Comments:

In order to follow administration procedures that are required for building a warehouse, the company shall legalize land ownership certificate copy at the National Land Board (BPN).

Procedure 2. Obtain Environmental Statement (SPPL) Approval from Local Environmental Control Agency (BLH).

Time : 14 Days

Cost : No Cost

Comments:

SPPL is a letter to declare ability of the person responsible for business and/or activities to carry out management and monitor the environment on environmental impact outside the business and/or such activities that are obliged for AMDAL and UKL/UPL. The form for applying SPPL is available at the relevant Local Government Office, in accordance with the Ministerial Regulation Number 7 Year 2012 on Environmental Permit.

SPPL document contains information relevant to the following:

- a. Identity of the initiator;
- b. Brief information concerning business activities;
- c. Brief information related to environmental impact which may occur and some measures of environmental management that will be carried out;
- d. A declaration letter on the ability to carry out environmental management and monitoring efforts;
- e. Signature of the initiator on the letter with stamp duty.

Requirements to apply for SPPL at BLH:

1. Company Establishment Deed;
2. Permits that have been obtained (if any);
3. Type of business plan/activities;
4. Residence Identification Card (KTP) of the owner;
5. Site Plan of the location;
6. Address of the company and company owner and or activities;
7. Business capital/activity;
8. Letter of no objection from the neighborhood; such letter shall be acknowledged by the Borough Head and the Neighborhood Head.

In SPPL application process, the company's architect shall arrange SPPL document and submit it to the Environmental Control Agency (BLH) together with registration form. BLH will visit location of the building before giving its approval. Presence of the company's representative is not needed during such field visit. If there is no response or information forwarded by BLH within 14 days since submission of application, the company may automatically assume that approval has been issued.

Legal Basis:

1. Regulation of the Minister of Environment Number 7 Year 2012 on Environmental Permit;

2. Law Number 32/2009 on Environmental Protection and Management;
3. Regulation of the Mayor of Medan Number 29 Year 2010, dated 24 May 2010, point 6 on Activities and Building that require Environmental Permit.
- l. No objection statement from community living within long distance radius for telecommunication tower construction application.

Procedure 3. Applying for Building Construction Permit (IMB) at the City Planning Agency (Dinas Tata Ruang dan Bangunan Kota Medan)

Time : 1 Day

Cost : No Cost

Comments:

(process staging of IMB application will be described more detail at each relevant procedure).

To process Building Construction Permit (IMB), a company has to submit following documents:

- a. Completely filled registration form;
- b. Photo copy of the Director's KTP;
- c. Photo copy of Company's Establishment Deed;
- d. Photo copy of PBB payment receipt and Notification letter of tax assessment (SPPT);
- e. Photo copy of the land ownership Certificate that has been validated by BPN:
 - ✓ Photo copy of land letter which has been validated by the Sub-District Head (for such land that has not yet been processed for certificate);
 - ✓ Photo copy of land ownership deed which was issued and validated by a public notary;
 - ✓ A declaration letter, issued by the Head of local sub-district, declaring that the land is not in conflict/dispute for processing IMB;
 - ✓ A letter of recommendation from a Bank for such land that presently is being a collateral.
- f. A recommendation from technical agencies in particular for construction of worship building, funeral home, gasoline station/LPG station, education infrastructure, health infrastructure, sport infrastructure, and telecommunication tower;
- g. Letter of authorization for Applicant who is not the land owner;
- h. Photo copy of company establishment deed for Applicant which is a legal entity;
- i. Design drawing for fence construction application;
- j. Photo copy of rental agreement, legalized by a public notary for Applicant who rents and uses the building temporarily or less than 5 years;
- k. No objection statement from the neighbors who directly bordering with worship building, funeral home, gasoline station/LPG station, education

infrastructure, health infrastructure, and sport infrastructure;

Technical Requirements:

1. Structural drawing/site plan and soft drawings, prepared by the company's architect.
2. Guarantee letter of structural strength made by a consultant or certified planner for such IMB application of additional storey

Applicant registers IMB application together with the above mentioned required documents to the registration Counter at the City Planning Agency. The General Affairs Division will verify completeness of the documents. After the documents stated as complete, the Applicant will be given a number; following it the documents will be forwarded to the Mapping Division with an attention to the Secretary of the City Planning Agency

To understand the whole process of IMB application, following is the process staging since registering the application document until issuance of IMB

Legal Basis:

Local Regulation Number 5/2012 on IMB Retribution.

Note:

In processing IMB at Medan City, there is no such condition as to obtain pre-construction permits such as principle permit, KRK, or Planning Advise. In applying a warehouse IMB there is no requirement to prepare UKL/UPL if it is assumed that such warehouse will not disturb the surrounding environment and as long as construction of the warehouse is in line with purpose of the building. If from operational aspect it is considered disturbing, the BLH Office will take some measures. Such simplification of the procedure, i.e. cancellation of pre-construction permits is stipulated in the Local Regulation Number 5 Year 2012 on IMB Retribution.

Since 1995 city planning of Medan City has put restriction on warehouse construction that is stand alone. There are only 3 Sub-Districts allowed, i.e. Subdistricts of Belawan, Deli, and Labuhan and Warehouse area.

Procedure 4. Having Location Inspection and Drawing Analysis by the City Planning Agency

Time : 12 Days

Cost : No Cost

Comments:

After application documents submitted by the Applicant are stated as complete, they will be forwarded to Mapping Division. After that the Measurement Section Chief accompanied with the Applicant or authorized person will conduct field inspection to examine accuracy of the site plan drawing in the field, and then the document will be handed to the Mapping Section Chief for plotting into the database. Examination result of the field inspection will be forwarded to the Planning Division. The Planning Division will make some corrections on the building construction drawing and make some adjustments with existing city planning. If approved, the documents will be forwarded to the Layout Planning Division for calculation of retribution fee that will be imposed on the Applicant.

- ✓ Permanency: Permanent = $0,20 \times 1,00 = 0,20$
- ✓ Fire risk: High = $0,15 \times 1,00 = 0,15$
- ✓ Earthquake Zoning: Great = $0,15 \times 0,40 = 0,06$
- ✓ Density Zoning: Medium = $0,10 \times 1,00 = 0,10$
- ✓ Height: Low = $0,10 \times 0,40 = 0,04$
- ✓ Ownership: Business entity = $0,05 \times 1,00 = 0,05$

+

$Ik = 0,85$

$It = 0,85 \times 3,00 \times 1,00 = 2,55$

RPPBG = $1.300,6 \times 2,55 \times \text{IDR } 27.500 \times 1,00$
= IDR 91.204.575,-

Total IMB Retribution Fee = IDR 91.204.575

Source:

DTRB of Medan City. In the context of supervision and development, the Local Office of City and Building Planning has an authority to conduct supervision and taking some measures during construction period of the warehouse, while supervision and development at post-construction period (operation of the warehouse) are the authority of other Local Government Agencies, in this case is the Local Office of Industry and Trade as the issuer of Warehouse Registration Certificate (TDG).

Procedure 5. Obtain Building Construction Permit (IMB) at the City and Planning Agency

Time : 1 Day

Cost : IDR 91.204.575,-

(simulation of calculation can be seen at the description below)

Comments:

After the document approved and there is no more problem at the drawing as well as at environmental conservation issue, Section Chief of Conservation will prepare IMB draft. For such IMB application having less than 400 m² total area it will need signature of DTRTB Head, while for warehouse total area having more than 400 m² it will be signed by the Mayor.

Based on the Local Regulation Number 5 Year 2012 and assumption used in this research, following is a simulation on IMB calculation:

Simulation on Calculation of IMB Retribution Fee:

Use of the Building = Total area of the location 929 m² (10.000 feet), warehouse area 2-storey Warehouse Building, on the ground (no underground), total area of the building 1.300,6 m² (14.000 feet). Height of each floor is 3 meters (9 feet and 10 inches). Used for storing non-hazardous goods, such as books. Estimated value of the Warehouse is IDR 4,552,100,000,-

A. Function: Business

Classification Index:

- ✓ Complexity: Special = $0,25 \times 0,40 = 0,10$

Procedure 6. Applying for Warehouse Nuisance Permit (HO) at the Integrated Licensing Service Agency (BPPT)

Time : 7 Days

Cost : IDR 390.180,-

Comments:

The Applicant brings required documents to BPPT. Following are the requirements that shall be attached to the application:

- ✓ Fill in the application letter;
- ✓ Photo copy of valid residence identification card (KTP) of the owner or the responsible person;
- ✓ 3 copies of 3 x 4 cm colour photo of the person responsible for the company;
- ✓ Photo copy of taxpayer registration number (NPWP) of the owner/ responsible person or NPWP of the company;
- ✓ For such an enterprise which is a limited liability company (PT) it has to attach photo copy of the company establishment deed including its amendments together with photo copy of the attestation by the Minister of Law and Human Rights which has been validated;
- ✓ For such an enterprise which is a limited

partnership (CV) or a Firm it has to attach photo copy of the enterprise's establishment deed including its amendments which has been registered at the Court of First Instance (Pengadilan Negeri) and has been validated;

- ✓ For such a business entity in the form of a Cooperative it has to attach photo copy of its establishment deed and amendments together with photo copy of validation from the Local Office of Cooperative on behalf of the Minister;
- ✓ Photo copy of business location ownership status (rent/owned) which has been validated;
- ✓ Photo copy of tax assessment (SPPT) and payment receipt of the tax on land and building of the latest year.

Such documents that have been stated as complete will be forwarded to the Technical Team to be analyzed. The Technical Team will conduct field inspection to validate submitted data. The Technical Team will generate an Official Report on Field Survey (BAPL) and a recommendation either to approve or to reject the Disturbance Permit (HO) application. If approved, BPPT treasurer will issue a Local Retribution Letter (SKRD). After the Applicant pays the HO retribution, the HO Permit will be issued.

Following is the formula to calculate retribution on HO Permit: Formula for computation of nuisance Permit retribution for a NON-INDUSTRIAL company (Article 20 of the Local Regulation Number 22/2002 and Decision Letter of the Medan Mayor Number 47 Year 2002 Article 7, 8, 9, and 10):

Retribution Tariff = Environment Tariff x Location Index x nuisance Index x Business Total Area x Building Total Area Index x Type of Business Index x Type of Building Index

Looking at the study assumption and based on the Local Regulation, the fee that shall be borne in applying a nuisance Permit can be computed as follows:

- Environmental Tariff = IDR 200 for Warehouse Area
- Location Index = 1 (secondary roads at the outskirts of the city)
- Disturbance Index = 1 (Low)
- Total Business Area = 1.300,6 m²
- Index of Total Building Area = 0,75 (for area wider than 1000m² until 2000m²)
- Types of Business Index = 1 (trading)
- Types of Building Index = 2 (permanent)

HO Retribution = IDR 200 x 1 x 1 x 1.300,6 x 0,75 x 1 x 2
= IDR 390.180,-

Legal Basis:

- ✓ Regulation of the Minister of Home Affairs Number 27 Year 2009 on Guidelines to Determine Disturbance Permit in the Regions;
- ✓ Local Regulation of Medan City Number 22 Year 2002 on Disturbance Permit Retribution;
- ✓ Decree of the Medan City Mayor Number 47/2002 on Implementation of Local Regulation of Medan City Number 22/2002 on Disturbance Permit Retribution;
- ✓ Regulation of Medan City Mayor Number 36 Year 2010 on Delegation of Part of the Authorities on the Permit Process and Signing to the Head of Integrated Licensing Service Agency (BPPT) of Medan City.

Procedure 7. Register the Warehouse (Tanda Daftar Gudang, TDG) at the Local Industry and Trade Agency (Disperindag)

Time : 5 Days

Cost : No Cost

(warehouse with total area of more than 1001 m²)

Comments:

To register the warehouse, the company must submit the document, among others:

- a. Copy of Business Trading License (SIUP);
- b. Copy of Company Registration Certificate (TDP);
- c. Copy of Taxpayer Registration Number (NPWP);
- d. Copy of residence identification card (KTP) of the owner/person responsible;
- e. Sketch drawing or layout of the warehouse/rooms;
- f. Building Construction Permit (IMB);
- g. 2 copies of 3 x 4 cm photo of the person responsible for the warehouse/rooms;
- h. Copy of evidence of Warehouse Ownership (owned/rent);
- i. Copy of Disturbance Permit/HO for storing of goods.

The Applicant fills in the application form and submit it together with the abovementioned documents, bring them to Local Office of Industry and Trade (Disperindag). Disperindag will verify the documents, conducts field inspection to examine correctness of the submitted data. If there is no rejection, Disperindag will issue Warehouse Registration Certificate. The cost imposed for such procedure is calculated based on the Local Regulation of Medan City Number 10/2002, Article 22.

Legal Basis:

Local Regulation of Medan City Number 10/2002, Article 22.

Procedure 8. Register the Warehouse PBB at the Local Tax Office (Kantor Pajak Pratama, KPP)

Time : 10 Days

Cost : No Cost

Comments:

Registering is carried out by completing Tax Object Notice Letter (SPOP) that is available at the relevant local government offices. SPOP shall be signed by the taxpayer and submitted to the Local Office of Land and Building Tax (PBB) Services at the area where the warehouse will be built, 30 days at the latest since SPOP is received. Documents that shall be attached are:

- Latest Notification Letter of Tax Assessment (Surat Pemberitahuan Pajak Terhutang -SPPT);
- Copy of Land Certificate;
- Copy of identity card of the land rights holder or Basic Statutes if the land is registered under the name of the company.

Procedure 9. Request and connect to Water and sewage from PDAM.

Time : 14-30 Days

Cost : IDR. 1.000.000,-

Comments:

The division in charge in the company informs the Industrial Manager that the warehouse building is ready to obtain utility connections. Such connection process requires 14 until 30 work days since complete documents for registration are submitted. Documents that shall be submitted are photo copy of the applicant's KTP, location layout, and stamp duty. After registering the application documents, PDAM official will examine completeness of administration documents. After that, field survey to the location will be conducted to inspect the location and find connection pipes at the site.

Procedure 10*. Request and Connect to Telephone Connection from PT Telekomunikasi Indonesia Tbk (Telkom)

Time : 6 Days

Cost : IDR 547.500,-

(Cost for new installation IDR 450,000 + Value-added Tax (PPN) 10% + IKR Cost IDR 52,500)

Comments:

To obtain telephone connection from PT Telkom, Applicant comes to PT Telkom in Medan City bringing required documents as follows:

- Photo copy of Company Establishment deed;
- Photo copy of Taxpayer Registration Number (NPWP);
- Photo Copy of Business Trading License (SIUP);
- A Statement Letter, with an IDR 6,000 stamp duty on, from a person responsible for the Company in telephone connection installation.

After the Applicant submit application documents for new telephone connection to the installation Counter at PT Telkom Medan, verification and validation of documents will be conducted. Following it, PT Telkom staff will conduct field inspection to find connection poles location and measure the distance from warehouse location to the poles. Time duration from registration to field inspection is 3 days. After that the Applicant makes payment at PT Telkom's counter. Three days after cable installed and payment made, the telephone connection is active and can be used by the customer.

**) This Procedure can be conducted simultaneously with other former procedures*

Registering Property

List of Procedures

Procedure 1. Check the legitimacy and the validity of the land certificate at the local Land Office (BPN)

Time : 1 Day

Cost : IDR 50.000,-

Comments:

Application to check the legitimacy of the land certificate can be done by the applicant directly or by a Land Deed Official to the BPN Office. Regulation of the Head of National Land Agency No. 1 Year 2010 stated that the requirements to conduct an inquiry on the legitimacy of a land certificate are as follows:

- Land Ownership Certificate;
- A copy of identity card (KTP) of the applicant or his/her authorized person;
- A request letter from Land Deed Official (PPAT) to register the transfer of rights based on the deed issued by a PPAT.

In general the time needed for a checking process is one day, if the land book is available at the Local Land Agency Office. However, if it happens that the land book is not found or is being borrowed by other division, then the process will be longer. In this case, there will not be any written statement given; on the certificate a note will be added, i.e. "Have been checked and found true in accordance with the Land Registry Book / Land Book of the Land Office dated ____ time ____" and initialed by an official of the Land agency.

Legal Basis:

1. Government Regulations Number 13 Year 2010 on the Types and Tariffs of Non-Tax State Revenues Applicable in the National Land Agency;
2. Regulation of the Head of National Land Agency Number 1 Year 2010 on Standards of Land Service and Arrangement.

Procedure 2. Seller pays the Transfer tax (PPH) at a Bank

Time : 1 Day

Cost : IDR 81.070.474,- (5% of the property value)

Comments:

The seller will pay Transfer tax (PPH) for the money received from the sale-and-purchase transaction amounting to 5% of the transfer value. The tax is paid to the national government through a bank appointed by the National Treasury Office or a state-owned bank (Bank BUMN).

PPh Tariff = 5 % x Property Value
= 5% x IDR 1.621.409.473
= IDR 81.070.474,-

Legal Basis::

1. Law Number 36/2008 on the Fourth Amendment to Law Number 7/1983 on Transfer tax;
2. Law Number 28 Year 2009 on Regional Tax and Retributions.

Procedure 3*. Buyers pays Tax on Acquisitions Rights on Land and Building (BPHTB) at the Local Revenue Office (Dispenda)

Time : 1 Day

Cost : IDR 64.111.196,- (5% of (the property value minus non-taxable sale value (NPOPTKP))

Comments:

In Local Regulation Number 1 Year 2011 on BPHTB it is

mentioned that BPHTB tax object on land and building rights is acquisition of rights on land and/or building. Tax assessment of BPHTB will be calculated since the date of making and signing of the Sale and Purchase Deed (Akta Jual Beli). The buyers pays for the tax on acquisition of rights on land and building (BPHTB) in the amount of 5% x [(the transfer value or the sale value or Nilai Perolehan Obyek Pajak or NPOP) minus (the non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak or NPOPTKP)]. Based on the Article 5 and 6 of the Local Regulation No. 1 Year 2011 on BPHTB, the NPOPTKP value in Medan is IDR 60,000,000. Following is the calculation of the BPHTB tax

BPHTB Tariff = [5 % x (Property Value – IDR 60.000.000)]
= [5 % x (IDR 1.621.409.473 – IDR 60.000.000)]
= 5 % x IDR 1.561.409.473
= IDR 78.070.474,-

Legal Basis:

1. Law Number 28 Year 2009 on Regional Tax and Retribution;
2. Local Regulation Number 1 Year 2011 on BPHTB;
3. Mayoral Regulation Number 9 Year 2011 on Regulation for Implementation of Local Regulation Number 1 Year 2011.

Note:

The base to impose BPHTB tax is sale value of the tax object (NJOP) which is the agreed transaction value. If the transfer value is unknown or is lower than NJOP which is used in Land and building tax (PBB) computation at the same year with the transaction of the property, then the base used to impose the tax is NJOP PBB.

Procedure 4. Execution of Sale and Purchase Land Deed (Akta Jual Beli) by the Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of Sub-District

Time : 2 Days

Cost : IDR 16.214.095,- (1% of the property value)

Comments:

The execution of the sale and purchase of the land deed is done before the Land Officer, i.e. the Land Deed Official (PPAT) appointed by the Head of National Land Agency, after all taxes mentioned in procedures 3 and 4 paid. To simplify it, those payments

are usually done three days before the signing of the land sale and purchase deed.

The documents include:

- a. Original land certificate;
- b. Last receipt of land and building tax (PBB).
Annually the local tax office will publish a notice of owed tax to the land owner. It is customary for the purchaser to ask for the original receipt of land and building tax (PBB) payment for the last 3 years and payment receipts of the electricity and water supply bills for the last three months --- even though in practice the Land Office will verify PBB payments for the last 10 years. The Land Deed Official that makes the sale and purchase deed only needs to see the last PBB payment receipt while the Land Office requires a copy of the last PBB payment receipt to change the name in the deed into the name of the new owner;
- c. Receipt of transfer tax (PPh) payment (obtained from Procedure 2);
- d. Receipt of the Tax on Acquisition of Rights on Land and Building (BPHTB) payment (obtained from Procedure 3);
- e. Company establishment deed which has been validated by the Ministry of Law and Human Rights;
- f. Taxpayer registration number (NPWP) of the seller and the purchaser (obtained from Procedure 4);
- g. Establishment deed including all changes from the seller as well as the purchaser;
- h. Company approval from the seller's side to transfer the land and from the purchaser's side to acquire the land as stipulated in their Basic Statutes;
- i. Planning Advise or City Planning explanation from the Local Government Agency of City Planning;
- j. Building Construction Permit.

