

**LAW OF THE REPUBLIC OF INDONESIA**

**NUMBER 25 YEAR 2007**

**REGARDING**

**CAPITAL INVESTMENT**

**WITH THE BLESSING OF ALMIGHTY GOD**

**THE PRESIDENT OF THE REPUBLIC OF INDONESIA**

**Considering:**

- a. that in order to create a just and prosperous community based on Pancasila and the Constitution of 1945, it is deemed necessary to implement sustainable national economic development based on economic democracy to achieve the purpose of the state;
- b. that in compliance with the mandate stated in the Decree of the People's Consultative Assembly No. XVI/MPR.1998 concerning Economic Politics in an Economic Democracy, capital investment policies shall always be the basis of a populist economy that involves the development of micro, small-scale, medium-scale and economic cooperative business.
- c. that in order to accelerate the development of the national economy and to create the political and economic sovereignty of Indonesia, it is deemed necessary to increase capital investment in order to turn economic potential into real economic strength, by way of utilizing domestic and overseas funds;
- d. that in order to face changes in the global economy and participation by Indonesia in various international relationships it is deemed necessary to create a more conducive and promote-able investment climate that also provides legal certainty, justice and efficiency while considering the national economic interests;
- e. that Law Number 1 Year 1967 concerning Foreign Capital Investment as amended by Law Number 11 Year 1970 concerning the Amendment and Addendum of Law Number 1 Year 1967 concerning Foreign Capital Investment and Law Number 6 Year 1968 concerning Domestic Capital Investment, as amended by Law Number 12 Year 1970 concerning the Amendment and Addendum of Law Number 6 Year 1968 concerning Domestic Capital Investment seem necessary to be replaced since they are no longer suitable for the needs of the acceleration of the development of the national economy and national law in capital investment;
- f. that taking into account points a, b, c, d and e, it is deemed necessary to formulate a new Law regarding Capital Investment.

**In view of:**

Article 4 paragraph (1), Article 5 paragraph (1), Article 18 paragraphs (1), (2), and (5), Article 20, and Article 33 of the 1945 Constitution of the Republic of Indonesia.

With the approval of the  
**HOUSE OF REPRESENTIVES OF THE REPUBLIC OF INDONESIA**  
and the  
**PRESIDENT OF THE REPUBLIC OF INDONESIA**

**HAS DECIDED:**

**To stipulate:**

**LAW REGARDING CAPITAL INVESTMENT**

**CHAPTER I**

**GENERAL PROVISIONS**

**Article 1**

In this law is meant:

- (1) Capital Investment, is all forms of capital investing activity, both by the domestic capital investor and foreign capital investor, to undertake business within the territory of the Republic of Indonesia.
- (2) Domestic investment is investment activity to conduct business in the territory of the Republic of Indonesia by a domestic investor using domestic capital.
- (3) Foreign investment is investment activity to conduct business in the territory of the Republic of Indonesia by a foreign investor, whether using all foreign capital or in partnership with a domestic investor.
- (4) Capital Investor is individuals or legal entities conducting capital investment, as a domestic investor or foreign investor.
- (5) Domestic Investor is an individual Indonesian citizen, Indonesian enterprise, State of the Republic of Indonesia, or region conducting capital investment in the territory of the Republic of Indonesia.
- (6) Foreign Investor is an individual foreign citizen, foreign enterprise, and/or foreign government conducting capital investment in the territory of the Republic of Indonesia.
- (7) Capital is assets in the form of cash or in a form other than cash that belongs to the investor and has economic value.
- (8) Foreign Capital is capital owned by a foreign state, individual foreign citizen, foreign enterprise, foreign corporate legal entity, and/or Indonesian corporate legal entity of which the capital is partly or wholly owned by foreign parties.

- (9) Domestic Capital is capital owned by the State of the Republic of Indonesia, individual Indonesian citizens, or business entities, which (may be) in the form of a corporate legal entity or not a corporate legal entity.
- (10) One door integrated service is a service to investors in the implementation of licensing and non-licensing that is delegated or authorization is given by the authorized institutions or department for licensing and non-licensing, which process runs from the application stage until the issue of documents, which is conducted in one place.
- (11) Regional autonomy is the right, authority, and obligation of an autonomous region to regulate and self-manage its affairs and the interests of the local communities in accordance with laws and regulations.
- (12) Central government, hereinafter referred to as Government, is the President of the Republic of Indonesia who holds mandate as the government of the Republic of Indonesia as stipulated in the Constitution of the Republic of Indonesia of 1945.
- (13) Provincial government is a governor, head of regency or a mayor and provincial instruments as elements of the implementation of provincial government.