In the law it is required that the notary fee for transaction above IDR 1 billion is maximum 1% of the property value. In practice, this fee is dependent upon negotiation between the notary and the client.

Legal Basis:

1. Law Number 30 year 2004 on Notary

Procedure 5. Registration of the Land Deed at the local Land Office (BPN) under the name of the buyer

Time : 30 Days

Cost : IDR 1.671.409

(IDR 50.000,- + (0.1% of Value Property))

Comments:

After applying for registration of the Land Deed, the purchaser will leave such application document at Local Land Agency Office and will return few days later to pick up the Land Deed which has been registered under the name of the purchaser. In the period between submission of application document and picking up the Deed, the purchaser has to make a phone call to Land Office official to ask for the progress of the registration process. The Land Office will cross out the name of the previous owner and write down the name of the purchaser, put seal and sign it.

Following are the required documents that shall be attached:

- a. Filled application forms;
- b. Forwarding Letter for registration of Sale and Purchase Deed from the Land Deed Official;
- c. Original land certificate;
- d. Original of Sale and Purchase land deed;
- e. Copy of of KTP or identity card of the buyer as well as the seller;
- f. Copy of of KTP or identity card of the authorized person together with the letter of authority if the application process is delegated;
- g. Copy of of PBB tax assessment (SPPT-PBB) of the current year;
- h. Evidence of BPHTB payment;
- i. Evidence of Transfer tax (PPh) payment;
- j. A declaration letter of the buyer on boundary of the land and will not become an absentee land owner and his/her understanding of the legal consequences;
- k. If the seller and the buyer are corporate bodies, it shall be proven by attaching the basic statute and company establishment deed which have been validated by the Minister of Law and Human Rights;
- l. Agreement letter (Right to Manage-HPL holder, creditor, husband/wife/child, and so on);
- m. A declaration letter of the recipient of rights which says:
 - 1) That the recipient, having received transfer of rights, will not be holder of the land rights that exceeds the maximum allowable by prevailing regulations;
 - 2) That the recipient, having received transfer of rights, will not be holder of the land rights of absentee land in accordance with prevailing regulations;
 - 3) That the recipient understands when the declaration of the abovementioned point 1) and

- 2) are untrue then the exceeded land or the absentee land will be an object of land reform;
- 4) That the recipient will bear all legal consequences if the declaration in point 1) and 2) are not true.

Following is the formula to calculate fee for registering Land Deed:

Tariff = IDR 50.000 + (0.1 % x IDR 1.621.409.473)
 = IDR 50.000 + IDR 1.621.409
 = IDR 1.671.409,-

Legal Basis:

1. Government Regulations No. 13 Year 2010 on the Types and Tariffs of Non-Tax State Revenue Applicable in the National Land Agency;
2. Regulation of the Head of National Land Agency No. 1 Year 2010 on Standards of Land Service and Arrangement.

Note:

This procedure can be expedited by 2-3 days if the applicant pays for unofficial fee amounting to IDR 2 to 3 millions. In this case such an impression is given to the applicant so as to hand the process over to third party.

Procedure 6. Apply for change of the land and building tax (PBB) under the name of the buyer at the Local Revenue Office (Dispenda)

Time : 2 Days

Cost : No Cost

Comments:

Regarding registering the name of the Land Deed, the change of ownership must be registered at the Local Revenue Office. The taxpayer will report the transfer of the rights on the land. Requirements to change the name in the PBB are as follows.

Persyaratan Ganti nama PBB:

1. A request Letter;
2. Copy of of Notification on Tax Assessment of Land and Building Tax (SPPT PBB);
3. Copy of of land certificate/land letter;
4. Copy of of PBB payment receipt;
5. Copy of of identity card (KTP);
6. Copy of of BPHTB payment receipt;
7. Fill in and sign Notification Letter of Tax Object (SPOP) and Attachment of SPOP (LSPOP);
8. Letter of Authorization for the authorized person.

**) This procedure can be conducted simultaneously with other procedure.*

Surabaya City, East Java

Starting a Business

List of Procedure

Procedure 1. Purchase of voucher to reserve company name in BNI Bank

Time : 1 Day

Cost : IDR 200.000

(for company name check and reservation)

Comments:

Applicant is required to purchase a voucher to register its name through BNI Bank. The public notary will accept the name reservation voucher and the voucher's code will be used by as the access code by the notary to check the availability of the company's name as well as reserve the name through the online AHU system. The cost that has been paid and the name reserved is valid for a maximum of 60 days after it has been paid for. The applicant can conduct this procedure independently without the help of a public notary, but in general an applicant will use the services of a notary from the name reservation until the validation of the Company's Deed Establishment in the Ministry of Law and Human Rights, even up to the processing of the business operations licensing.

Legal Basis:

1. Government Regulation No. 45 Year 2014 on the Types and Tariffs of Non-Tax National Income Applied in the Ministry of Law and Human Rights;
2. Regulation of the Minister of Law and Human Rights No. 4 Year 2014 on the Procedures to Apply for Validation of Legal Entities and Approval to Change Basic Statute and Information on the Change of Basic Statute and Change to the Data of a Limited Liability Company.

Procedure 2. Obtain Domicile Letter (Surat Keterangan Domisili Usaha - SKDU) from the Head of Village or the Building Owner

Time : 1 Day

Cost : No Cost

Comments:

SKDU is a letter explaining the residential status of the business location. Basically, according to the national regulation, we don't need to processing SKDU

and we can change SKDU to statement letter from the director. But, the notary requirement SKDU to process company's establishment deed and to process company's taxpayer registration number (NPWP). Processing a Residential Letter is conducted at the Borough Office where the company is located by bringing photo copy of the company's establishment deed. There is a possibility that the applicant will be charged on unofficial administration cost amounting to IDR 100,000 until IDR 500,000. If the company resides at a building then SKDU will be processed by the building owner.

Procedure 3. Acquiring the services of a public notary for: name reservation, obtain standard format for company's establishment deed, obtain approval for the use of company name, and obtain approval of the Company's Establishment Deed by the Ministry of Law and Human Rights

Time : 2 Day

Cost : IDR 5.500.000,- (notary's service)

Comments:

Since only a public notary have access to the online AHU system, applicant must use the services of a notary, as one authorised to access the online AHU system, to process all the procedures involved in the establishment of a company. Public notary in general offers a package of services for establishing a company, starting from name reservation up until gaining the validation of the Company from the Ministry of Law and Human Rights. Many public notaries also offers package up to the business operations permit

The output resulting from this procedure are as follows:

1. *Company name reservation:* To avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and the articles of company, the applicants must check and ensure that the company name has not been used by another Indonesian company.
2. *Signing of the company Establishment Deed:* Afret the applicants reserve the company name, The founders cansign the deed of company

establishment by the notary. The standard format of the deed company establishment was provided by the notary.

3. *Approval of the company Establishment Deed (SK pengesahan) from the Ministry of Law and Human Rights:* Based on Article 9, 10, 29 and 30 of the Law on Limited Liability Company No. 40/2007, the public notary that works on the company Establishment Deed is obliged to forward the required documents through the electronic system to the Ministry of Law and Human Rights.

The process is as follows:

1. The notary fills in the company data through the online AHU system. The data entered are identity of shareholders, identity of directors, identity of commissioners, purpose and goal of the company, authorized capital and paid up capital, and mechanism for the division of stocks;
2. After the data input process is finished, a notification will appear confirming that the notary has entered the data correctly and that the notary will be responsible for the data inputted;
3. After the notary agrees to that the data has been inputted correctly, the system will give another notification for payment of the required PNBП costs;
4. The notary will pay the PNBП cost through the assigned bank, which is BNI;
5. After the payment is done, another notification will automatically appear in the AHU online system that the payment has been completed and that the validation letter can be printed. The notary can print the company validation letter then;
6. The physical document will be sent to the State Printing Office, and then the company will receive around 100 copies of the State announcement. The process to receive this state print document will take some time, on average between 6 months to 1 year.

The period needed to complete this procedure is two days. The process that will be done by the notary is as follows:

1. The first day, the notary (can be done together with the applicant) reserve the name as well as generate the standard format for the deed establishment, and then the Establishment Deed is signed by the company's founder;
2. The second day, based on the signed Establishment Deed, the notary will enter the online AHU system and input the necessary company data. Once

completed, and the non-tax State Revenues (PNBP) paid to the bank, the notary can print out the approval (SK Pengesahan) of the company deed establishment.

The cost prescribed here is the cost of the notary for services rendered. The amount can be different depending on the deal made between the notary and the applicant. In general, notaries in the Surabaya City ask for IDR 5,500,000, for a service package up to the validation of the company Deed by the Ministry of Law and Human Rights.

Legal Basis:

1. Law Number 40 Year 2007 on Limited Liability Company;
2. Government Regulation Number 46 Year 2014 on the Types and Tariffs of Non-Tax National income Applicable in the Ministry of Law and Human Rights;
3. Regulation of the Minister of Law and Human Rights No. 4 Year 2014 on the Procedures to Apply for Validation of Legal Entities and Agreement to Change Basic Statute and Information on the Change of Basic Statute and Change to the Data of a Limited Liability Company.

Procedure 4. Pay the State Treasury for the Non-Tax Revenue (PNBP) fees for legal service at a Bank

Time : 1 Day

Cost : IDR 1.580.000,-

IDR 1.580.000,- (IDR 1.000.000,- for validation of the company's legal status + IDR 30.000,- for announcement of the Limited Liability Company in the State Gazette of the Republic of Indonesia (BNRI) + IDR 550.000,- for announcement of the Limited Liability Company in the Supplement State Gazette of the Republic of Indonesia -TBNRI)

Comments:

This procedure is basically paying the PNBП costs for the process of company validation in the Ministry of Law and Human Rights.

After signing of the company Establishment Deed, the notary would input the company data into the online AHU system. After the data is inputted correctly, a notification will appear to pay the PNBП. The notary will pay the PNBП cost to the assigned bank which is BNI. The notary will then receive a PNBП receipt from the bank.

After the fees are paid, another notification will appear which allows the notary to print out the validation letter without the need to upload the receipt of the PNBP.

The obligation to pay the PNBP for legal services involved in the establishment of a small scale limited liability company is prescribed in the Government Regulation Number 38 Year 2009 on the Type and Tariffs of Non-Tax National Income, which replaces the previous Government Regulation Number 19 Year 2007.

Legal Basis:

1. Government Regulation No. 46 Year 2014 on the Types and Tariffs of Non-Tax National Income Applied in the Ministry of Law and Human Rights.

Procedure 5. Obtain a Taxpayer Registration Number (NPWP) and Value Added Tax (VAT) Collector Number (NPPKP) from the Local Tax Office

Time : 6 Days

Cost : No Cost

Comments:

Maximum one month since business operation starts, the company has to register itself to the Tax Office. The company is also obliged to obtain Value Added Tax Collector Number (NPPKP) if it is estimated that its yearly earnings will exceed IDR 600 million from selling of goods and services.

NPWP and NPPKP can be processed simultaneously, however, NPPKP process needs more time since it requires field inspection. Such inspection process does not need presence of the applicant.

To obtain company NPWP, applicant comes to the Tax Office at Surabaya City bringing all the following required documents:

- a. Copy of residence identification card of one of the Company's manager;
- b. Copy of taxpayer registration number of one of the Company's manager;
- c. Copy of Company Establishment Deed;
- d. A Domicile Letter.

Applicant comes bringing all the requirements to the Tax Office at the company's domicile area. An official will verify the data and print directly NPWP card of the Entity. To obtain an Entity's NPWP card, an applicant can wait for about one hour. While to process a VAT collector number (NPPKP), it requires more than

one day since there will be a field survey/visit. After submission of the application, in 2 to 4 days an official will conduct field visit. If the application is accepted, then in 2 to 3 days after field visit, NPPKP can be picked up at the Tax Office where the application submitted. If the applicant has not yet come to pick up NPPKP at the Tax Office for quite a long time, then the NPPKP will be sent by mail to the applicant's address.

Procedure 6. Apply for the Business Trading License (SIUP) at the Surabaya One-Stop Shop (UPTSA)

Time : 3 Day

Cost : No Cost

Comments:

Business Trading License (SIUP) is a permit required in order to conduct trading business activities, excluding commodity futures trading activity. SIUP contains detailed information on company activities and responsible party for the company. According to central government regulation, business activity of IDR 365,084,863 capital is obliged to have small SIUP. Applicant can take and fill in the forms that are available at UPTSA by providing following documents:

- a. Copy of Identity Card (KTP) of the applicant;
- b. A statement letter from the applicant on company's business location;
- c. copy of the company's establishment deed and/or its amendments that have been attested by authorized officer or have been registered to authorized agency if the applicant is a legal entity/business entity;
- d. Appointment Letter of Head of the Branch (for Company's Branch);
- e. Copy of Business Trading License of the Company's Head Office that has been legalized by the Officer having the authority to issue SIUP (for Company's Branch);
- f. Copy of the opening event document of Branch Office/Company Representative Office (for Company's Branch);
- g. 2 copies of 3x4 cm latest photo of the person responsible/director of the company.

After the documents have been examined and stated as complete and correct by UPTSA official, applicant will be given a receipt. Then the documents from UPTSA will be forwarded to the Section Chief of In-country Trade Affairs, Trade and Industry Agency whom will examine compliance between filled application forms and the requirements, generate SIUP

draft, and put his/her initial at the draft. Following this procedure, Head of the Trade Division will examine, observe, and put his/her initial at the SIUP draft and then the documents will be handed to the Local Agency Head. Subsequently, Head of the Trade and Industry Agency will examine and sign the SIUP draft; then the signed SIUP will be handed to the applicant through UPTSA. Such long bureaucracy causes long duration of a SIUP process. Availability of the authorized Official in the office also has influential impact on processing time of a SIUP.

Legal Basis:

1. Regulation of the Minister of Trade No. 46/M-DAG/PER/9/2009 on the Revision of the Minister of Trade's Regulation No. 36/M-DAG/PER/9/2007 on Issuance of SIUP;
2. Local Regulation No. 1 Year 2010 on Implementation of a Business in Trade and Industry Areas (Local Government Gazette of Surabaya City No. 1);
3. Mayor Regulation No. 35 Year 2010 on Trade and Industry Services;
4. Head of Trade and Industry Agency's Decree No. 188.4/2889/436.6.11/2013 on the Standard of Service in Trade and Industry Areas.

Procedure 7. Obtain Company Registration (TDP) from the Trade and Industry Agency (Disperindag)

Time : 3 Days

Cost : No Cost

Comments:

Based on Local Regulation No. 1 Year 2010, every company having a type of Limited Liability, Cooperative, Limited Partnership (CV), Firm or individual that resides and runs business in Surabaya City is obliged to register for inclusion in the company register. Such entity is obliged to register for within 3 (three) months since it has run its business activity.

TDP process at Surabaya City can not be conducted simultaneously with SIUP process since SIUP is a pre-condition of TDP application.

An applicant who wants to apply for TDP is obliged to fill in the application forms available at the Trade and Industry Agency and attach required documents as follows:

- a. Copy of company establishment deed;
- b. Copy of Identity Card of the managing director/

person responsible for the company/commissioner/ shareholder;

- c. Copy of Business Trading License (SIUP);
- d. Copy of Taxpayer Registration Number (NPWP).

After documents are checked and stated as complete and correct, the applicant will be given a receipt. After that the documents will be forwarded to the Section Chief of Company Registration whom will examine compliance between filled application forms and the requirements, generate TDP draft, and put his/her initial at the draft. Following this procedure, Head of the Promotion and Company Registry Division will examine and put his/her initial at the TDP draft and then the documents will be handed to the Local Agency Head. Subsequently, Head of the Trade and Industry Agency will examine and sign the TDP draft; then the signed TDP will be handed to the applicant by the counter official at the Trade and Industry Agency.

Legal Basis:

1. Regulation of the Minister of Trade No. 37/M-DAG/PER/9/2007 on Implementation of Company Registration;
2. Local Regulation No. 1 Year 2010 on Implementation of a Business in Trade and Industry Areas (Local Government Gazette of Surabaya City No. 1);
3. Mayor Regulation No. 35 Year 2010 on Trade and Industry Services;
4. Head of Trade and Industry Agency's Decree No. 188.4/2889/436.6.11/2013 on the Standard of Service in Trade and Industry Areas.

Procedure 8. Register Workers to the Ministry of Manpower through Local Manpower Office

Time : 3 Days

Cost : No Cost

Comments:

In accordance with Law Number 7 Year 1981, every company is obliged to register its workers at the Ministry of Manpower or appointed authorized Official at the latest 30 days after establishment or operational start of the company. In the said Law it is also mentioned that an entrepreneur whom does not register his/her workers will be subject to a sanctions of i.e. put in jail for maximum 3(three) months and a fine of IDR 1,000,000 the maximum.

The applicant takes and fills in the forms of worker

registration at the Local Manpower Office and forward the documents to the General Affairs Division. The applicant will receive receipt on submitted documents. The General Affairs Division will register the application form already submitted as incoming letter and then forwards it to the Manpower Development and Supervision Division. The report is processed at the Manpower Development and Supervision Division then forwarded to the Secretary of the Local Manpower Office to be examined and initialed, and handed to the Head of Local Manpower Office for further examination and signed. After that, the signed report will be brought to General Affairs Division to be handed to the applicant. Although in Minister of Manpower and Transmigration's Circular Letter it is stipulated that time limit for registration of worker is one day, however, in practice it is difficult to apply. Time needed from submission of report until legalization and returned back to the applicant is 3 (three) days. Such duration depends also on availability of Head of the Local Manpower Office.

Legal Basis:

1. Law Number 7 Year 1981 on the Company Obligation to Report Manpower Issues;
2. Regulation of Manpower and Transmigration Minister Number PER.14/MEN/IV/2006 on the Procedures for Companies to Report Manpower Issues;
3. Decree of Manpower and Transmigration Minister Number SE.3/Men/III/2014 on the Implementation of Companies Obligation to Report Manpower Issues.

Procedure 9. Apply for participation in the Worker Social Security Program at the Worker Social Security Office (BPJS Ketenagakerjaan)

Time : 7 Days

Cost : No Cost

Comments:

Based on Law Number 24 Year 2011 on Worker Social Security Agency, everyone who works for a minimum of 6 months must become a participant of the social welfare program. The company is obliged to register the owner and his/her workers as BPJS participants. Worker Social Security program contains workplace accident benefit, elderly benefit, retirement benefit, and death benefit. In Government Regulation No. 84/2013, any entrepreneur who employs 10 (ten) or more workers, or pays wage of at least IDR 1,000,000 per month, is obliged to include his/her workers in worker social security program. There

are three levels of punishment if the company does not register its workers as BPJS participants, i.e.:

- a. Criminal sentence of maximum 8 years imprisonment;
- b. IDR 1 billion fine;
- c. Withdrawal of public service access (extension of business owner's Identity card/KTP), business owner's passport, and company's business trading license/SIUP).

Before registering for Worker Social Security (BPJS Ketenagakerjaan) participant, the company must register its workers to the Office of Manpower in Surabaya. After that the company must register its workers (the employment data should match between BPJS and Local Manpower Office) to the BPJS Office at the area where the company resides by filling in the company forms, worker's forms, and completes the following requirements:

- a. Original and Copy of Business Trading License (SIUP);
- b. Original and Copy of Company's NPWP;
- c. Original and Copy of Company Register;
- d. Copy of identity card (KTP) of each worker;
- e. Copy of Family Card (KK) of each worker;
- f. 1 copy of 2x3 cm color photo of each worker.