## **Article 2**

Provisions stipulated in this law shall apply to investment in all sectors in the territory of the Republic of Indonesia

## **CHAPTER II PRINCIPLES AND OBJECTIVES**

### **Article 3**

- (1) The implementation of capital investment is based on the principles of:
  - a. legal certainty;
  - b. openness;
  - c. accountability;
  - d. equal treatment and not discriminating based on national origin;
  - e. togetherness;
  - f. efficiency in justice;
  - g. sustainability;
  - h. environmental consideration;
  - i. independence; and
  - . balance between progress and the integration of the national economy.
- (2) The implementation of capital investment is aimed at:
  - a. Increasing the growth of the national economy;
  - b. Creating employment opportunities;

- c. Increasing sustainable economic development;
- d. Increasing the capacity of national business to compete globally;
- e. Increasing the capacity of national technology;
- f. Increasing the development of a people's economy;
- g. Turning economic potential into real economy strength using domestic and foreign funds; and
- h. Increasing the welfare of the people.

### **CHAPTER III**

#### **BASIC PRINCIPLES OF CAPITAL INVESTMENT**

##### **Article 4**

- (1) The Government stipulates basic principles of capital investment to:
  - a. develop a business climate which is conducive for capital investment to strengthen the national capacity to compete; and
  - b. accelerate the increase of capital investment.
- (2) In stipulating the basic principles of capital investment as meant in paragraph (1), the Government:
  - a. opens equal opportunities to both foreign and domestic capital investors, taking national interest into account;
  - b. provides legal and business certainty, and business security for capital investors from the process of licensing until the end of the capital investment activity, in accordance with the provisions of prevailing laws and regulations; and
  - c. opens the opportunity for development and gives protection to micro, small-scale, medium-scale and cooperative enterprises.
- (3) The basic principles stipulated in paragraph (1) and (2) are promulgated in a General Plan for Capital Investment.

### **CHAPTER IV**

#### **FORM OF BUSINESS ENTERPRISE AND STATUS**

##### **Article 5**

- (1) Domestic capital investment may be conducted in the form of an enterprise, which is in the form of a legal entity, non-legalized entity or sole proprietorship, in accordance with the provisions of laws and regulations.
- (2) Foreign capital investment shall be in the form of a limited liability company under the laws of the Republic of Indonesia and domiciled in the territory of the Republic of Indonesia, unless stipulated otherwise by prevailing laws and regulations.
- (3) Domestic and foreign investors which are undertaking capital investment in the form of a limited liability company undertake this by:

- a. subscribing to shares at the time of establishment of the limited liability company;
- b. purchasing shares; and
- c. other ways under prevailing laws and regulations.

**CHAPTER V**  
**TREATMENT OF CAPITAL INVESTMENT**

**Article 6**

- (1) Government provides equal treatment to all investors, regardless of their country of origin, who undertake investment activity in Indonesia in accordance with prevailing laws and regulations.
- (2) The treatment stipulated in paragraph (1) is not applicable to an investor from a country which obtains special rights based on an agreement with Indonesia.

**Article 7**

- (1) Government will not undertake any nationalization action or take over the ownership rights of the investor, unless by law.
- (2) In the event government takes action to nationalize or takes over ownership rights as mentioned in paragraph (1), then the government will grant compensation, which amount will be specified based on the market value.
- (3) If there is no consensus on the amount of compensation among the parties as stipulated in paragraph (2), the dispute shall be settled through arbitration.

**Article 8**

- (1) The investor may freely transfer its assets to parties appointed by the investor, as long as this is not contrary to prevailing laws and regulations.
- (2) Not included as assets stipulated in paragraph (1) are assets determined by law to be state assets.
- (3) The investor is given the right to freely transfer and repatriate in foreign currency, amongst others:
  - a. capital.
  - b. profit, bank interest, dividends, and other earnings;
  - c. funds required:
    - (i) for the purchasing of raw materials and supportive material, half finished goods or finished goods; or
    - (ii) for the replacement of capital assets in order to protect the existence of the capital investment;

- d. additional funds required for funding investments;
  - e. funds to repay loans;
  - f. royalties or expenses payable;
  - g. income of foreign individuals working in investment businesses;
  - h. income from sales or capital investment liquidation;
  - i. compensation for losses;
  - j. compensation for take over;
  - k. payments for technical support, other expenses payable for technical service and management, and payments under project contracts and payments for intellectual property rights; and
  - l. income from assets sales as stipulated in paragraph (1) above.
- (4) The right to undertake transfer and repatriation as stipulated in paragraph (3) is conducted in accordance with prevailing laws and regulations.
- (5) The provisions set out in paragraph (1) shall not prejudice:
- a. The right of the Government to put into effect laws and regulations that require reporting of the transfer of funds.
  - b. The right of Government to receive tax and or royalties and or other government income from capital investment in accordance with prevailing laws and regulations.
  - c. The implementation of law that will protect the rights of a creditor; and
  - d. The implementation of law to avoid loss to the State.

#### **Article 9**

- (1) In the event that a liability of the investor is not met:
- a. an investigator or the Minister of Finance may request the bank or other institution to delay the rights of transfer and/or repatriation; and
  - b. the Court is authorized to declare such delay of the rights of transfer and/or repatriation based on a lawsuit.
- (2) A bank or other institution may implement the declaration of such delay based on a court decision as stipulated in paragraph (1) point (b) until all liabilities of the investor are completed.