Following it, the company will pay first premium which can be made at ATM or paying cash at Mandiri Bank, BNI, BRI, and Bukopin within 30 days the latest after registration. Within 7 (seven) days the latest since submission of registration forms and payment of first premium, BPJS will issue certificate of company participation and BPJS participation card for each worker.

The company is not obliged to register for its workers to be BPJS Program participants if it has social security program of its own for the workers and continues the workers' participation in the program (Government Regulation Number 84 Year 2013).

Several facilities in the BPJS Ketenagakerjaan system:

- a. Access to service through 174 branch offices and 512 outlets in cities/regencies all over Indonesia;
- b. Access to service through banking network;
- c. Access to service through e-channels with features such as e-registration, e-payment and e-claim;
- d. Ease of administrative process of participants data;
- e. Payment of contribution through virtual account mechanism in Mandiri, BNI, BRI and Bukopin Banks;
- f. Access to information on Worker Social Security Agency program (Program BPJS Ketenagakerjaan)

- through website, sms, call centre and banking network (branch offices, ATMs and mobile access);
- g. Value creation from the Worker Social Security Agency program (Program BPJS Ketenagakerjaan) through improving the participant card by the smart card concept.

Legal Basis:

1. Law Number 3 Year 1992 on the Worker Social Security;
2. Law Number 40 Year 2004 on the National Social Security System;
3. Law Number 24 Year 2011 on the Social Security Implementing Agency;
4. Government Regulation Number 83 Year 2013 on Revisions to Government Regulation Number 14 Year 1993 on the Worker Social Security Program Implementation.

**) This Procedure can be done simultaneously with the previous Procedure*

Dealing with Construction Permits

List of Procedure

Procedure 1. Legalize a Copy of Land Ownership Certificate with a Notary

Time : 1 Day

Cost : IDR 50.000,-

Comments:

In order to follow procedures that are required for building a warehouse, the company must legalize a copy of land ownership certificate with a Notary. Legalized land ownership certificate is a pre-condition of City Planning Statement (SKRK) application. Cost for this procedure is a negotiation result between the land owner and the Public Notary. The cost ranges from IDR 50,000 to IDR 100,000.

Procedure 2. Request City Planning Statement (SKRK) at the Surabaya One-Stop Shop (UPTSA)

Time : 1 Day

Cost : No Cost

Comments:

Request City Planning Statement (SKRK) is a letter containing information on the allotment of the land use and purposed use of building, use of space, and

prevailing technical requirements for particular location as determined by the Local Government. To apply for SKRK, the applicant has to submit following documents:

- a. Application form (available at UPTSA can be downloaded from <http://ssw.surabaya.go.id>);
- b. Copy of Identity Card (KTP) of the applicants;
- c. Copy of payment receipts of Land and Building Tax (PBB) and last year's Tax Assessment (SPPT);
- d. Copy of land ownership certificate, legalized by the authorized official or notary office;
- e. A statement letter on legality and rightness of the documents, ability to complete technical documents, and pay retributions.

After submitting the aforementioned documents to the UPTSA counter and be declared complete and correct, the applicant will be given receipt of the documents.

Legal Basis:

1. Mayor Regulation Number 28 Year 2013 regarding the Procedures of Electronic Licensing and non-Licensing Services at Surabaya City;
2. Mayor Regulation Number 39 Year 2012 regarding Guidelines and Technical Standards of Spatial Use.

Procedure 3. Receive Inspection on a City Planning Statement (SKRK) application from City Planning Agency (Dinas Cipta Karya dan Tata Ruang)

Time : 1 Day

Cost : No Cost

Comments:

The Local City Planning Agency official will contact applicant to inform schedule of field inspection. Then assigned official will come and inspect location of the warehouse to be constructed and conduct measurement. Time needed from receipt of complete documents to field survey is three days.

Procedure 4. Pay Retribution at Jatim Bank Counter at the UPTSA

Time : 1 Day

Cost : IDR 450.000,-

Comments:

After inspection, the City Planning Agency's official and authorized officer will map the survey result, check spatial allotment and conditions including its analysis following prevailing regulations and calculate retribution cost. After Head of the City Planning Agency gives his approval on SKRK, the official will print a Local

Retribution Letter (SKRD) and give it to the applicant through UPTSA counter. After that the applicant pays retribution at the Jatim Bank Counter at the UPTSA which will subsequently make payment receipt.

Legal basis:

1. Local Regulation Number 5 Year 2012 regarding Retribution upon Reimbursed Cost for Map Printing;
2. Mayor Regulation Number 39 Year 2012 regarding Guidelines and Technical Standards of Spatial Use;
3. Mayor Regulation Number 28 Year 2013 regarding Procedures of Electronic Licensing and non-Licensing Services at Surabaya City.

Procedure 5. Obtain City Planning Statement (SKRK) at the UPTSA

Time : 14 Days

Cost : No Cost

Comments:

After the applicant pays the retribution, an official of Local City Planning Agency will print the SKRK concept to obtain authorized officer's initial, afterwards it is signed by the Head of the Agency. The signed SKRK is then recorded as outgoing letter and given number and seal, and be given to the applicant through UPTSA. Then UPTSA Counter official conveys SKRK to the applicant. Time needed from payment of SKRK by the applicant to collection of documents by the applicant is two days.

Procedure 6. Obtain Environmental Monitoring Plan and Environmental Management Plan (UKL-UPL) Approval from Local Environmental Control Agency (BLH)

Time : 30 Days (not including time to prepare UKL-UPL documents and revision by the applicant)

Cost : No Cost

Comments:

According to Governor's Regulation, warehouse building having a total building area of 600-10,000 m² must have UKL and UPL. In order to obtain approval on environmental documents, the company shall submit following documents to the Local Environmental Control Agency (BLH) :

- a. UKL-UPL documents (prepared by the applicant);
- b. Copy of City Planning Statement (SKRK);
- c. Copy of Land Certificate;
- d. Copy of Identity Card of Applicants;
- e. Copy of Company Establishment Deede pendirian perusahaan;

- f. ARS Drawing.

UKL-UPL documents are prepared by the applicant (company). Guidelines to prepare UKL-UPL documents can be found at Regulation of Minister of Environment No. 16 Year 2012. The company can prepare the documents by itself or by using a consultant. If the company uses a consultant, cost for the consultant (+/- IDR 7 millions) shall be borne by the company. In such Regulation it is also mentioned that any government employee assigned to Ministry of Environment is prohibited to involve in preparation of Environmental Impact Analysis (Amdal) as well as UKL-UPL.

UKL-UPL Process:

Applicant may apply for UKL-UPL requirement documents at the Local Environmental Control Agency (BLH). Submitted documents will be verified administratively by the Agency's official. Such process of UKL-UPL can be continued if it has passed administration verification stage. After that, technical examination on quality of UKL-UPL documents will be conducted. Such examination covers company data, purpose of UKL-UPL document's making, initial information on business activities, compliance with spatial arrangement, until resulted environmental impacts and methods to manage and monitor; it requires two weeks time. After examination completed, BLH returns the UKL-UPL documents and issues a response letter containing comments as inputs to the Applicant. After that the Applicant makes corrections on the UKL-UPL documents based on inputs from BLH. Time needed for making corrections of UKL-UPL documents mostly depends on the Applicant and the Consultant (if any). Making such corrections causes delay on UKL-UPL process. After revision made on UKL-UPL documents, the Applicant re-submits the documents to BLH. Subsequently, BLH examines compliance of the revised UKL-UPL documents with the response letter it has issued. The Applicant and the Consultant (if any) generally meet BLH official directly to discuss revision on UKL-UPL documents. Time needed for this stage is about one week. When UKL-UPL documents have already been conformed and no more revisions made, a recommendation to approve UKL-UPL documents will be issued and signed by Head of BLH. Time duration for issuance of such recommendation is about one week (depends on availability of the Head of BLH). After recommendation letter approving UKL-UPL issued, final documents of UKL-UPL shall be bound and given legalized seal as

a proof that the documents have been registered and recorded at BLH archives.

For some cases, such as 'Obese UKL-UPL' (nearly included in the category of obligatory-Environmental Impact Analysis), some sessions are conducted, inviting the company, the consultant (if any), public, and technical local government agencies (SKPDs) to discuss technically, more intensively and detail such matters that shall be discussed together. The place to conduct such sessions is at the City Government Office building, while cost for them (snack/meals) is borne by the Applicant.

In such process of UKL-UPL, no official cost is determined by BLH. However, there are often unofficial costs for consultant services, printing cost, snack/meal (if any), and so on. The above mentioned 30 days duration does not include time to make UKL-UPL documents and its revision based on revision inputs from BLH. In fact, preparing UKL-UPL documents as well as their revision takes longer times (can be months) depends on the appointed consultant. Professionalism and time availability of the consultant team have significant influence on time duration to prepare the documents.

Legal Basis:

1. Regulation of Minister of Environment No. 16 Year 2012 regarding Guidelines to Arrange Environmental Documents;
2. Regulation of the Governor of East Java No. 30 Year 2011 regarding Kinds of Business and/or Activities that shall be Accompanied with Environmental Monitoring Plan and Environmental Management Plan (UKL-UPL);
3. Local Regulation Number 7 Year 2009 regarding Building Construction Permit.

Procedure 7*. Process Traffic Impact Analysis (Andalalin) Recommendation in the form of Approval Letter on Traffic Management Plan (Surat Persetujuan Perencanaan Lalu Lintas) to Local Transportation Agency (Dinas Perhubungan)

Time : 10 Days

Cost : No Cost

Comments:

In the Local Regulation, constructing a warehouse is included in the obligatory criteria to prepare Traffic Impact Analysis in the form of traffic management plan. Requirements to obtain approval on traffic

management plan are as follows:

- a. Copy of Identity Card (KTP) of applicants;
- b. Copy of Company Establishment Deed which has been legalized by the authorized officer;
- c. Letter of authorization, having stamp duty, from the initiator, if such application is delegated to other people;
- d. Copy of City Planning Statement (SKRK);
- e. Design drawing/ground plan of the building for activities and/or business with the smallest scale of 1:500;
- f. Drawing of traffic management plan at the proposed location and the roads at surrounding areas of the building for activities and/or business;
- g. Latest photos of the location of activities and/or business, 4R size with some conditions:
 - 1) made in 14 days, the longest, before the date of the application;
 - 2) pictures were taken from the front, left side, right side, and back side which explain condition of the location being proposed.

Applicant takes and fills in application forms available at Local Transportation Agency, then submit them to the Counter, complete with all the documents required. After that the Counter official will receive and check completeness of application documents from the Applicant. If not complete, they will be returned to the Applicant with some explanation; if complete they will be recorded and a receipt of the documents will be given to the Applicant. Then the complete documents will be forwarded to the Traffic Division. A team at the Traffic Division will make an assessment to the design drawing, traffic management plan and/or location examination. Result of the assessment by the Team will be included in survey minutes (*Berita Acara*) and submitted in writing to the Head of Local Transportation Agency through the Secretariat completed with draft of Approval Letter. The Head of the Agency puts his/her signature on the Letter of Approval; the Letter is then given to the Applicant through the Local Transportation Agency after the Applicant submit a letter stating his/her ability to carry out traffic management and engineering.

Legal Basis:

1. Local Regulation Number 12 Year 2006 regarding Traffic Impact Analysis on the Roads;
2. Mayor Regulations Number 57 Year 2009 regarding Implementation of Local Regulation Number 12 Year 2006.

Procedure 8*. Obtain Approval on Drainage Plan on Public Work Agency (Dinas PU dan Bina Marga)**Time** : 10 Days**Cost** : No Cost**Comments:**

In the regulations, Drainage recommendation is also a pre-condition of Building Construction Permit application. Requirements to obtain approval on drainage plan are as follows:

- a. Copy of Identity Card (KTP) of applicants;
- b. Copy of Company Establishment Deed which has been legalized by the authorized officer;
- c. Letter of authorization, having stamp duty, from the initiator, if such application is delegated to other people;
- d. Copy of City Planning Statement (SKRK);
- e. Drainage design drawing.

Procedure 9. Request Building Construction Permit (IMB) at the Surabaya One-Stop Shop (UPTSA)**Time** : 1 Day**Cost** : No Cost**Comments:**

Building Construction Permit (IMB) is a permit issued by the Regional Head for the building owner to build a new, change, expand, make smaller, and/or do maintenance building in compliance with prevailing administrative and technical requirements. Such obligation for anybody or an entity wishing to construct a building to get Building Construction Permit is stipulated in the Local Regulation Number 7 Year 2009 Article 5 (1). An IMB provides legality to a building that has been planned in compliance with the determined spatial planning, and such building construction plan is also as a guarantee that it has considered public interest.

To apply for an IMB, the Applicant has to submit following documents, administration requirements:

- a. Copy of Identity Card (KTP);
- b. Copy of receipt of payment of Land and Building Tax (PBB) and Tax Assessment (SPPT) from the last year;
- c. Copy of land ownership certificate, legalized by the authorized official;
- d. Copy of the Company Establishment Deed which has been legalized by the authorized officer;
- e. Copy of the City Planning Statement (SKRK) or copy of the previously owned IMB or site plan that has been legalized by the Local City Planning Agency;
- f. A statement letter declaring validity and correctness of the documents, ability to fulfill technical

document requirements and to pay for retribution;

g. Building technical design (engineering and structural designs) consists of:

- 1) Engineering design drawings, signed by responsible parties (owner, planner, supervisor/contractor), as much as three (3) sets of hardcopy for TABG and two (2) sets for non TABG, including files formatted in Auto CAD (in CD), which comprises of:
 - ✓ Situation map (scale of 1:1000/1:500);
 - ✓ Lay out design, site plan, view, section (scale of 1:100/1:200);
 - ✓ Detail engineering designs of foundation, sanitation, and roof (scale of 1:100/1:200);
 - 2) Construction drawings (scale 1 : 100) and detail designs (scale of 1 : 50/ 1 : 20 / 1 : 10) are signed by responsible parties (owner, planner, supervisor/contractor), as much as two (2) sets (for multi- multi-story building);
 - 3) Construction structural calculation as much as two (2) sets (for multi-story building).
- h. A statement letter declaring responsibility on construction/engineering design which will be borne by responsible parties (owner, planner, supervisor/contractor);
- i. Environmental Impact Analysis for such building that has a significant impact on environment or Environmental Monitoring Efforts (UPL) and Environmental Management Efforts (UPL) in the case impact on the environment can be overcome technically;
- j. Recommendation on traffic impact analysis (Andalalin) by the Local Transportation Agency;
- k. Recommendation on drainage plan by the Public Work Agency.

By Surabaya Single Window System, Applicant can apply for IMB by filling in the IMB forms electronically through <http://ssw.surabaya.go.id> and uploading the requirements. Although they have been uploaded electronically, Applicant has to submit all the required documents to UPTSA for document verification and validation. In case the Applicant cannot fill in the application forms electronically, he/she may submit the application directly to the UPTSA Counter.

Legal Basis:

1. Local Regulation Number 7 Year 2009 regarding Building Construction Permit;
2. Mayor Regulation Number 28 Year 2013 regarding

- Procedures of Electronic Licensing and non-Licensing Services at Surabaya City;
- Mayor Regulation Number 53 Year 2011 regarding Procedures of Issuing Building Construction Permit.

Procedure 10. Pay the Retribution on Building Construction Permit at Jatim Bank Counter at the One-Stop Shop (UPTSA)

Time : 1 Day

Cost : IDR 65.550.240,00

Comments:

Before issue the Local Retribution Letter (SKRD), staff of Local City Planning Agency conducted field survey. This field survey will be conducted also with a purpose to check whether the building has been constructed, since if the building has been built the applicant will be fined. But, this field survey doesn't need to meet the applicant. After field survey conducted, the Agency official will upload the field minutes (Berita Acara), building technical drawings and approved IMB draft. After that the staff will calculate retribution. After Head of the Agency gives IMB approval, the Agency staff will print SKRD and give it to the Applicant through UPTSA. The Applicant will be contacted via sms or email, and receives information that payment of SKRD can be made. After the Applicant pays SKRD at the appointed Bank at UPTSA, he/she will receive a payment receipt.

Calculation of IMB Retribution:

Classification Index

= [(weight x complexity index) + (weight x permanent index) + (weight x fire risk index) + (weight x earthquake zoning index) + (weight x location index) + (weight x building height index) + (weight x ownership index)]

Classification Index

= [(0,25 x 0,4) + (0,2 x 1) + (0,15 x 1) + (0,15 x 0,4) + (0,1 x 1) + (0,1 x 0,4) + (0,05 x 1)]
= [0,1 + 0,2 + 0,15 + 0,06 + 0,1 + 0,04 + 0,05] = 0,7

Integrated Index

= function index x classification index x use of time index
= 3 x 0,7 x 1 = 2,1

Retribution Tariff

= building area x integrated index 1,00 x unit cost of building retribution
= 1300,6 x 2,1 x IDR 24.000,- = IDR 65.550.240,00

Legal Basis:

Local Regulation Number 12 Year 2012 regarding Building Construction Permit Retribution.

Procedure 11. Obtain Building Construction Permit at the Surabaya One-Stop Shop (UPTSA)

Time : 18 Days

Cost : No Cost

Comments:

After retribution payment made by the Applicant, the Local City Planning Agency official (Dinas Cipta Karya dan Tata Ruang-CKTR) prints the IMB draft for signature by the Head of City Planning Agency. Signed IMB is then given to the Applicant through UPTSA.

Legal Basis:

- Local Regulation Number 7 Year 2009 regarding Building Construction;
- Mayor Regulation Number 28 Year 2013 regarding Procedures of Electronic Licensing and non-Licensing Services at Surabaya City;
- Mayor Regulation Number 53 Year 2011 regarding Procedures of Issuing Building Construction Permit.

Procedure 12. Request Nuisance Permit (Hinder Ordinantie-HO/Izin Gangguan) at Surabaya One-Stop Shop (UPTSA)

Time : 1 Day

Cost : No Cost

Comments:

In the Local Regulation, a warehouse building shall have a Nuisance Permit. To apply for Nuisance Permit, requirements to be submitted are as follows:

- Copy of Identity Card (KTP), 2 (two) copies;
- Copy of land ownership certificate which legalized by the authorized official, 2 (two) sheets;
- Copy of Building Construction Permit (IMB), 2 (two) sheets;
- Copy of Company Establishment Deed, 2 sheets;
- Copy of Recommendation on Environmental documents, 2 (two) sheets;
- Ground plan drawing of 1: 500 biggest scale (one to five hundred) and situation drawing of 1 : 2000 scale (one to two thousand) following condition at the location, completed with a note describing placement of production equipment/other tools (for business company using machinery), 2 (two) sets.

Applicant submits application forms including their

requirements to UPTSA. After documents received and be stated complete and right, Applicant will be given receipt of the documents. After that UPTSA will hand over the documents to the Local Environmental Control Agency (BLH). Head of Sub Division of Environmental Impact Mitigation Analysis will examine completeness and correctness of the documents. If such documents are complete and right, the Sub Division official will make a schedule to visit the location and inspect the warehouse.

Legal Basis:

1. Local Regulation Number 4 Year 2010 regarding Nuisance Permit (HO);
2. Mayor Regulation Number 4 Year 2011 regarding Implementation of Local Regulation Number 4 Year 2010 regarding Nuisance Permit (HO);
3. Mayor Regulation Number 28 Year 2013 regarding Procedures of Electronic Licensing and non-Licensing Services at Surabaya City.

Procedure 13. Receive Inspection on Nuisance Permit application from Local Environmental Control Agency (BLH)

Time : 1 Day

Cost : No Cost

Comments:

After the application received by Local Environmental Control Agency, Inspection survey will conducted to analyze and calculate the retribution cost.

Procedure 14. Pay the Retribution on Nuisance Permit (HO) at Jatim Bank Counter at the Surabaya One-Stop Shop (UPTSA)

Time : 1 Day

Cost : IDR 3.901.800,-

Comments:

After field inspection, application will be analyzed. If approved, the official will calculate and issue Local Retribution Letter (SKRD) and prepare draft of Nuisance Permit. After that SKRD will be handed to the Applicant through UPTSA Counter. Applicant who has paid retribution will get a payment receipt.

Calculation on Nuisance Permit Retribution:

Tariff = Building Area x Location Index x
Nuisance Index x IDR 500
= 1300.6 x 2 x 3 x IDR 500
= IDR 3.901.800,-

Legal Basis:

Local Regulation Number 8 Year 2010 regarding Nuisance Permit Retribution.

Procedure 15. Obtain Nuisance Permit (HO) at the Surabaya One-Stop Shop (UPTSA)

Time : 11 Days

Cost : No Cost

Comments:

After applicant pay the retribution, Nuisance Permit will be printed and signed by the Head of the Local Environmental Control Agency and subsequently it will be handed over to the Applicant through UPTSA.

Legal Basis:

1. Local Regulation Number 4 Year 2010 regarding Nuisance Permit (HO);
2. Mayor Regulation Number 4 Year 2011 regarding Implementation of Local Regulation Number 4 Year 2010 regarding Nuisance Permit (HO);
3. Mayor Regulation Number 28 Year 2013 regarding Procedures of Electronic Licensing and non-Licensing Services at Surabaya City.

Procedure 16. Register Warehouse (TDG) from the Surabaya One-Stop Shop (UPTSA)

Time : 4 Days

Cost : No. Cost

Comments:

To register warehouse, Applicant shall take and fill in the forms which can be obtained from UPTSA.

Applicant shall bring the following required documents:

- a. Copy of the Identity Card (KTP);
- b. Copy of Building Construction Permit;
- c. Copy of land ownership;
- d. Copy of Business Trading License (SIUP), Company Registration (TDP), Nuisance Permit (HO) or other Business Permits from technical agencies;
- e. 2 copies of 4x6 latest photo of the Applicant.

Applicant submits application form including its required documents to UPTSA. After the documents be received and stated as complete and correct, Applicant will get a receipt of the documents. Then UPTSA hands over such application documents to the City Agency of Trade and Industry Affairs. After that, an official and an authorized officer will examine completeness of the application documents and prepare TDG draft. Subsequently, the Agency Head

will check and sign the TDG draft. Signed TDG will be handed to the Applicant through UPTSA.

Legal Basis:

1. Local Regulation Number 1 Year 2010 regarding Business Conduct in Trade and Industry Areas;
2. Mayor Regulation Number 35 Year 2010 regarding Services in Trade and Industry Areas;
3. Decree of Ministry of Trade and Industry Agency Number: 188.4/2889/436.6.11/2013 regarding Standard of Services in Trade and Industry Areas;
4. Mayor Regulation Number 28 Year 2013 regarding Procedures of Electronic Licensing and non-Licensing Services at Surabaya City.

Procedure 17. Register Land and Building Tax (PBB) at Local Revenue Agency (Dinas Pendapatan dan Pengelolaan Keuangan Daerah/ Dispenda)

Time : 1 Day

Cost : No Cost

Comments:

Applicant who wants to apply for Tax Assessment (SPPT) PBB correction/addition takes and fills in the statement letter on new registration application which is available at the Counter of the Local Revenue Agency by completing requirements for SPPT change:

- a. Fill in and sign Tax Object Notification Letter (SPOP) and its Attachment (LSPOP);
- b. Copy of Identity Card (KTP) and Family Card (KK);
- c. Copy of Tax Assessment (SPPT) of the related year;
- d. Copy of the PBB payment of the related year;
- e. Copy of land ownership;
- f. Copy of Building Construction Permit (IMB);
- g. Building photos.

After completing the documents and such documents are stated as complete and correct, Applicant will receive receipt of the documents. Next, the documents will be forwarded to technical official at Dispenda for verification and validation processes. After that, the technical official will conduct field inspection in order to analyze compliance of the building with its purpose; measures land object point and analyzes market price (proper or not). After field check, the documents will be processed for a change in SPPT PBB. Such process of changing the name in PBB at Dispenda needs about 3 months, and can be even longer due to high workload of Dispenda officials as a result of Local Technical Implementation Unit (UPTD)'s function being not optimum, and enormous number of incoming

documents as well as documents are often not complete therefore they must be returned and be completed by the applicant. However, applicant only needs to apply for changing of name in one day, and afterwards process will be continued within Local Government's internal institution. There is no more involvement of the applicant until SPPT PBB issued under the name of the applicant with the updated object

Procedure 18. Request and Connect to Water and sewage with from Local Water Company (PDAM)

Time : 18 Days

Cost : IDR 935.000,-

(Cost for installation IDR 850,000 + Value-added Tax 10%)

Comments:

To obtain potable water supply connection from PDAM, Applicant comes to PDAM bringing required documents for registration as follows:

- a. Copy of land ownership;
- b. Copy of Identity Card (KTP) and Family Card (KK) of the Applicant;
- c. Copy of the last electricity bill;
- d. Copy of the latest Tax Assessment (SPPT) of Land and Building Tax (PBB);
- e. Copy of the taxpayer registration number (NPWP);
- f. Points (a) – (f) shall be completed by showing the original documents.

Applicant submits all required documents to the registration Counter (Counter 27), be followed by documents verification and validation. After that, PDAM staff conducts field/location visit to the customer. Then PDAM staff will determine installation costs and handed it to the customer. Time needed from submission of application documents until cost determination stage is 14 days. After the Applicant makes a payment for installation at Counter (28) or Counter (29), the process of installing new connection is made. Time duration needed for installation is 4 days. In such installation of PDAM water supply, there is no distinction between residential housing and business building (warehouse).

Procedure 19*. Request and Connect to Telephone with PT Telekomunikasi Indonesia Tbk (Telkom)

Time : 6 Days

Cost : IDR 547.500,-

(Cost for new installation IDR 450,000 + Value-added Tax 10% + Cost for IKR IDR 52,500)

Comments:

To obtain telephone connection from PT Telkom, Applicant comes to PT Telkom in Surabaya City bringing required documents as follows:

- Copy Company Establishment Deed;
- Copy Taxpayer Registration Number (NPWP);
- Copy Business Trading License (SIUP);
- A Statement Letter, with an IDR 6,000 stamp duty on, from a person as representative of the Company, responsible for telephone connection installation.

After the Applicant submit application documents for new telephone connection to the installation Counter at PT Telkom, verification and validation of documents will be conducted. Subsequently, PT Telkom staff will come and do field inspection to find locations of connection poles and measure the distance from warehouse location to the poles. Time duration from registration to field inspection is 3 days. After that the Applicant makes payment at PT Telkom's counter. Three days after cable installed and payment made, the telephone connection is active and can be used by the customer.

**) This Procedure can be conducted simultaneously with other former procedures*

Registering Property

List of Procedures

Procedure 1. Check the legitimacy and the validity of the land certificate in the Local Land Office (BPN)

Time : 2 Days

Cost : IDR 50.000,-

Comments:

To check the legitimacy of the land certificate, an applicant may submit a request to the local Land Office in their area. Regulation of the Head of National Land Agency No. 1 Year 2010 stated that the requirements to conduct an inquiry on the legitimacy of a land certificate are as follows:

- A request form, filled in and signed by the applicant;
- A copy of the applicant's identity card (KTP);
- Certificate of land ownership;
- A forwarding letter from a Land Deed Official (PPAT) to register the transfer of ownership.

Regulation of the Head of the Land Agency also stipulates that the time needed to check a certificate is

one day. Nevertheless it is not always so in practice. The time needed to check the validity of the land depends on how long it takes to find the land registry book at the Local Land Office and the presence of the Head of the Land Office. The Local Land Office at Surabaya City has been implementing certificate validity checking process electronically (electronic system) for the new certificate issued from 2013 on.

Legal Basis:

- Government Regulations Number 13 Year 2010 on the Types and Tariffs of Non-Tax State Revenues Applicable in the National Land Agency;
- Regulation of the Head of National Land Agency Number 1 Year 2010 on Standards of Land Service and Arrangement.

Procedure 2. Seller pays the transfer tax (PPh) at State-Owned Bank

Time : 1 Day

Cost : IDR 81.070.474,- (5% of the property value)

Comments:

The seller will pay the Tax on Transfer of Land and Building (PPh) for the money received from the sale and purchase transaction amounting to 5% of the value of the property. Payment of the tax to the Central Government is made through a bank appointed by the National Treasury Office or a state-owned bank (Bank BUMN).

PPh Tariff = 5 % x IDR 1.621.409.473
= IDR 81.070.474,-

Legal Basis:

- Law Number 36 Year 2008 on the Fourth Amendment to Law No. 7 year 1983 on Income Tax;
- Law Number 28 Year 2009 on Local Tax and Retributions.

Procedure 3*. Buyer pays Tax on Acquisition on Land and Building (BPHTB) at Local Revenue Office (Dispenda) or Jatim Bank

Time : 1 Day

Cost : IDR 77.320.474,-

(5% of (the property value minus non-taxable sale value (NPOPTKP))

Comments:

The Buyer pays the tax on Acquisition on Land and Building (BPHTB). Based on Law No. 28 Year 2009 on Local Tax and Retribution, the value of NPOPTKP is

decided by the Local Government. In Article 87 point 4 it was stated that the minimum value is IDR 60,000,000. In Surabaya, based on the Local Regulation No. 11 Year 2010, NPOPTKP is determined to be IDR 75,000,000. Payment of BPHTB shall be made at the Dispenda in Surabaya City or at Jatim Bank.

BPHTB Tariff

= [5 % x (Property Value – IDR 75.000.000)]
 = [5 % x (IDR 1.621.409.473 – IDR 75.000.000)]
 = 5 % x IDR 1.546.409.473
 = IDR 77.320.474,-

Legal Basis:

1. Law Number 28 Year 2009 on Local Tax and Retributions;
2. Local Regulation Number 11 Year 2010 on Tax on Acquiring on Land and Building.

Procedure 4. Execution of sale and purchase of the Land Deed (Akta Jual Beli Tanah) by Land Deed Official (PPAT) appointed by Head of the National Land Office or the local Head of a Sub-District

Time : 3 Days

Cost : IDR 16.214.095,- (1% of the Property Value)

Comments:

The execution of the sale and purchase of the Land Deed is made before Land Deed Official (PPAT) appointed by the Head of National Land Office, after all taxes in procedures 2 and 3 have been paid. Documents that are needed for processing the Sale and Purchase Deed include the following:

- a. Original land certificate;
- b. Copy of Identify Card of the Purchaser (director of the Company) and the seller (director of the company);
- c. Evidence of the latest payment of Tax on Land and Building (PBB). Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the buyer usually wants to obtain the original of the payment of PBB for the past three years utility bills for three months – though in practice the office will check at last 10 years, The Land Deed Officer drawing up the sale and purchase deed will only need a copy of the most recent PBB for registering the land into the name of the new owner;
- d. Evidence of payment of the Tax on Transfer of Land and Building (PPh) (obtained from Procedure 2);
- e. Evidence of payment of Tax on Acquisitions of Land and Building (BPHTB) (obtained from

Procedure 3);

- f. Tax registration number (NPWP) of the seller and the purchaser;
- g. Deed of Establishment and its amendments of both the seller and purchaser;
- h. Company approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Articles of Association of both the seller and the purchaser;
- i. Advise Planning or City Planning explanation from the City Planning Local Government Agency;
- j. Building Construction Permit.

In the law it is required that the notary fee for transaction value above IDR 1 billion is maximum 1% from the value of the property. In practice, this fee is dependent upon negotiation between the client and the notary.

Legal Basis:

Law Number 30 Year 2004 on Notary

Procedure 5. Registration of Land Deed at the Local Land Office (BPN) under the name of the buyer

Time : 30 Days

Cost : IDR 1.671.409
 (IDR 50.000,- + (0.1% of the Property Value))

Comments:

After execution of the Sale and Purchase Deed, the applicant submits the registration of Land Deed under the name of the purchaser to the local land agency together with the following requirements:

- a. Forwarding Letter from the Land Deed Official (PPAT);
- b. Application letter;
- c. Original land certificate;
- d. The Sale and Purchase Deed;
- e. Copy of Identity Card (KTP) of the seller and purchaser;
- f. Evidence of payment of the Transfer Tax of Land and Building (PPh);
- g. Evidence of payment of Tax on Acquisitions of Land and Building (BPHTB);
- h. Evidence of the latest payment of Tax on Land and Building (PBB);
- i. A declaration from the recipient of the land and building rights that:
 - 1) the recipient having had transfer of the rights will not become a rights holder which exceeds maximum acquisition allowed as prescribed in

- the prevailing regulations;
- 2) the recipient will not become an absentee rights holder as prescribed in the prevailing regulations;
 - 3) the recipient understands when the declaration of point 1 and 2 are untrue then the exceeded land or the absentee land will be an object of land reform;
 - 4) That the recipient will bear all legal consequences if the declaration of point 1 and 2 are not true.

Documents from the applicant will be given to counter II at the land office. The official there will calculate the fee on rights transfer due to sale and purchase of land. Then the applicant pays the fee at counter III. When the documents are declared to be complete and correct, and the applicant has paid the fees on transfer of the rights, the applicant will be given a receipt. All documents will be forwarded to the official in charge of transferring the rights and the PPAT to be validated, verified in substance and matched to the land registry book. At this step, documents will also be validated by representative of Local Revenue Office (Dispenda) of Surabaya City at the Land Office. Dispenda Official will validate evidence of payment of Tax on Acquisition of Land and Building (BPHTB). If all the documents are correct (valid) and certificate and land registry book are conform, Official in charge at Land Office will cross out the name of the previous owner and inserts the name of the buyer on the land certificate and land registry book. After that, documents will be forwarded to the Sub Section Head of Transfer of Rights and PPAT to be examined and given initial on then to the Section Head of Land Rights and Land Registration. Such documents which have been examined and be given initial by the Section Head of Land Rights and Land Registration are handed to the Head of Land Agency for his/her signature. The signed documents will be given to the Land Agency Official and he/she will put seal on and keep them in the archive. Land certificate under the name of the buyer that has been signed and sealed is handed to Counter IV Official to be given to the applicant.

Tariff = IDR 50.000 + (0.1 % x IDR 1.621.409.473)
 = IDR 50.000 + IDR 1.621.409
 = IDR 1.671.409,-

Legal Basis:

1. Government Regulations Number 13 Year 2010 on the Types and Tariffs of Non-Tax State Revenue

- Applicable in the National Land Agency;
2. Regulation of the Head of National Land Agency Number 1 Year 2010 on Standards of Land Service and Arrangement.

Procedure 6. Apply for change of the land and building tax (PBB) under the name of the buyer at the Local Revenue Office (Dispenda)

Time : 1 Day

Cost : No Cost

Comments:

In relation to registration of the Land title deed, the change of ownership must be registered at the Local Revenue Office (Dispenda). The taxpayer shall submit a report on transfer of land rights. To apply for a change of PBB subject, the applicant takes and fills in the forms available at Local Revenue office (Dispenda) with the following documents:

- a. Copy of Tax Assessment (SPPT) of the current year;
- b. Evidence of payment (SSPD) of PBB of the current year;
- c. Master NOP (NOP Induk) must have been paid (no postponement);
- d. Copy of Identity Card (KTP);
- e. Fill in and sign Tax Object Notice Letter (SPOP) and its attachment (Lampiran SPOP);
- f. Evidence of payment of Tax on Acquisitions of Land and Building (BPHTB);
- g. Copy of Land and Building documents, among others:
 - 1) Copy of Land Certificate
 - 2) Copy of Sale and Purchase Deed
- h. Copy of Building Construction Permit;
- i. Building photos.

Applicant who has completed all the documents and such documents have been stated as complete and correct will be given receipt of the documents. After that, such documents will be handed to technical official of Dispenda for further process of verification and validation. Then the official will conduct field examination to analyze compliance of the building with its purposed use, measures point of land object and analyze market price (proper or not). After field check made, the documents will be processed for a change in PBB tax assessment (SPPT). Such process of changing the name in PBB at Dispenda requires duration of 3 months and could be longer considering the workload of Dispenda officials due to Local Technical Implementation Unit (UPTD) being not functioning optimally and great amount of incoming

documents as well as incoming documents often not complete therefore they shall be returned and be completed again by the applicant. However, the applicant only needs to apply for change of the name in one day, after that the process will be continued in Local Government Office internally. There will be

no more involvement of the applicant until PBB tax assessment (SPPT PBB) issued under the name of the applicant (purchaser).

*) *This procedure can be conducted simultaneously with previous procedure.*

Balikpapan City, East Kalimantan

Starting a Business

List of Procedures

Procedure 1. Purchase of voucher to reserve company name in Bank BNI

Time : 1 Day

Cost : IDR 200.000

(for company name check and reservation)

Comments:

Applicant is required to purchase a voucher to register its name through BNI Bank. The public notary will accept the name reservation voucher and the voucher's code will be used by as the access code by the notary to check the availability of the company's name as well as reserve the name through the online AHU system. The cost that has been paid and the name reserved is valid for a maximum of 60 days after it has been paid for. The applicant can conduct this procedure independently without the help of a public notary, but in general an applicant will use the services of a notary from the name reservation until the validation of the company's Establishment Deed in the Ministry of Law and Human Rights, even up to the processing of the business operations licensing.

Legal Basis:

1. Government Regulation No. 45 Year 2014 on the Types and Tariffs of Non-Tax National Income Applied in the Ministry of Law and Human Rights;
2. Regulation of the Minister of Law and Human Rights No. 4 Year 2014 on the Procedures to Apply for Validation of Legal Entities and Approval to Change Basic Statute and Information on the Change of Basic Statute and Change to the Data of a Limited Liability Company.

Procedure 2. Acquiring the services of a public notary for: name reservation, obtain standard format for company's establishment deed, obtain approval for the use of company name, and obtain approval of the company's establishment deed from the Ministry of Law and Human Rights

Time : 2 Days

Cost : IDR 5.720.000,- (notary's service)

Comments:

Since only a public notary have access to the online AHU system, applicant must use the services of a notary, as one authorised to access the online AHU system, to process all the procedures involved in the establishment of a company. Public notary in general offers a package of services for establishing a company, starting from name reservation up until gaining the validation of the company from the Ministry of Law and Human Rights. Many public notaries also offers package up to the business operations permit.

The output resulting from this procedure are as follows:

1. *Company name reservation*: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and the articles of company.
2. *Signing of the company Establishment Deed*: Notary together with the applicants will prepare the deed of company establishment and then signed by the company's founder. The standard format of the deed company establishment was provided by the notary.
3. *Approval of the company Establishment Deed (SK pengesahan) from the Ministry of Law and Human Rights*: Based on Article 9, 10, 29 and 30 of the Law on Limited Liability Company No. 40/2007, the public notary that works on the company Establishment Deed is obliged to forward the required documents through the electronic system to the Ministry of Law and Human Rights. The process is as follows:
 - a) The notary fills in the company data through the online AHU system. The data entered are identity of shareholders, identity of directors, identity of commissioners, purpose and goal of the company, authorized capital and paid up capital, and mechanism for the division of stocks;
 - b) After the data input process is finished, a notification will appear confirming that the notary has entered the data correctly and that the notary will be responsible for the data inputted;
 - c) After the notary agrees to that the data has been inputted correctly, the system will give another notification for payment of the

- required PNB cost;
- d) The notary will pay the PNB cost through the assigned bank, which is BNI;
 - e) After the payment is done, another notification will automatically appear in the AHU online system that the payment has been completed and that the validation letter can be printed. The notary can print the company validation letter then;
 - f) The physical document will be sent to the State Printing Office, and then the company will receive around 100 copies of the State announcement. The process to receive this state print document will take some time, on average between 6 months to 1 year.

The period needed to complete this procedure is two days. The process that will be done by the notary is as follows:

1. The first day, the notary (can be done together with the applicant) reserve the name as well as generate the standard format for the deed establishment, and then the Establishment Deed is signed by the company's founder;
2. The second day, based on the signed Establishment Deed, the notary will enter the online AHU system and input the necessary company data. Once completed, and the non-tax State Revenues (PNBP) paid to the bank, the notary can print out the approval (SK Pengesahan) of the company deed establishment.

The cost prescribed here is the cost of the notary for services rendered. The amount can be different depending on the deal made between the notary and the applicant. In general, notaries in the Surabaya City ask for IDR 5,500,000, for a service package up to the validation of the company Deed by the Ministry of Law and Human Rights.

Legal Basis:

1. Law Number 40 Year 2007 on Limited Liability Company;
2. Government Regulation Number 46 Year 2014 on the Types and Tariffs of Non-Tax National income Applicable in the Ministry of Law and Human Rights;
3. Regulation of the Minister of Law and Human Rights No. 4 Year 2014 on the Procedures to Apply for Validation of Legal Entities and Agreement to Change Basic Statute and Information on the Change of Basic Statute and Change to the Data of

a Limited Liability Company.

Procedure 3. Pay the State Treasury for the Non-Tax State Revenue (PNBP) fees for legal service at a Bank

Time : 1 Day

Cost : IDR 1.580.000,-

(IDR 1.000.000,- 000 for validation of the company's legal status + IDR 30,000 for announcement of the Limited Liability Company in the State Gazette of the Republic of Indonesia (BNRI) + IDR 550,000 for publication of the Limited Liability Company in the Supplement to the State Gazette of the Republic of Indonesia -TBNRI)

Comments:

This procedure is basically paying the PNB costs for the process of company validation in the Ministry of Law and Human Rights. After signing of the company Establishment Deed, the notary would input the company data into the online AHU system. After the data is inputted correctly, a notification will appear to pay the PNB. The notary will pay the PNB cost to the assigned bank which is BNI. The notary will then receive a PNB receipt from the bank.

After the fees are paid, another notification will appear which allows the notary to printout the validation letter without the need to upload the receipt of the PNB.

The obligation to pay the PNB for legal services involved in the establishment of a small scale limited liability company is prescribed in the Government Regulation No. 38 Year 2009 on the Type and Tariffs of Non-Tax National Income, which replaces the previous Government Regulation No. 19 Year 2007.

Legal Basis:

Government Regulation No. 46 Year 2014 on the Types and Tariffs of Non-Tax National Income Applied in the Ministry of Law and Human Rights

Procedure 4. Arrange for Nuisance Permit (Ijin Gangguan Usaha –HO) at the Investment and Licensing Agency (BPMP2T)

Time : 7 Days

Cost : IDR 1.800.000,-

(Total building area x Retribution Tariff x Location Index x Nuisance Index)

Comments:

To apply for Nuisance Permit, Applicant should prepare

the following required documents:

- a. Letter of no objection from the neighbourhood and acknowledged by the Head of the Neighbourhood association (RT) upon location of the business activity area;
- b. Building construction permit (IMB) or land certificate or land document of the land to be constructed (optional);
- c. Sketch of business location;
- d. Establishment Certificate for the Company having a status of Corporate Body/Business Entity;
- e. Receipt of PBB payment of the most recent year;
- f. Photo copy of identification card (KTP).
- g. 3x4 cm photograph

After completing application documents, the Applicant applies registration at BPMP2T. When registration is in progress, documents will be checked and if they are stated as complete and correct, the Applicant will get registration receipt. After registration is made, the following process is field inspection which will be conducted by BPMP2T Team. The field inspection is carried out to inspect the building and the office which has been constructed. Next, BPMP2T will prepare an Official Report (Berita Acara) of the field visit and generates SKRD. Subsequently the Applicant pays retribution after having received SKRD at BPMP2T. After local charge is paid, the Applicant will submit payment receipt, for further verification by BPMP2T staff. Following verification of payment receipt, permit document that has been signed by the Head of BPMP2T of Balikpapan City will be handed to the Applicant.

To calculate retribution, the formula used is: total area of the building x Retribution Tariff x Area Index x Nuisance Index. Using the assumption, Retribution on Nuisance Permit will be:

$100 \text{ m}^2 \times \text{IDR } 3,000,-/\text{m}^2 \times 3 \text{ (Location Index for Trade Area)} \times 2 \text{ (sum of Nuisance Indices for Fire and Traffic)}$
= IDR 1,800,000

Legal Basis:

- a. Local Regulation Number 6 Year 2014 on Disturbance Permit;
- b. Local Regulation Number 11 Year 2011 on Certain Permit Retribution;
- c. Decision Letter of the Head of the Board of Investment and Integrated Licensing Service (BPMP2T) of Balikpapan City No. 060/14/BPMP2T/XII/2012 on Standard Operating Procedure in BPMP2T.

Procedure 5. Obtain a Business Domicile Letter (SKDU) from the Head of Local Borough (Kelurahan setempat)

Time : 1 Day

Cost : No Cost

Comments:

Before obtaining Company's Taxpayer Registration Number (NPWP), the Company has to apply for a Business Domicile Letter (Surat Keterangan Domisili Usaha) from local Borough Administration. This document only contains complete data on company location. The use of such document is for confirming correctness of company location data. To get a Business Location Permit (SITU) from the Borough the company has to prepare:

1. Photo copy of Company Establishment Deed;
2. Residence Identification Card (KTP) of the person responsible for the company.

In Balikpapan, this document is called Business Location Permit (SITU).

Although there is no official cost, however, there is unofficial cost to be borne for processing this document, ranging from IDR 100,000 to IDR 500,000.

Procedure 6. Obtain a Taxpayer Registration Number (NPWP) and a Value Added Tax Collector Number (NPPKP) from the Madya Tax Office (Kantor Pajak Madya)

Time : 2 Days

Cost : No Cost

Comments:

NPWP and NPPKP are required documents before processing SIUP and TDP. NPWP and NPPKP can be processed as a package at the Madya Tax Office (Kantor Pajak Madya) in Balikpapan City. To gain NPWP and NPPKP, the Applicant has just come to the Tax Office in Balikpapan City. The following are the required documents:

- a. Company Business Trading License (SIUP);
- b. Photo copy of the Director ID Card;
- c. Photo copy of the Company Establishment Deed;
- d. Business Location Permit (SITU) issued by the Borough Administration;
- e. Individual Taxpayer Registration Number (NPWP Pribadi) of the Company Founder(s).

To gain NPPKP there is a need for field verification process, therefore it can not be completed in one day.

Procedure 7. Apply for a Business Trading License (Surat Izin Usaha Perdagangan- SIUP) and Company Registration (Tanda Daftar Perusahaan-TDP) at the Investment and Licensing Agency (Badan Penanaman Modal dan Pelayanan Perijinan Terpadu-BPMP2T)

Time : 5 Days

Cost : No Cost

Comments:

In order to obtain a Business Trading License (SIUP) and Company Registration (TDP), Applicant shall make an application. Supporting documents to be forwarded are as follows:

1. Application form;
2. Photo copy of Company Establishment Deed and approval letter of the company's establishment deed from the Ministry of Law and Human Rights;
3. Photo copy of Nuisance Permit;
4. Photo copy of NPWP and NPWPD;
5. Photo copy of Residence Identification Card (KTP) of the Company Owner;
6. Director's Photograph size 3x4 (2 pcs);
7. Technical Permit (adjusted with main business activity) for TDP.

The process to obtain SIUP and TDP are as follows:

Applicant submits the abovementioned documents for registration and will receive a receipt from BPMP2T. On the following process, BPMP2T of Balikpapan City will conduct internal process such as document verification, correction, signing of the permit and data filing. When permit signing has been done, the Applicant will be informed to take the SIUP and TDP at BPMP2T of Balikpapan City. SIUP and TDP can be processed as one package. In a package process of SIUP and TDP, the one to be accomplished firstly is SIUP, then TDP. However, such process will be carried out internally using just one application document. This is because there is no need to have a field visit for processing SIUP and TDP; nevertheless, supervision from technical local government agencies will be more strictly.

Legal Basis:

1. Trade Minister Regulation Number 46/M-DAG/PER/9/2009 on the Change of Trade Minister Regulation Number 36/M-DAG/PER/9/2007 on Issuance of SIUP;
2. Trade Minister Regulation No. 37/M-DAG/PER/9/2007 on Company Registration Certification;
3. Decision Letter of the Head of the Board of Investment and Integrated Licensing Service (BPMP2T) of Balikpapan City Number 060/14/

BPMP2T/ XII/2012 on Standard Operating Procedure in BPMP2T.

Procedure 8. Register to the Local Manpower and Social Affairs Office (Disnakersos) at Balikpapan City

Time : 1 Day

Cost : No Cost

Comments:

In accordance with Law No. 13 Year 2003, companies with more than 10 workers or which pays monthly wage IDR 1,000,000 is obliged to register at the Ministry of Manpower. Such procedure can be accomplished simultaneously with other post-registration procedures by submitting report on manpower to the Local Manpower Office. The applicant will receive a receipt for the documents submitted. The Local Manpower Office will verify and issue an official registration letter to the applicant. The applicant will then return to the Manpower Office to collect official copy of the manpower registration. For such company having workers less than 50 people, verification process can be conducted directly at the site. Required documents to be submitted by the company to register are as follows.

Legal Basis:

1. Law Number 7 Year 1981 on the Company Obligation to Report Manpower Issues;
2. Regulation of Manpower and Transmigration Minister Number PER.14/MEN/IV/2006 on the Procedures for Companies to Report Manpower Issues;
3. Decree of Manpower and Transmigration Minister Number SE.3/Men/III/2014 on the Implementation of Companies Obligation to Report Manpower Issues.

Procedure 9. Apply for participation in the Worker Social Security Program at the Worker Social Security Office (BPJS Ketenagakerjaan)

Time : 7 Days

Cost : No Cost

Comments:

Based on Law Number 24 Year 2011 on Social Security Agency, everyone who works for a minimum of 6 (six) months must become a participant of the social security program. A company is obliged to register the owner and its workers as BPJS participants. In Government Regulation No. 84 Year 2013, an entrepreneur who employs 10 (ten) or more workers, or pays wage of IDR 1,000,000 at the minimum per

month is obliged to include his/her workers in social security program for worker. There are three levels of punishment if a company does not register its workers as BPJS participants, i.e.:

- a. Criminal sentence of 8 years maximum in jail;
- b. IDR 1 billion fine;
- c. Revocation of public service access (extension of business owner's KTP, passport, and company's SIUP).

Worker BPJS program comprises of benefits for accident at workplace, elderly, retirement, and death. To register for participation in BPJS programs, the company shall submit a form completed with the following requirements:

- a. Original and photo copy of Business Trading License;
- b. Original and photo copy of Company's NPWP;
- c. Original and photo copy of Company Establishment Deed;
- d. Photo copy of each worker's KTP;
- e. Photo copy of Family Card of each worker;
- f. 1 copy of 2x3 colour photo of each worker.

Next, the company shall make payment for the first contribution which can be made at an ATM or cash via Mandiri Bank, BNI, BRI, and Bukopin at the latest 30 days after registration time. At the latest 7 (seven) days since submission of registration form and first contribution paid, BPJS will issue company membership certificate and BPJS participant card for each worker.

The company is not obliged to register its employee as participant in BPJS program if it has provided social security program for its employees and keep continuing its membership in the said program (Governmental Regulation Number 84 Year 2013).

Legal Basis:

1. Law Number 3 Year 1992 on the Worker Social Security;
2. Law Number 40 Year 2004 on the National Social Security System;
3. Law Number 24 Year 2011 on the Social Security Implementing Agency;
4. Government Regulation Number 83 Year 2013 on Revisions to Government Regulation Number 14 Year 1993 on the Worker Social Security Program Implementation.

**) This Procedure may be conducted simultaneously with the preceding Procedure.*

Dealing with Construction Permits

List of Procedures

Procedure 1. Obtain Recommendation Letter for Environmental Management Plan and Environmental Monitoring Plan (UKL/UPL) at the Local Environmental Agency (BLH) of Balikpapan City

Time : 14 Days

Cost : No Cost

Comments:

The Initiator or the Builder prepares UKL/UPL documents. UKL/UPL document format is available at Local Environmental Agency (BLH). To prepare Environmental Management Plan and Environmental Monitoring Plan (UKL/UPL) documents, building initiator uses consultant services with a total cost between IDR 6 millions to IDR 7 millions. After UKL/UPL documents are completed, the initiator will apply for a recommendation letter on UKL/UPL at BLH of Balikpapan City. To gain such recommendation letter, the applicant submits an application to the BLH. After that, the BLH staff will examine the application documents. If the documents are complete and correct, then a schedule for meeting(s) will be made. The purpose of the meeting is to make a confirmation on the application of UKL/UPL recommendations to the relevant parties such as government agencies as well as the community at the surrounding areas. Such meeting will be held one week after submission of application. After the meeting, some revisions based on inputs given by each related party will be made by the building initiator. When the revisions completed, in general 2-3 days, then recommendation to approve UKL-UPL and environmental permit will be issued.

To apply for recommendation on UKL/UPL, there are some requirements to be prepared, such as:

- a. Photo copy of the residence identification card (KTP)
- b. Photo copy of land certificate
- c. Technical drawings
- d. UKL/UPL documents
- e. A statement letter to implement UKL-UPL

Legal Basis:

- a. Regulation of the Minister of Environment Number 16 Year 2012 on Guidelines to Arrange Environmental Documents (Environmental

- Management Plan and Environmental Monitoring Plan (UKL/UPL))
- Mayor of Balikpapan Regulation Number 16 Year 2011 on Environmental Management Plan and Environmental Monitoring Plan, and
 - A statement letter regarding ability to implement environmental management and monitoring (SPPL) for Business Plan and/or Activities in Balikpapan City

next day. After the documents received by DTKP, there will be a field check by DTKP. Duration of time from submission of documents to field check is 7 days.

Legal Basis:

- Local Regulation Number 3 Year 2012 on Building Construction Permit (IMB)
- Local Regulation Number 4 Year 2014 on Revisions of Local Regulation Number 3/2012 on Building Construction Permit (IMB)

Procedure 2. Request Building Construction Permit (IMB) at Investment and Licensing Agency (BPMP2T)

Time : 1 Day

Cost : No Cost

Comments:

In order to obtain Building Construction Permit, the required documents to be completed are as follows:

- An written explanation concerning building planning and design;
- Two photo copies of land ownership in the name of the applicant which has been legalized;
- Two sheets of building drawings which clearly show their size and remark on the ground plan, views, and sections with scales of 1:50, 1:100, and 1:200 (provided by the initiator);
- One sheet of photo copy of the Tax on Land and Tax on Building payment of the current year;
- One sheet of photo copy of the valid KTP of the person responsible for, or the initiator of the building construction;
- Sale and Purchase Deed if the building has been traded;
- Photo copy of the Company Establishment Deed for such entity having a legal status;
- Engineering design of the public building and/or specific building; for 2(two) floors or those having span more than 5(five) meters must attach structural computation which is made by a legal entity or accredited/certified experts (provided by the initiator);
- Obligatory documents, i.e. environmental impact analysis, UKL/UPL (provided by the initiator).

Applicant brings all the required documents to BPMP2T of Balikpapan City. At the front office of BPMP2T of Balikpapan City, a process of checking such documents will be conducted, and if they are stated as complete then the applicant will receive application receipt. After that, BPMP2T will send the documents to the Local Agency of City Planning and Housing (DTKP)

Procedure 3. Receive Field Inspection and inspection minutes by the Local Agency of City Planning and Housing (DTKP)

Time : 5 Days

Cost : No Cost

Comments:

DTKP at Balikpapan City will contact the applicant via telephone before having a field inspection. The purpose of the field inspection is to examine compliance between design drawing and real condition in the field. After having made a field inspection, an internal process including drawing will be carried out. In such process, calculation on retribution and Regional Retribution Letter (SKRD) for IMB will be.

Procedure 4. Obtain Local Retribution Letter (Surat Keterangan Retribusi Daerah, SKRD) and Paying Retribution at DTKP Counter

Time : 1 Day

Cost : IDR 38,335,185,-

(Retribution Base Tariff x Building area x integration index x activity index)

Comments:

After Local Retribution Letter (Surat Keterangan Retribusi Daerah, SKRD) calculation has been made, applicant will pay the retribution at DTKP in Balikpapan City. Calculation of IMB retribution cost is based on unit cost of the building, floor space, integration index, and building activity index.

The calculation formula is:

Retribution Base Tariff x total business space area x integration index x activity index.

Calculation of integration index is as follows:

Business function parameter index x sum of function parameter indeks x fixed time parameter index.

- a. Business function parameter index = 3.00
- b. Function parameter index:
 1. Complexity, weight 0.25; Simple parameter, index = 0,40
 2. Being permanent, weight 0.20; Permanent parameter, index = 1,00
 3. Fire risk, weight 0.15; Heigh Parameter = 1,00
 4. Earthquake Zone, weight 0.15; Zona I/minor parameter = 0,10
 5. Building crowd, weight 0.10; Crowd parameter = 1,00
 6. Height of the building, weight 0.10; Short Parameter = 0,40
 7. Ownership, weight 0.05; Business Entity Parameter = 1,00;
Function parameter index = $((0.25 \times 0.40) + (0.20 \times 1.00) + (0.15 \times 1.00) + (0.15 \times 0.10) + (0.10 \times 1.00) + (0.10 \times 0.40) + (0.05 \times 1.00)) = (0.1 + 0.2 + 0.15 + 0.015 + 0.1 + 0.04 + 0.05) = 0.655$
- c. Fixed time parameter index = 1,00

Thus integration index is $= 3,00 \times 0,655 \times 1,00 = 1,965$.
IMB retribution for warehouse building using the assumption at Balikpapan is: $\text{IDR } 15.000 \times 1300,6 \text{ m}^2 \times 1,965 \times 1,00 = \text{IDR } 38,335,185,-$

Legal Basis:

Local Regulation Number 11 Year 2011 on Certain Permit Retribution

Procedure 5. Obtain Building Construction Permit (IMB) at Licensing Agency (BPMP2T)

Time : 2 Days

Cost : No Cost

Comments:

After retribution paid, applicant obtain IMB and its supplements such as building name board and and IMB book at BPMP2T. The applicant can get IMB and its supplements within 3 days the maximum after payment of retribution is made. However, it often happens that applicant takes IMB directly from Local Agency of City Planning and Housing one day after retribution paid.

Procedure 6. Obtain Nuisance Permit for Warehouse Building at BPMP2T

Time : 5 Days

Cost : IDR 7.803.900,-

(Total building area x Retribution Tariff x Area Index x Nuisance Index)

Comments:

After warehouse is built, and has building construction permit that relevant with building allotment, nuisance permit has just been processed. This is because the nuisance of a building can be seen. To process a disturbance permit, applicant submits an application completed with its requirements such as:

- a. Letter of no objection from the neighbourhood and acknowledged by the Head of the Neighbourhood association (RT) upon location of the business activity area;
- b. Building construction permit (IMB) or land certificate or land document of the land to be constructed (optional);
- c. Sketch of business location;
- d. Establishment Certificate for the Company having a status of Corporate Body/Business Entity;
- e. Receipt of PBB payment of the most recent year;
- f. Photo copy of identification card (KTP).
- g. 3x4 cm photograph.

The process to obtain disturbance permit for the warehouse is started when complete and correct documents are submitted by the Owner of the building. After submission of the application documents and examination of administration document is made, then the applicant waits for field inspection by a technical team. Such field inspection will be conducted to verify compliance of the document with the building plan. After field inspection is conducted, calculation of SKRD will be made by BPMP2T. After SKRD is issued, then applicant makes payment of the SKRD at BPMP2T, and disturbance permit can be obtained.

To calculate retribution on disturbance permit, the formula used is: Total building area x Retribution Tariff x Area Index x disturbance Index. In line with the assumptions, then retribution tariff is: $1300.6 \text{ m}^2 \times \text{IDR } 3,000 \times 2 \times 1 = \text{IDR } 7.803.900,-$

Legal Basis:

1. Local Regulation Number 6 Year 2014 on Disturbance Permit
2. Local Regulation Number 11 Year 2011 on Certain Permit Retribution
3. Decision Letter of the Head of Investment and Integrated Licensing Service Board Number 060/14/BPMP2T/XII/2012 on Standard Operating Procedure within BPMP2T

Procedure 7. Register the Warehouse (Tanda Daftar Gudang -TDG) at BPMP2T**Time** : 7 Days**Cost** : No Cost

(in line with Law Number 28 Year 2009)

Comments:

All the warehouses at Balikpapan City must be registered. To register a warehouse, owner of the warehouse shall submit the following documents:

- a. Photo copy of the Applicant's ID Card (2 pcs)
- b. Photo copy of Building Construction Permit (IMB)
- c. Photo copy of Land Ownership
- d. Photo copy of Business Trading License (SIUP) and Company Registration Certificate (TDP) or other business permits from relevant technical agencies such as nuisance permit and location sketch.
- e. Photo copy of NPWP
- f. 3x4 cm photograph of director
- g. Photo copy of Company Establishment Deed

After the applicant carries out registration process, documents will be examined. If the documents are correct and complete, then a site visit will be scheduled. Such site visit is usually conducted 1 day after submission of application documents. After site visit is made, there will be an internal process to generate an official report (*Berita Acara*) of the site visit, and verification which takes 3 to 5 days. After that, TDG can be directly obtained by the warehouse owner.

Legal Basis:

1. Trade Minister Regulation Number 16/M-DAG/PER/3/2006 on Warehouse Arrangement and Development;
2. Decision Letter of the Head of Investment and Integrated Licensing Service Board Number 060/14/BPMP2T/XII/2012 on Standard Operating Procedure Applicable in BPMP2T

Procedure 8*. Making Revisions of the Data in the Land and Building Tax (PBB) at Local Office of Regional Revenues (Dispenda)**Time** : 1 Day**Cost** : No Cost**Comments:**

To make revisions of data in the PBB, the new owner submits an application to the Dispenda. After making a registration, there will be a field inspection to check the data change on the ownership. Documents that must be attached in order to change the data in Land and

Building Tax are as follows:

- a. Application form;
- b. SSPD Fees for Acquiring of Rights on Land and Building;
- c. Photo copy of PBB payment of the most recent year;
- d. Photo copy of PBB Tax Assessment (SPPT PBB) of the most recent year;
- e. Photo copy of the residence identification cards (KTPs) and Family Cards (KKs) of the purchaser and the seller;
- f. Photo copy of Sale and Purchase Deed (*Akta Jual Beli*);
- g. Photo copy of Land Ownership certificate;
- h. Photos of the building object.

Procedure 9*. Gaining Telephone Connection at PT Telkom**Time** : 7 Days**Cost** : IDR 547.500,-

(Activation cost + Value Added Tax + IKR)

Comments:

In order to obtain telephone connection, the warehouse owner shall submit an application completed with the following requirements:

1. Photo copy Company Establishment Deed, NPWP, and SIUP;
2. A statement letter, with IDR 6,000 duty stamp on, from the person responsible for the company for telephone connection installation;
3. One duty stamp IDR 6,000;
4. Activation cost IDR 450,000 and 10% Value Added Tax (IDR 45,000);
5. IKR cost IDR 52,500 which is paid to the PT Telkom's staff when cable installation is being carried out.

After all the requirements are fulfilled, PT Telkom will conduct field inspection and activates telephone connection. Such field inspection is carried out to check location of connection poles and measuring distance of the warehouse location to the poles (3 days after registration made). Three days after cable and telephone installations are carried out activation will be made and telephone can be used.

Procedure 10. Obtaining Water Supply from Local Government-owned Potable Water Company (PDAM) at Balikpapan City***Time** : 17 Days**Cost** : IDR 2.476.600

(Installation cost including pipes installation)

Comments:

To obtain potable water supply from PDAM, the following documents are required:

- An application letter to be a customer
- A statement letter of customer
- Evidence of approval on installation connection
- Photo copy of Family Card (KK)
- Photo copy of potable water supply bill of the closest neighbour
- Applicant's cellular phone number
- Location of a house shape
- Photo copy of IMB
- Layout of the house
- Three stamp duty of IDR 6,000

Seven days after submission of the application documents, a field inspection will be conducted. After that, if the application complies with the field condition, in ten days potable water supply would have been connected.

Legal Basis:

Mayoral Regulation Number 19 Year 2010 on Potable Water Supply Provision System

Registering Property

List of Procedures

Procedure 1. Check the legitimacy and the validity of the land certificate at the local Land Agency (BPN) office

Time : 1 Day

Cost : IDR 50.000,- (Non-Tax State Revenues/ PNPB for checking of Certificate)

Comments:

Applicant comes to BPN to check validity of land certificate at the Local Land Office bringing following required documents:

- Application form which has been filled in and signed by the applicant;
- Copy of identity card (KTP) of the applicant;
- Land Ownership Certificate;
- Forwarding letter from Land Deed Official (PPAT) to record transfer of rights based on Certificate made by PPAT.

Regulation of the Head of the Land Agency also

stipulates that the time needed to check a certificate is one day. Nevertheless it is not always so in practice. The time needed to check the validity of the land depends on how long it takes to find the land registry book at the Local Land Office and the presence of the Head of the Land Office. Some constraints faced in checking validity of the certificate are existence of the land book, availability of employee or Local Land Agency official to examine.

Legal Basis:

- Government Regulation Number 13 Year 2010 on the Types and Tariffs of Non-Tax National Income (PNBP) Applicable in the National Land Board (BPN).
- Regulation of the Head of the National Land Board Number 1 Year 2010 on the Standard of Service and Land Arrangement.

Procedure 2. Seller pays the Transfer tax (PPH) at a Bank

Time : 1 Day

Cost : IDR 81.070.473,65 (5% of the property value)

Comments:

After having agreed upon selling price of the land between the seller and the purchaser, then PPH will be paid by the seller to the Bank. After having made a payment, the seller gets a payment receipt. The seller pays for Individual Income Tax (PPH) for amount received from trading transaction in the amount of 5% of the transfer value. Tax payment to Central Government is made through a bank appointed by the Government Treasury Office or State-owned commercial Bank (Bank BUMN)

PPH Tariff = 5 % x IDR 1.621.409.473,-
= IDR 81.070.473,65,-

Legal Basis:

- Law Number 36 Year 2008 on the Fourth Amendment to Law Number 7 year 1983 on Transfer tax;
- Law Number 28 Year 2009 on Regional Tax and Retributions.

Procedure 3*. Buyers pays Tax on Acquisitions Rights on Land and Building (BPHTB) at the Local Revenue Office (Dispenda)

Time : 1 Day

Cost : IDR 78.070.473,65

(5% of (the property value minus non-taxable sale value (NPOPTKP))

Comments:

After a deal made between the seller and the purchaser upon selling price of the land, BPHTB shall be paid at BPHTB payment counter at the Local Office of Regional Revenues of Balikpapan City. At the Counter, applicant takes a queue ticket and waits for the call to pay for BPHTB. Such payment can be completed in one day. The purchaser pays for the Fees for Acquisition of Rights on Land and Building (BPHTB) amounting to 5% x [(transfer value or sale value or Nilai Perolehan Obyek Pajak (NPOP) – (non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak (NPOPTKP)]. According to the Law Number 28 Year 2009 on local taxes and local charges, the BPHTB currently belongs to the local government. Article 87 point 4 of the Law sets a minimum value for the NPOPTKP at IDR 60,000,000.

In Balikpapan, based on Local Regulation No. 14 Year 2010, NPOPTKP is stipulated to be IDR 60,000,000. When payment for BPHTB is made, a validation process by Dispenda will also be conducted to validate BPHTB payment; such evidence of BPHTB payment can be used for processing transfer of name of ownership

BPHTB Regional Tax Deposit Letter (SSPD BPHTB) validation requires the following documents:

- Application form;
- SSPD on Fees on Acquisition of the Rights on Land and Building (BPHTB);
- Copy of of the evidence of the most recent payment of Tax on Land and Building (PBB);
- Copy of of the identity card (KTP) of the purchaser;
- Copy of of the Family Card of the purchaser;
- Copy of of land certificate;
- Copy of of the Sale and Purchase Deed.

Legal Basis:

- Law Number 28 Year 2009 on Local Tax and Retribution;
- Local Regulation Number 14 Year 2010 on Fees on Acquisition of the Rights on Land and Building.

Procedure 4. Execution of sale and purchase of the Land Deed (Akta Jual Beli Tanah) by Land Deed Official (PPAT) appointed by Head of the National Land Office or the local Head of a Sub-District

Time : 1 Day

Cost : IDR 16.214.094,73 (1% of the property value)

Comments:

Signing of Sale and Purchase Deed is made before the Land Official, i.e. the Land Deed Official (PPAT) appointed by the Head of National Land Board, after payments on taxes as mentioned in procedures 3 and 4 are made.

Documents needed for processing Sale and Purchase Deed are as follows:

- Original Land Certificate;
- Copy of of Identity card (KTP) of the purchaser (Director of the Company) and the applicant (Director of of the Company);
- Receipt of PBB payment of the most recent year. Every year, the local PBB Tax Office issues a tax assessment to land owners. By custom, the purchaser usually wants to obtain the original of the payment receipt of PBB for the past three years and electricity and water supply bills for the last three months -though in practice the Local Land Agency (BPN)- will check PBB payments for the last 10 years. The Land Deed Officer who drawing up the sale and purchase deed will only need to see the evidence of most recent PBB payment receipt while the Local Land Agency will need a copy of the evidence of most recent PBB payment receipt for registering the land into the name of the new owner;
- Payment receipt of the Transfer Tax (PPh) (obtained in Procedure 2);
- Payment receipt of the Tax on Acquisition on Land and Building (BPHTB) (obtained in Procedure 3);
- Evidence of Company Establishment Deed which was already validated by the Ministry of Law and Human Rights;
- Taxpayer Registration Numbers (NPWP) of the seller and the purchaser;
- Deeds of Company Establishment and its amendments of both the seller and purchaser;
- Company approvals of the seller to dispose of the land and the purchaser to acquire the land as required in the Statutes of both the seller and the purchaser;
- Advise Planning or City Planning Explanation from Local City Planning Agency;
- Building Construction Permit.

Procedure 5. Registration of Land Deed at the Local Land Office (BPN) under the name of the buyer.

Time : 21 Days

Cost : IDR 1.671.409,-
(IDR 50.000,- + (0,1% of property value))

Comments:

To process change of name on land ownership, applicant must complete the following documents, i.e.:

- a. Forwarding letter from a Land Deed Official (Pejabat Pembuat Akta Tanah);
- b. Application letter;
- c. Original land certificate;
- d. Sale and Purchase Deed (Akta jual beli);
- e. Copy of of Identity card (KTP) of the right holder (seller) and the right receiver (purchaser);
- f. Income Tax Payment receipt;
- g. Payment receipt of fees for acquiring of rights on land and building;
- h. Receipt of PBB payment of the most recent year;
- i. 2 Stamp duties of IDR 6,000.

Documents from the applicant will be forwarded to the Land Office official. Then the Land Office official will calculate cost for transferring rights caused by buy-and sell of the property. Next, the applicant pays for the cost to the cashier at the Counter. If the documents are stated as complete and correct and the applicant has paid cost for transfer of rights, the applicant will be given a receipt of the documents. After that the documents will be forwarded to other official responsible for validation, substantial examination, and their compliance with the land book. If all the documents are correct (valid) and the certificate and the land book conform, the Land Office official will cross the name of the previous owner and makes records of the purchaser name on land certificate and land book. After that, the documents will be forwarded to the Sub Section Chief to be checked and be given his/her initial then brought to the Head of the Land Office for his/her signature. Then the signed documents will be given to the official in charge to put stamp and file the documents. Land certificate under the name of the purchaser which has been signed and has official stamp on will be handed to the Counter official to be delivered to the applicant. During this process, there is a good practice at the Land Office of Balikpapan City, i.e. documents

that have been examined by the Head of the Sub Section are not to be re-examined and given initial by the Head of Section, instead, they are directly checked and signed by the Head of the Land Office. This practice can expedite transferring process of land ownership to the purchaser's name.

Some difficulties faced during the process are as follows:

- a. Processing of data from manually to computerized
- b. Land book is often difficult to find
- c. Electricity blackout often happens

Legal Basis:

1. Government Regulations Number 13 Year 2010 on the Types and Tariffs of Non-Tax State Revenue Applicable in the National Land Agency.
2. Regulation of the Head of National Land Agency Number 1 Year 2010 on Standards of Land Service and Arrangement.

Procedure 6. Apply for change of the land and building tax (PBB) under the name of the buyer at the Local Revenue Office (Dispenda)

Time : 1 Day

Cost : No Cost

Comments:

To make revisions of data in the PBB, the new owner submits an application to the Dispenda. After making a registration, there will be a field inspection to check the data change on the ownership. Documents that must be attached in order to change the data in Land and Building Tax are as follows:

- a. Application form;
- b. SSPD Fees for Acquiring of Rights on Land and Building;
- c. Copy of of PBB payment of the most recent year;
- d. Copy of of the identity cards (KTPs) and Family Cards (KK) of the purchaser and the seller;
- e. Copy of of Sale and Purchase Deed (Akta Jual Beli);
- f. Copy of of Land Ownership certificate;
- g. Photos of the building object.

**) This procedure can be conducted simultaneously with other procedure.*

Makassar City, South Sulawesi

Starting a Business

List of Procedures

Procedure 1. Purchase of voucher to reserve company name in Bank BNI

Time : 1 Day

Cost : IDR 200.000

(for company name check and reservation)

Comments:

Applicant is required to purchase a voucher to register its name through Bank BNI. The public notary will accept the name reservation voucher and the voucher's code will be used by as the access code by the notary to check the availability of the company's name as well as reserve the name through the online AHU system. The cost that has been paid and the name reserved is valid for a maximum of 60 days after it has been paid for.

The applicant can conduct this procedure independently without the help of a public notary, but in general an applicant will use the services of a notary from the name reservation until the validation of the company's Establishment Deed in the Ministry of Law and Human Rights, even up to the processing of the business operations licensing.

Legal Basis:

1. Government Regulation Number 45 Year 2014 on the Types and Tariffs of Non-Tax National Revenues Applied in the Ministry of Law and Human Rights;
2. Regulation of the Minister of Law and Human Rights Number 4 Year 2014 on the Procedures to Apply for Validation of Legal Entities and Approval to Change Basic Statute and Information on the Change of Basic Statute and Change to the Data of a Limited Liability Company.

Procedure 2. Obtain Domicile Letter (Surat Keterangan Domisili - SKDU) from the Head of Village or the Building Owner

Time : 2 Days

Cost : No Cost

Comments:

SKDU is a letter explaining the residential status

of the company. The SKDU is a requirement for processing a business permit in the Integrated Licensing and Investment Agency (Perizinan Terpadu dan Penanaman Modal - BPTPM) and in the Public Notary. The applicant request the SKDU at the local borough office, bringing documents such as a copy of the founder's identification (KTP) and explanation of the location and activities of the company. Based on those information, borough officials will input the company's data to the SKDU format in the borough office. If the company is located in a building then the SKDU will be prepared by the building's owner.

Officially there is no cost involved in this procedure, but usually the applicant is charged with unofficial administrative cost which depends on the scale of the business, ranging from IDR 100,000 to IDR 500,000

Procedure 3. Acquiring the services of a public notary for: name reservation, standard format for company establishment certificate, gaining approval for the use of company name, and validation of the company's Establishment Deed by the Ministry of Law and Human Rights

Time : 2 Days

Cost : IDR 7.000.000,- (notary's service)

Comments:

Since only a public notary have access to the online AHU system, applicant must use the services of a notary, as one authorised to access the online AHU system, to process all the procedures involved in the establishment of a company. Public notary in general offers a package of services for establishing a company, starting from name reservation up until gaining the validation of the company from the Ministry of Law and Human Rights. Many public notaries also offers package up to the business operations permit.

The output resulting from this procedure are as follows:

1. Company name reservation: The uniqueness of the company name must be checked to ensure that it has not been used by another Indonesian company, to avoid a rejection by the Ministry of Law and Human Rights of the company's deed of establishment and the articles of company.
2. Signing of the company Establishment Deed: Notary together with the applicants will prepare the deed of company establishment and then signed by

the company's founder. The standard format of the deed company establishment was provided by the notary.

3. Approval of the company Establishment Deed (SK pengesahan) from the Ministry of Law and Human Rights: Based on Article 9, 10, 29 and 30 of the Law on Limited Liability Company No. 40/2007, the public notary that works on the company Establishment Deed is obliged to forward the required documents through the electronic system to the Ministry of Law and Human Rights. The process is as follows:
 - a. The notary fills in the company data through the online AHU system. The data entered are identity of shareholders, identity of directors, identity of commissioners, purpose and goal of the company, authorized capital and paid up capital, and mechanism for the division of stocks;
 - b. After the data input process is finished, a notification will appear confirming that the notary has entered the data correctly and that the notary will be responsible for the data inputted;
 - c. After the notary agrees to that the data has been inputted correctly, the system will give another notification for payment of the required PNBPN costs;
 - d. The notary will pay the PNBPN cost through the assigned bank, which is BNI;
 - e. After the payment is done, another notification will automatically appear in the AHU online system that the payment has been completed and that the validation letter can be printed. The notary can print the company validation letter then;
 - f. The physical document will be sent to the State Printing Office, and then the company will receive around 100 copies of the State announcement. The process to receive this state print document will take some time, on average between 6 months to 1 year.

The period needed to complete this procedure is two days. The process that will be done by the notary is as follows:

1. The first day, the notary (can be done together with the applicant) reserve the name as well as generate the standard format for the deed establishment, and then the Establishment Deed is signed by the company's founder;

2. The second day, based on the signed Establishment Deed, the notary will enter the online AHU system and input the necessary company data. Once completed, and the non-tax State Revenues (PNBPN) paid to the bank, the notary can print out the approval (SK Pengesahan) of the company deed establishment.

The cost prescribed here is the cost of the notary for services rendered. The amount can be different depending on the deal made between the notary and the applicant. In general, notaries in the Makassar ask for IDR 7,000,000, for a service package up to the validation of the company Deed by the Ministry of Law and Human Rights.

Legal Basis:

1. Law No. 40 Year 2007 on Limited Liability Company;
2. Government Regulation No. 46 Year 2014 on the Types and Tariffs of Non-Tax National income Applicable in the Ministry of Law and Human Rights;
3. Regulation of the Minister of Law and Human Rights No. 4 Year 2014 on the Procedures to Apply for Validation of Legal Entities and Agreement to Change Basic Statute and Information on the Change of Basic Statute and Change to the Data of a Limited Liability Company.

Procedure 4*. Pay the State Treasury for the Non-Tax State Revenue (PNBPN) fees for legal service at a Bank

Time : 1 Day

Cost : IDR 1,580,000,-

(IDR 1,000,000 for validation of the company's legal status + IDR 30,000 for announcement of the Limited Liability Company in the State Gazette of the Republic of Indonesia (BNRI) + IDR 550,000 for publication of the Limited Liability Company in the Supplement to the State Gazette of the Republic of Indonesia (TBNRI))

Comments:

This procedure is basically paying the PNBPN costs for the process of company validation in the Ministry of Law and Human Rights. After signing of the company Establishment Deed, the notary would input the company data into the online AHU system. After the data is inputted correctly, a notification will appear to pay the PNBPN. The notary will pay the PNBPN cost to the assigned bank which is BNI. The notary will then receive a PNBPN receipt from the bank. After the fees

are paid, another notification will appear which allows the notary to printout the validation letter without the need to upload the receipt of the PNPB. The obligation to pay the PNPB for legal services involved in the establishment of a small scale limited liability company is prescribed in the Government Regulation Number 38 Year 2009 on the Type and Tariffs of Non-Tax National Income, which replaces the previous Government Regulation Number 19 Year 2007.

Legal Basis:

Government Regulation Number 46 Year 2014 on the Types and Tariffs of Non-Tax National Income Applied in the Ministry of Law and Human Rights.

Procedure 5. Obtain a Taxpayer Registration Number (NPWP) and Value Added Tax (VAT) Collector Number (NPPKP) from the local Tax Office

Time : 6 Days

Cost : No Cost

Comments:

After a maximum of one month since starting its business operations, a company must register itself to the Tax Office. The company is also obliged to get a VAT Collector Number (NPPKP) if it is estimated that its annual income would exceed IDR 600 million from the sales of goods and services. NPWP and NPPKP can be processed simultaneously, however, NPPKP process needs more time since it requires field inspection. Such inspection process does not need presence of the applicant. Requirements for applying NPWP and NPPKP are: Applicant's residence identification card (KTP), Company Establishment Deed, AHU validation deed, photo.

Following is the process to gain NPWP and NPPKP:

1. Fill in the registration form and attach requirements: company statute and Establishment Deed, residential letter and ID card of directors;
2. Submit those documents to the local tax office. The applicant will get a document receipt;
3. The NPWP and NPPKP will be issued and sent by post. (The postal service is used in order to also verify the location of the company, but this procedure is also causing the long time that the NPWP and NPPKP received by the applicant.)

Note:

The NPWP and NPPKP can be applied together but the applicant will not receive the number and the card

at the same time. Nevertheless, some tax office can print the NPWP card directly, which means that the applicant can get the NPWP directly without it being sent by post.

Procedure 6. Apply for the Business Trading License (SIUP), Company Registration Certificate (TDP), and the Nuisance Permit (HO) at the Integrated Licensing and Investment Agency (BPTPM)

Time : 5 Days

Cost : IDR 600.000,-

Comments:

Based on Mayoral Regulation Number 20 Year 2014 on the Procedures of Granting a Permit at the City of Makassar, SIUP, TDP and HO can be applied together in the BPTPM. The applicant only need to submit one set of documents for the three permits.

The following are the required documents:

1. Fill in the application form;
2. A letter from the Head of Borough or Head of Sub-district;
3. Photo copy of the valid ID of the owner or a person responsible;
4. Photo copy of the Establishment Deed together with the validation letter of the Ministry of Law and Human Rights;
5. Photo copy of receipt of payment of Land and Building Tax (PBB) from the current year;
6. Photo copy of the ownership status of the place of business or land certificate (lease/self-owned);
7. A guarantee letter from the applicant that the business is not disturbing the neighbourhood;
8. 4 copies of 3x4 colour photo of the person responsible for the company.

In accordance with Mayoral Regulation No. 20/2014 article 3 on the Procedure of Licensing, the following is the procedures:

1. The applicant make a permit request letter, fill in the registration form and submitted it with the required documents to the BPTPM;
2. The BPTPM via its service division will verify the submitted documents;
3. The completed and approved documents will be forwarded to the Technical Assessment Division;
4. The Technical Assessment Division will conduct a field survey and inspect the technical requirements in accordance to the permit requested;
5. The results of the survey are noted in a Field Survey

- Official Report (BAPL) which becomes one of the recommendation's supporting documents;
6. The technical team issues a recommendation which specifies that the technical requirements for the applied permits has been fulfilled. The recommendation from the technical team will then be forwarded to the Head of the Agency to gain approval;
 7. The Head of the Agency will process the recommendation from the technical team. If approved then the permit will be signed;
 8. The Head of the Agency will sign the permit;
 9. The permit is handed to the applicant.

In this procedure (Procedure 6), the cost involved is only to pay retribution fee for Nuisance permit (HO/SITU), where the formula to calculate the retribution fee is based on Local Regulation Number 5 Year 2012 and the retribution fee for Nuisance Permit is classified as a specialised permit as follows:

Retribution Fee for HO permit

= $LRU \times G \times L \times \text{fee permit}$

Where: LRU = total area of business

G = Nuisance index level

L = Location index level

Retribution fee permit is IDR 1.000,-

The level of road Nuisance index (G) and location index (L) is decided through Mayoral Regulation No. 2/2013 on the Index for Business Nuisance and for Road Nuisance in the City of Makassar.

When we see the assumption of the study where the $LRU = 100 \text{ m}^2$ and based on the local regulations, then the cost of Nuisance permit will be as follows:

HO Retribution fee = $100 \times 2 \times 3 \times \text{IDR } 1000,-$
= IDR 600.000,-

Meanwhile, the SIUP and TDP permits have no fees involved, based on national regulation which are stipulated in Trade Minister Regulation Number 46/M-DAG/2009 on SIUP and Trade Minister Regulation Number 37/M-DAG/2007 on TDP. It is an incentive from the Government to encourage companies to formalise their business.

Legal Basis:

1. Trade Minister Regulation No. 46/M-DAG/2009 on SIUP;

2. Trade Minister Regulation No. 37/M-DAG/2007 on TDP;
3. Local Regulation Number 3 Year 2009 on the Organisational Structure and Procedures as revised by Local Regulation Number 7 Year 2013;
4. Local Regulation Number 5 Year 2012 on Fees for Special Permits;
5. Mayoral Regulation Number 2 Year 2013 on Business Nuisance Index and Road Index on the City of Makassar;
6. Mayoral Regulation Number 6 Year 2014 on the Tasks and Duties of Structural Positions at the BPTPM;
7. Mayoral Regulation Number 20 Year 2014 on the Procedures for Issuing Permits in the City of Makassar;
8. Mayoral Regulation Number 8 Year 2014 on the Delegation of Permits and Licensing Authorities to the BPTPM.

Procedure 7. Register Workers to the Ministry of Manpower through Local Manpower Office

Time : 3 Days

Cost : No Cost

Comments:

In accordance with Law Number 7 Year 1981, companies with more than 10 workers or which pays wages IDR 1 million monthly is obliged to register at the Manpower Ministry.

In the process, the applicant will receive a receipt for the documents submitted. The local Manpower Office (Disnaker) will verify and issue an official registration letter to the applicant. The applicant will then return to the Manpower Office to collect the letter. The procedure can be completed at the same time with the other post registration procedures by submitting an obliged report pertaining to manpower to the local Manpower Office.

Legal Basis:

1. Law Number 7 Year 1981 on the Company Obligation to Report Manpower Issues;
2. Regulation of Manpower and Transmigration Minister Number PER.14/MEN/IV/2006 on the Procedures for Companies to Report Manpower Issues;
3. Decree of Manpower and Transmigration Minister Number SE.3/Men/III/2014 on the Implementation of Companies Obligation to Report Manpower Issues.

Procedure 8*: Apply for participation in the Worker Social Security Program at the Worker Social Security Office (BPJS Ketenagakerjaan)

Time : 8 Day

Cost : No Cost

Comments:

Based on Law No. 24 Year 2011 article 14, everyone including foreigner who works for a minimum of 6 months in Indonesia must become a participant of the Social Security program. Article 15 stipulates that the Employer is obliged to register him/herself and his/her workers as participants to the Social Security Office (BPJS) in accordance with the social security program to be followed. Such registration may be carried out in stages. Registration of the workers are made to the Worker Social Security Office (BPJS Ketenagakerjaan) as the appointed agency by the government to implement social security program.

The following is the procedures to apply for participation (registering workers) in the program at the Worker Social Security Office:

1. Manually: Applicant fills in F1 form (the form can be accessed through the website) with personal data of the applicant. When coming to the Social Security Office, applicant may be represented by his/her consultant or the applicant him/herself. The applicant attaches required documents such as business permit documents (SIUP, SITU, TDP). No need for attested Company establishment certificate.
2. Online application: the applicant can enter the registration data on the BPJS online application system directly, and fills in the amount of contributions to be paid. The contributions consists of Work Injury benefits (JKK), Retirement benefits (JHT), Death benefits (JK). Once entered into the current account (RC) of BPJS, then the BPJS system will update the company data entered. With that data, the contribution that must be paid by the company will be created. The payment can be done through e-payment and not through virtual account. Currently, there are 4 banks have a cooperation with Worker Social Security Agency, namely BNI, Bukopin, BRI and Mandiri. Once payment is made, then the BPJS card will be issued, as long as there is no data change with what is available at the BPJS database.
3. Registration for e-payment; the company must first register an account at the BPJS system with a corporate email and they will get a booking code

number, then they shall come to the appointed bank to pay their contribution. Through the e-payment system, BPJS no longer accepts cash payment or office transaction but all goes through the appointed bank. The e-payment application can be done through e-banking or sms-banking etc.

Time needed: is one working day since the complete set of documents is submitted and the first contribution paid (one day service). Come today, pay today, as stipulated in the blueprint service standard of Worker Social Security Office (BPJS blueprint service standard).

Fee: There is no fee for BPJS process. If a consultant processes the application, there will be some fee for the consultant's service, for example IDR 100,000 per month as a stimulant for the consultant in assisting BPJS

Legal Basis:

1. Law Number 3 Year 1992 on the Worker Social Security;
2. Law Number 40 Year 2004 on the National Social Security System;
3. Law Number 24 Year 2011 on the Social Security Implementing Agency;
4. Government Regulation Number 83 Year 2013 on Revisions to Government Regulation Number 14 Year 1993 on the Worker Social Security Program Implementation.

Source: www.bpjsketenagakerjaan.go.id.

Notes:

To raise social security participants, City Government of Medan makes an MOU of cooperation with Worker Social Security Agency, such as placing a BPJS official at BPPT Office, so that people can either register for participation in BPJS program or get information pertaining to BPJS. In accordance with Regulation of the Medan Mayor No. 21 Year 2014 on Worker Social Security participation obligation as a condition for obtaining certain public services, Articles 4 and 5 stipulate that every employer and worker is obliged to become participant of the Worker Social Security, and certificates of participation and payment receipt of the last contribution validated by the BPJS Ketenagakerjaan will become evidences which shall be attached in applying for public services in Medan City including in processing business permit, participation in government project, and building construction permit. If such regulation is not followed, a punishment such as must not receive certain public services will be applied.

Several facilities in the BPJS Ketenagakerjaan system:

1. Access to service through 174 branch offices and 512 outlets in cities/regencies all over Indonesia;
2. Access to service through banking network;
3. Access to service through e-channels with features such as e-registration, e-payment and e-claim;
4. Ease of administrative process of participants data;
5. Payment of contribution through virtual account mechanism in Mandiri, BNI, BRI and Bukopin Banks;
6. Access to information on Worker Social Security Agency program (Program BPJS Ketenagakerjaan) through website, sms, call centre and banking network (branch offices, ATMs and mobile access);
7. Value creation from the Worker Social Security Agency program (Program BPJS Ketenagakerjaan) through improving the participant card by the smart card concept.

**) This procedure can be done simultaneously with the previous procedure.*

Dealing with Construction Permits

List of Procedures

Procedure 1. Obtain approval on Application Letter for Building Construction Permit (IMB), a Statement Letter, Letter of No Objection From Neighborhood, and approval of applicant statement from head of Village.

Time : 2 Days

Cost : No Cost

Comments:

In this Procedure, the Integrated Licensing and Investment Agency (BPTPM) has provided forms for all the required documents; all the forms are made as one bundle by BPTPM and put in a folder of Building Construction Permit Forms. The applicant inserts all the data to the formed letter. After filled in correctly, the documents will be approved by the Village Administration by having the Head of Village puts his/her signature on and then the documents are given seal.

For the Statement Letter and Letter of No Objection From Neighborhood, the applicant has to get signatures of the neighbours right adjacent to the piece of land where the building will be constructed (the neighbour

at each directly bordering side: northern, eastern, southern, and western), then goes to the Village Administration to obtain its consent

Applicant's Declaration Letter contains following points:

1. That it is true that the land status is not in dispute and or not registered as dispute object at the court or is not under collateral confiscation (CB) by authorized agency;
2. Applicant's willingness to bear the risk if there is a dispute, and will not involve the Local Government Office of City Planning and Housing;;
3. That the Applicant will follow Local Regulation of Makassar City Number 15 Year 2004 on Building Ordering;
4. That during the construction process the Applicant will always follow all regulations pertaining to building construction permit, take care of the public facilities and will not place building or building materials on the right of way (ROW) without permit;
5. That the Applicant is willing to keep the environment clean by not keeping the debris/ materials/building materials outside land lot, not cutting trees at right of way area, and willing to make traffic sign plates at his/her own cost after obtain technical permission from Local Office of City Planning and Housing;
6. That the land location/lot which permit is being processed is within the Applicant's control and the Applicant will demolish partly/entirely the construction and bear his/her financial loss if instructed so by the Mayor of Makassar, and from that time on the Applicant who sign the Declaration Letter promise not to start with the construction before obtain a permit from the Mayor of Makassar;
7. That should this Declaration cause a loss on other party's interest, and is not true or contains falsehood, the Applicant is willing to take the risk if the Local Government of Makassar impose a punishment on the Applicant's building according to the prevailing regulations;
8. That it is true that this Declaration is made based on awareness and full of responsibility without any pressure and does not involve any other party;
9. That if within 6 (six) months after IMB application is registered and being processed at the Makassar City Government the Applicant does not conduct his/her obligation as retribution payer, the application will be automatically canceled.

Note:

There is no regulations determining amount of the fee for Village Administration's consent but in general the Applicant will be imposed for an amount following size of the IMB being requested. At this case study assumption the Village Administration may impose such a fee up to IDR 500,000

Procedure 2. Obtain Approval from the Sub-District Head on the Building Construction Permit Application Letter.

Time : 2 Days

Cost : No Cost

Comments:

In this Procedure the form of application letter to be approved by the Sub-District Head can be obtained at BPTPM of Makassar City; this letter is included in the folder of IMB application forms. The Applicant shall fill in the form; after the data filled in correctly the document will be approved by the Sub-District Administration, i.e. the Sub-District Head puts his/her signature on the application letter and the letter is given a seal.

Note:

There is no regulations determining amount of the fee for Sub-District Administration's consent but in general the Applicant will be imposed for an amount following size of the IMB being requested. At this case study assumption the Sub-District Administration may impose such a fee up to IDR 500,000

Procedure 3. Request Building Construction Permit to the Mayor through the Integrated Licensing and Investment Agency (BPTPM)

Time : 1 Day

Cost : No Cost

Comments:

Based on the Mayoral Regulation No. 20/2014 on the Procedure of Licensing at the Makassar City Local Government. Building Construction Permit processed at BPTPM. The Applicant submits filled forms that are available at BPTPM Office together with administration requirements as follows:

- a. Forms that have been filled in and acknowledged by the Head of Village and the Sub-District Head;
- b. Photo copy of Residence Identification Card (KTP) and/or Company Establishment Deed;
- c. Photo copy of land ownership certificate;
- d. Photo copy of Land and Building Tax (PBB)

payment receipt of the current year;

- e. Applicant's declaration letter containing that the location/the land is not in dispute condition; this letter is acknowledged by the local Head of Village and the Sub-District Head;
- f. Four (4) copies of building structural drawing and structural computation completed with building reinforcement drawing for multistoried building all having the Applicant's signature put on;
- g. Four (4) copies of 3 x 4 cm photos.

Since IMB process needs Technical Team that definitely has capacity to process IMB, BPTPM will only provide service in registration process (front office) while the real process (back office) is still conducted at the relevant technical agency, i.e. City and Building Planning Agency (DTRB)

Following is the process of IMB application:

1. Applicant registers the application together with IMB documents as required to BPTPM;
2. BPTPM will verify completeness of the submitted documents;
3. BPTPM will forward application documents which have been stated as complete to the DTRB Office;
4. DTRB will process the application documents and conduct field survey to validate the data contained in the application and will calculate the retribution;
5. DTRB will analyse survey result findings and calculate retribution if such documents are approved. Calculation on retribution will be followed by issuance of Local Retribution Letter (SKRD);
6. Permit document and SKRD which have been issued will be forwarded to BPTPM to be signed while SKRD will be handed to the Applicant to be paid;
7. After SKRD is paid, the Applicant may collect the approved permit through BPTPM.

Legal Basis:

1. Local Regulation Number 3 Year 2009 on Organisation Structure and Work Procedure as has been revised by the Local Regulation Number 7 Year 2013;
2. Local Regulation Number 5 Year 2012 on Certain Permit Retribution;
3. Mayoral Regulation Number 13 Year 2013 on Determination of Unit Cost of Building an Building Infrastructure in Makassar City Areas.
4. Mayoral Regulation Number 6 Year 2014 on Work Comment and Function of Structural Position at the BPTPM;

5. Mayoral Regulation Number 20 Year 2014 on Permit Issuance Procedure at Makassar City;
6. Mayoral Regulation Number 8 Year 2014 on Delegation of Authority on Licensing and non-Licensing to the BPTPM.

Note:

Based on the Local Regulation No. 13/2009 on Warehouse Integrated Region, the regions are located at the Sub-District of Tamalanrea and Biringkanaya. Based on the Mayoral Regulation No. 20/2010 on Prohibition of Warehouse in the City, it is not allowed to construct a warehouse in the City of Makassar.

Procedure 4. Making Payment on Building Construction Permit (IMB) Retribution at a Local Bank

Time : 1 Day

Cost : IDR 70.642.089,-

Comments:

After field survey is conducted, the Technical Team will make Official Letter on Field Survey (BAPL) as a recommendation and consideration for acceptance or rejection of the IMB application. If approved, then Local Retribution Letter (SKRD) containing retribution fee that shall be borne will be issued. In determining the amount of retribution that will be imposed on the Applicant, a formula to compute retribution on Building Construction Permit (IMB) as stipulated in Local Regulation No. 5/2012 will be used.

IMB Retribution = $L \times I_t \times 1,00 \times H_{Sbg}$

Note: L (Total Floor area of the Building)

I_t (Integrated Index)

1,00 (Index for New Construction)

H_{Sbg} (Unit Cost for Retribution on Building)

H_{Sbg} of the Makassar City is determined in Mayoral Regulation No. 13/2013 amounting to IDR 21,300

Computation Simulation on IMB Retribution Fee:

- A. Use of the Building = total area of the location 929 m² (10,000 feet), warehouse area, 2-storey Warehouse building, on the ground (no underground), total area of the building 1,300.6 m² (14,000 feet). Height of each floor is 3 meters (9 feet and 10 inches). Use of the warehouse is to store non-hazardous goods, such as books. Estimated value of the warehouse is IDR 4,552,100,000,-

B. Integrated Index (I_t)

Index for Business Function: = 3.00

Classification Index:

✓ Complexity	: Special
= 0,25 x 1,10	= 0,25
✓ Permanency	: Permanent
= 0,20 x 1,00	= 0,20
✓ Fire Risk	: High
= 0,15 x 1,00	= 0,15
✓ Earthquake Zoning	: Zone III
= 0,15 x 0,40	= 0,06
✓ Density Zoning	: Dense
= 0,10 x 0,10	= 0,10
✓ Height	: Low
= 0,10 x 0,40	= 0,04
✓ Ownership	: Business Entity
= 0,05 x 1,00	= 0,05
I_k	= 0,85
<hr/>	
Index for Use Time :	= 1.00
I_t	= 0,655 x 3,00 x 1,00
	= 2.55

C. Index for New Construction

= 1.00

IMB Retribution:

= 1.300,6 x 2,55 x 1 x IDR 21,300 = IDR 70.642.089,-

After computing retribution fee, the City and Building Planning Agency (DTRB) will issue Local Retribution Letter (SKRD). The SKRD will be informed to the Applicant directly by phone. After that the Applicant pays the IMB retribution in accordance with the SKRD issued by the Local Office of City and Building Planning at a bank appointed as the Regional Treasury, in this case is SULSEL Bank. Following it the Applicant submits photo copy of SKRD payment receipt to DTRB and BPTPM when collecting Building Construction Permit.

Legal Basis:

1. Local Regulation No. 5/2012;
2. Mayoran Regulation No. 13/2013.

Procedure 5. Obtain Building Construction Permit from BPTPM

Time : 14 Days

Cost : No Cost

Comments:

After the Applicant pays retribution, BPTPM of Makassar City shall issue Building Construction Permit in 1x24 hour the latest. When collecting the Building Construction Permit, the Applicant submits copy of retribution payment receipt to the BPTPM service counter. The Applicant also should have submitted copy of retribution payment receipt to the Local Government Office of City and Building Planning.

Procedure 6. Applying for Warehouse Nuisance Permit (HO Gudang) and Registering Warehouse (Warehouse Registration Certificate-TDG) at the Integrated Licensing and Investment Agency (BPTPM) of Makassar City

Time : 4 Days

Cost : IDR 7.803.600,-

Comments:

After obtain Building Construction Permit (IMB), the Applicant will process Warehouse Nuisance Permit which is separated from Business Nuisance Permit (HO) since location of the business activities may be different from location of the warehouse. HO permit, can be taken parallel with registrering Warehouse, but eith a difrent file.

Following are the requirements that shall be fulfilled:

1. Fill in the application letter;
2. A statement letter from the Head of Village and the Head of Sub-District;
3. Photo copy of the valid residence identification card (KTP) of the owner or of the person responsible for the company;
4. Photo copy of the Company Establishment Deed together with a copy of its attestation from the Minister of Law and Human Rights;
5. Photo copy of payment receipt of Land and Building Tax of the current year;
6. Photo copy of ownership status of the business location/land certificate (rent/own);
7. A Declaration letter from the Applicant that the business location will not disturb surrounding areas;
8. 4 copies of 3x4 cm colour photo of the person responsible for the company.

Formula used to compute retribution on Nuisance permit is based on Local Regulation No. 5/2012 wherein retribution on Nuisance permit is classified as retribution on certain permit. The formula is as follows:

HO Retribution = $LRU \times G \times L \times \text{Retribution Tariff}$

Note: LRU = Total area of business space
G = Level of Nuisance Index
L = Level of Location Index

Retribution Tariff is determined to be IDR 1.000,-

Levels of Road Nuisance Index (G) and Location (L) are determined through Mayoral Regulation No. 2/2013 on Determination of Business Nuisance Index and Road Index in Makassar City Areas.

Looking at the study assumption ($LRU = 1,300.6 \text{ m}^2$) and based on the aforementioned Local Regulation and Mayoral Regulation, cost that shall be borne for such Nuisance permit application will be as the following:

HO Retribution

$= 1,300.6 \times 2 \times 3 \times \text{IDR } 1.000,- = \text{IDR } 7.803.600,-$

And, To register warehouse, the company shall submit following documents:

1. Photo copy of Residence Identification Card (KTP) of the building owner;
2. Photo copy of Nuisance Permit (SITU/HO);
3. Photo copy of Business Trading License (SIUP);
4. Photo copy of Building Construction Permit/ construction drawings;
5. Photo copy of Company Establishment Deed for corporate body;
6. 3 copies of Applicant's photo

To registering warehouse company not collected retribution. The process flow to obtain HO and Warehouse Registration Certificate (TDG) at the Integrated Licensing and Investment Agency (BPTPM) basically is similar with other process flow to obtain permit/non-permit at the BPTPM, i.e.:

1. Applicant makes permit application letter, fills in the registration form and attaches required documents to BPTPM;
2. BPTPM through Service Division will verify the submitted documents;
3. Documents that are complete and have been approved will be forwarded to the Division of Technical Examination;
4. A Technical Team will conduct field visit and refers to all technical conditions in accordance with types of permit being requested;
5. Result of the survey will be included in the Official Report on Field Inspection (BAPL) which becomes one of recommendation attachments;
6. The Technical Team will issue a recommendation

containing fulfillment of technical requirements for the requested permit. Following it, such recommendation will be forwarded to the Head of the Agency for his/her consent;

7. The BPTPM Head will process the aforementioned recommendation from the Technical Team; if he/she agrees then the process can be continued to sign the permit document;
8. Signing of the permit document by the Head of BPTPM;
9. The signed permit is handed to the Applicant.

Legal Basis:

1. Minister of Home Affairs Regulation Number 27 Year 2009 on Guidelines on Determining Nisurance Permit in the Regions;
2. Local Regulation Number 5 Year 2012 on Certain Permit Retribution;
3. Local Regulation Number 3 Year 2009 on Organisation Structure and Work Procedure as has been revised by the Local Regulation Number 7 Year 2013;
4. Local Regulation Number 2 Year 2013 on Determination of Business Nisurance Index and Road Index in Makassar City Areas;
5. Mayoral Regulation Number 20 Year 2014 on Permit Issuance Procedure at Makassar City;
6. Mayoral Regulation Number 8 Year 2014 on Delegation of Authority on Licensing and non-Licensing to the BPTPM;
7. Mayoral Regulation Number 6 Year 2014 on Work Description and Function of Structural Position at the BPTPM.

Procedure 7. Obtain Approval on Application letter for Issuance/Revisions of the Data in the Land and Building Tax (PBB)

Time : 1 Day

Cost : No Cost

Comments:

Regional Technical Executive Unit of Land and Building Tax (UPTD PBB) at the Local Office of Revenues of Makassar City requires that application letter for issuance/revision of the data in PBB shall be acknowledged by the Village Head where the tax object resides. The applicant shall complete required data for the application letter which form is available at the Dispenda Office. After all the data complete, the Village Administration will approve by having signature of the Village Head and seal on such application letter.

Note :

There is no regulation on arranging amount of fees for the Village Administration's approval, nevertheless generally an applicant pays fee amounting to IDR 100,000 until IDR 200,000,-

Procedure 8. Registering Warehouse (new building) at PBB Regional Technical Executive Unit (UPTD PBB) at Local Office of Revenues (Dinas Pendapatan Daerah-Dispenda)

Time : 1 Day

Cost : No Cost

Comments:

Registration process is conducted by completing the Notification Letter of the Tax Object (SPOP) which is available at the Regional Technical Executive Unit of Land and Building Tax (UPTD PBB) at the Local Office of Revenues (Dispenda) of Makassar City. SPOP shall be signed by the relevant taxpayer and be submitted to the UPTD PBB Dispenda completed with the following documents:

- a. A request letter for issuance of/correction of Land and Building Tax which is approved by the Village Administration (forms are provided by the Dispenda);
- i. Notification Letter of the Tax Object (SPOP) which has been completely filled in;
- j. Original PBB Tax Assessment (SPPT PBB) of the current year;
- k. Photo copy of Land Certificate, Sell and Purchase Deed, and a Statement letter from the Village Administration;
- l. Photo copy of PBB payment receipt of the latest year;
- m. Photo copy of Residence Identification Card (KTP) and Company Establishment Deed;
- n. Photo copy of Taxpayer Registration Number (NPWP);
- o. Photo copy of Building Construction Permit (IMB);
- p. Photo copies of electricity, telephone, and water supply bills (if there has already been any connection).

Application letter is submitted together with SPOP and other documents through PBB service counter which also resides in Dispenda Office.

Procedure 9. Applying for and Obtain Water Supply Connection from Local Government-owned Potable

Water Company (PDAM)**Time** : 25 Days**Cost** : IDR 1.000.000,-**Comments:**

The division in charge in the company informs the Industrial Manager that the warehouse building is ready to obtain utility connections. Such connection process requires 14 until 30 days since complete documents for registration are submitted. Documents that shall be submitted are photo copy of the applicant's KTP, location layout, and stamp duty. After registering the documents, PDAM official will examine completeness of administration documents, then field survey to the location to inspect the location and find connection pipes at the site will be conducted.

Procedure 10*. Applying for and Obtain Telephone Connection from PT Telekomunikasi Indonesia Tbk**Time** : 6 Days**Cost** : IDR 547,500,-

(Cost for new installation IDR 450,000 + Value-added Tax 10% + Cost for IKR IDR 52,500)

Comments:

To obtain telephone connection from PT Telkom, Applicant comes to PT Telkom in Makassar City bringing required documents as follows:

- Photo copy of Company Establishment deed;
- Photo copy of taxpayer Registration Number (NPWP);
- Photo copy of Business Trading License (SIUP);
- A Statement Letter, with an IDR 6,000 stamp duty on, for telephone connection installation from a person responsible for the Company;

After the Applicant submit application documents for new telephone connection to the installation Counter at PT Telkom Surabaya, verification and validation of documents will be conducted. Following it, PT Telkom staff will come and do field inspection to find locations of connection poles and measure the distance from warehouse location to the poles. Time duration from registration to field inspection is 3 days. After that the Applicant makes payment at PT Telkom's counter. Three days after cable installed and payment made, the telephone connection is active and can be used by the customer

**) This Procedure can be conducted simultaneously with other procedures.*

Registering Property**List of Procedures****Procedure 1. Check the legitimacy and the validity of the land certificate at the local Land****Time** : 2 Days**Cost** : IDR 50.000,-**Comments:**

Application to check the legitimacy of the land certificate can be done by the applicant directly or by a Land Deed Official to the BPN Office. Regulation of the Head of National Land Agency Number 1 Year 2010 stated that the requirements to conduct an inquiry on the legitimacy of a land certificate are as follows:

- Land Ownership Certificate;
- A copy of identity card (KTP) of the applicant or his/her authorized person;
- A request letter from Land Deed Official (PPAT) to register the transfer of rights based on the deed issued by a PPAT;

In general the time needed for a checking process is one day, if the land book is available at the Local Land Agency Office. However, if it happens that the land book is not found or is being borrowed by other division, then the process will be longer. In this case, there will not be any written statement given; on the certificate a note will be added, i.e. "Have been checked and found true in accordance with the Land Registry Book / Land Book of the Land Office dated ____ time ____" and initialed by an official of the Land agency.

Legal Basis:

- Government Regulation Number 13 Year 2010 on the Types and Tariffs of Non-Tax National Income (PNBP) Applicable in the National Land Board (BPN);
- Regulation of the Head of the National Land Board Number 1 Year 2010 on the Standard of Service and Land Arrangement.

Procedure 2. Gaining approval/validation on the purchase transaction value by the Local Government Office of local Revenues (Dispenda).**Time** : 6 Days**Cost** : No Cost**Comments:**

This procedure is in accordance with Mayor Regulation of Makassar Number 42 Year 2010 on the System and Procedure for Collection of Fees for Acquiring Rights on Land and Building in the City of Makassar, where the purchaser through their Land Deed Official (PPAT) submits a request of inquiry for the data of a tax object to the Head of the Local Government Office of Local Revenues (Dispenda) of the City of Makassar. The Makassar Dispenda will then, through the Local Technical Executive Unit of the Land and Building Rights Acquisition Fee (UPTD BPHTB), conduct a field survey of the tax object and calculate the estimated minimum transaction value. The Head of the Dispenda will then review the transaction value submitted by the applicant and see whether it is in line with the results of the field survey. If the transaction value submitted is below the estimated transaction value from the field survey then the request will be denied. If the transaction value is approved then the Dispenda Head will sign a letter of local tax deposit - Land and Building Rights Acquisition Fee (SSPD-BPHTB) and a BPHTB transaction administrative form from the Makassar Dispenda.

Legal Basis:

Regulation of the Mayor of Makassar Number 42 Year 2010 on the System and Procedure for Collection of Fees for Acquiring Rights on Land and Building in the City of Makassar

Procedure 3. Seller pays the Transfer Tax at a Bank

Time : 1 Day

Cost : IDR 81.070.474,- (5% of the Property Value)

Comments:

The seller will pay Income Tax (PPh) for the money received from the sale-and-purchase transaction amounting to 5% of the transfer value. The tax is paid to the national government through a bank appointed by the National Treasury Office or a state-owned bank (Bank BUMN).

PPh Tariff = 5 % x IDR 1.621.409.473
= IDR 81.070.474,-

Legal Basis:

1. Law Number 36 Year 2008 on the Fourth Amendment to Law No. 7 year 1983 on Transfer tax;
2. Law Number 28 Year 2009 on Regional Tax and Retributions.

Procedure 4*. Buyers pays Tax on Acquisitions Rights on Land and Building (BPHTB) at the Local Revenue Office (Dispenda)

Time : 1 Day

Cost : IDR 78.070.474,-

(5% of (the property value minus non-taxable sale value (NPOPTKP))

Comments:

In Local Regulation Number 3 Year 2010 on Local Tax it is mentioned that BPHTB tax object on land and building rights is acquisition of rights on land and/or building. Tax assessment of BPHTB will be calculated since the date of making and signing of the Sale and Purchase Deed (Akta Jual Beli). The buyers pays for the tax on acquisition of rights on land and building (BPHTB) in the amount of 5% x [(the transfer value or the sale value or Nilai Perolehan Obyek Pajak or NPOP) minus (the non-taxable sale value or Nilai Perolehan Obyek Pajak Tidak Kena Pajak or NPOPTKP)]. Based on Local Regulation Number 3 Year 2010 on local tax, the NPOPTKP value in Makassar is IDR 60,000,000

BPHTB Tariff

= [5 % x (Property Value – IDR 60.000.000)]
= [5 % x (IDR 1.621.409.473 – IDR 60.000.000)]
= 5 % x IDR 1.561.409.473 = IDR 78.070.474,-

The amount of BPHTB fee is based on the transaction value agreed upon by the purchaser and seller in front of the public notary and this transaction value must be validated by the Local Government Office of local Revenues (Dispenda) of the Makassar City. The validation sheet is written in the BPHTB transaction administration form issued by the Dispenda and by the BPHTB letter of local tax deposit.

Legal Basis:

1. Law Number 28 Year 2009 on Local Tax and Retribution;
2. Local Regulation Number 3 Year 2010 on Local Tax;
3. Mayoral Regulation Number 42 Year 2010 on the System and Procedure for Collection of Fees for Acquiring Rights on Land and Building in the City of Makassar

Procedure 5. Execution of Sale and Purchase Land Deed by the Land Deed Official (PPAT) appointed by the Head of the National Land Office or a local Head of Sub-District

Time : 1 Day

Cost : IDR 16.214.095,- (1% of the Property Value)

Comments:

The execution of the sale and purchase of the land deed is done before the Land Officer, i.e. the Land Deed Official (PPAT) appointed by the Head of National Land Agency, after all taxes mentioned in procedures 3 and 4 paid. To simplify it, those payments are usually done three days before the signing of the land sale and purchase deed.

Dokumentasi tersebut akan mencakup:

- a. The documents include;
- b. Last receipt of land and building tax (PBB).
Annually the local tax office will publish a notice of owed tax to the land owner. It is customary for the purchaser to ask for the original receipt of land and building tax (PBB) payment for the last 3 years and payment receipts of the electricity and water supply bills for the last three months --- even though in practice the Land Office will verify PBB payments for the last 10 years. The Land Deed Official that makes the sale and purchase deed only needs to see the last PBB payment receipt while the Land Office requires a copy of the last PBB payment receipt to change the name in the deed into the name of the new owner;
- c. Receipt of income tax (PPh) payment (obtained from Procedure 2);
- d. Receipt of the Tax on Acquisition of Rights on Land and Building (BPHTB) payment (obtained from Procedure 3);
- e. Company establishment deed which has been validated by the Ministry of Law and Human Rights;
- f. Taxpayer registration number (NPWP) of the seller and the purchaser (obtained from Procedure 4);
- g. Establishment deed including all changes from the seller as well as the purchaser;
- h. Company approval from the seller's side to transfer the land and from the purchaser's side to acquire the land as stipulated in their Basic Statutes.
- i. Planning Advise or City Planning explanation from the Local Government Agency of City Planning;
- j. Building Construction Permit.

In the law it is required that the notary fee for transaction above IDR 1 billion is maximum 1% of the property value. In practice, this fee is dependent upon negotiation between the notary and the client.

Legal Basis:

Law Number 30 Year 2004 on Notary

Procedure 6. Registration of the Land Deed at the Local Land Office (BPN) under the name of the buyer

Time : 14 Days

Cost : IDR 1.671.409

[IDR 50.000,- + (0.1% from Property Value)]

Comments:

After applying for registration of the Land Deed, the purchaser will leave such application document at Local Land Agency Office and will return few days later to pick up the Land Deed which has been registered under the name of the purchaser. In the period between submission of application document and picking up the Deed, the purchaser has to make a phone call to Land Office official to ask for the progress of the registration process. The Land Office will cross out the name of the previous owner and write down the name of the purchaser, put seal and sign it. Following are the required documents that shall be attached:

- a. Filled application forms;
- b. Forwarding Letter for registration of Sale and Purchase Deed from the Land Deed Official;
- c. Original land certificate;
- d. Original of Sale and Purchase land deed;
- e. Copy of of KTP or identity card of the buyer as well as the seller;
- f. Copy of of KTP or identity card of the authorized person together with the letter of authority if the application process is delegated;
- g. Copy of of PBB tax assessment (SPPT-PBB) of the current year;
- h. Evidence of BPHTB payment;
- i. Evidence of Income tax (PPh) payment;
- j. A declaration letter of the buyer on boundary of the land and will not become an absentee land owner and his Year her understanding of the legal consequences;
- k. If the seller and the buyer are corporate bodies, it shall be proven by attaching the basic statute and company establishment deed which have been validated by the Minister of Law and Human Rights;
- l. Agreement letter (Right to Manage-HPL holder, creditor, husband/wife/child, and so on);
- m. A declaration letter of the recipient of rights which says:
 - 1) That the recipient, having received transfer of rights, will not be holder of the land rights that exceeds the maximum allowable by prevailing regulations
 - 2) That the recipient, having received transfer of rights, will not be holder of the land rights of

absentee land in accordance with prevailing regulations

- 3) That the recipient understands when the declaration of the abovementioned point 1) and 2) are untrue then the exceeded land or the absentee land will be an object of land reform
- 4) That the recipient will bear all legal consequences if the declaration in point 1) and 2) are not true.

Following is the formula to calculate fee for registering Land Deed

Tariff = IDR 50.000 + (0.1 % x IDR 1.621.409.473)
 = IDR 50.000 + IDR 1.621.409
 = IDR 1.671.409,-

Legal Basis:

1. Government Regulations Number 13 Year 2010 on the Types and Tariffs of Non-Tax State Revenue Applicable in the National Land Agency;
2. Regulation of the Head of National Land Agency Number 1 Year 2010 on Standards of Land Service and Arrangement.

Procedure 7. Gaining approval of letter requesting issuance/correction of land and building tax in the Village Office

Time : 1 Day

Cost : No Cost

Comments:

Local Technical Executive Unit of Land and building tax (UPTD PBB) of Makassar Local Government Office of local Revenues (Dispenda) requires that a letter requesting issuance or correction of land and building tax (PBB) must be acknowledged by the Head of Village where the tax object is located. The applicant completes the data in the request letter provided by the Dispenda, once all data is completed then the borough administration will validate it by signing and sealing the letter.

Note:

There are no regulation stating the fee for the validation, however, usually the applicant pays IDR 100,000 to IDR 200,000

Procedure 8. Apply for change of the land and building tax (PBB) under the name of the buyer at the Local Revenue Office (Dispenda)

Time : 1 Day

Cost : No Cost

Comments:

Regarding registering the name of the Land Deed, the change of ownership must be registered at the Local Revenue Office. The taxpayer will report the transfer of the rights on the land. Requirements to change the name in the PBB are as follows:

1. Letter requesting change of name of the land and building tax approved by the borough (form provided by the Dispenda);
2. Tax Object Notice letter (SPOP), filled in and complete;
3. Original Notification on Tax Assessment of Land and Building Tax (SPPT PBB) for the current year;
4. Copy of of land certificate, Sale and Purchase Deed and notice from the borough;
5. Copy of of last year's land and building tax payment receipt;
6. Copy of of residential identity card (KTP) and company establishment deed;
7. Copy of of taxpayer registration number (NPWP);
8. Copy of of construction building permit (IMB);
9. Copy of of electricity, phone and potable water bills.

Applicant who has completed the above documents and declared complete and correct will be given a receipt. The documents will be given to a technical official of the Dispenda who will subsequently verify and validate those documents. Then the official will conduct a field survey to analyse the building's suitability with its purposed use, measure the land and analyse the market price (whether it is proper or not). After the field survey, the documents will be processed to change the name at Tax Assessment on Land and Building Tax (SPPT PBB).

**) This procedure can be conducted simultaneously with other procedure.*

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