#### **CHAPTER VI EMPLOYMENT**

#### **Article 10**

- (1) In meeting its needs for manpower, an investment business has an obligation to give priority to Indonesian manpower.
- (2) The investment business may utilize foreign experts for particular positions and skills in accordance with prevailing laws and regulations.

- (3) The investment business is obliged to increase the competencies of Indonesian manpower through training in accordance with the provisions of laws and regulations.
- (4) The investment business that employs foreign manpower shall conduct training and transfer of technology to Indonesian manpower in accordance with laws and regulations.

#### **Article 11**

- (1) A serious effort to settle industrial disputes shall be made through deliberation towards consensus between the capital investment company and manpower.
- (2) If such settlement as stipulated in paragraph (1) fails, the settlement shall be conducted through a tripartite mechanism.
- (3) If such settlement as stipulated in paragraph (2) fails, the investment business and manpower shall settle the industrial dispute through the industrial court.

### **CHAPTER VII BUSINESS SECTORS**

#### **Article 12**

- (1) All business sectors/types of business are open to investment activity except business sectors/types of business which are closed or open with restrictions.
- (2) The business sectors that are closed for foreign investors are:
  - a. weapons, ammunition, explosives and war equipment; and
  - b. business sectors that are explicitly determined closed by law.
- (3) The Government based on a Presidential Regulation shall determine the business sectors closed for the capital investment, both foreign and domestic, based on criteria of health, morals, culture, environment, national defense and security, and other national interests.
- (4) Qualifications and requirements for each of the closed and open business sectors shall be regulated under a President Regulation.
- (5) The Government shall determine the business sectors open with restrictions based on national interest, namely the preservation of natural resources, the protection and development of micro, small-scale, medium-scale and cooperative enterprises, the supervision of the production and distribution process, the increase of technological capacity, domestic capital participation, and cooperation with institutions appointed by the Government.

## CHAPTER VIII

### THE DEVELOPMENT OF THE CAPITAL INVESTMENT OF MICRO, SMALL-SCALE, MIDDLE-SCALE AND COOPERATIVE BUSINESS

#### Article 13

- (1) The Government shall determine the business sectors planned for micro, small-scale, medium-scale business and cooperative enterprises, and the business sectors open for large-scale business under the condition of cooperation with micro, small-scale, medium-scale business and cooperative enterprises.
- (2) The Government shall achieve the establishment and growth of micro, small-scale, medium-scale business and cooperative enterprises through partnership programs, the acceleration of the capacity to compete, support for innovation and the extension of the market, and the wide distribution of information.

## CHAPTER IX

### RIGHTS, OBLIGATIONS AND LIABILITIES OF THE INVESTORS

#### Article 14

Each investor is entitled to:

- a. certainty of rights, law and protection;
- b. transparent information on the business sectors being operated;
- c. rights to service; and
- d. all facilities under prevailing laws and regulations.

#### Article 15

Each investor is obliged to:

- a. implement the principles of good corporate governance;
- b. meet corporate social obligations;
- c. report on capital investment activities and convey this to the Capital Investment Coordination Board;
- d. respect the traditions and culture of the society around where the capital investment activities are conducted;
- e. abide by all laws and regulations.

#### Article 16

Each investor has the responsibility to:

- a. guarantee the availability of the capital provided from sources which comply with laws and regulations;
- b. handle and settle all obligations and losses if the investor ends or leaves or abandons its business activities unilaterally, in accordance with laws and regulations;
- c. create a healthy business competition climate, guard against monopolistic

- practices and other activities that cause loss to the state.
- d. preserve the living environment;
  - e. create safety, health, comfort and welfare for workers; and
  - f. obey all laws and regulations.

#### **Article 17**

The investors that manage renewable natural resources shall allocate funds progressively for the preservation of the area to attain the environmental standards as required by prevailing laws and regulations.

### **CHAPTER X CAPITAL INVESTMENT FACILITIES**

#### **Article 18**

- (1) Government grants facilities to investors conducting capital investment activities.
- (2) Such facilities as stipulated in paragraph (1) may be given to the investor who:
  - a. extends its business; or
  - b. undertakes a new capital investment.
- (3) The capital investment granted facilities as stipulated in paragraph (2) has to fulfill at least one of the following criteria:
  - a. employs many workers;
  - b. is classified as high-priority;
  - c. is classified as an infrastructure development;
  - d. undertakes transfer of technology;
  - e. undertakes a pioneer industry;
  - f. is located in a remote area, undeveloped area, border area, or other key area;
  - g. preserves the living environment;
  - h. undertakes research, expansion, and innovation;
  - i. associates with micro, small-scale, medium-scale or cooperative enterprise; or
  - j. is an industry that uses domestic capital goods or machines or equipment.
- (4) Facilities granted to the capital investment as stipulated in paragraphs (2) and (3) can be in the following forms:
  - a. income tax through reduction of net income to a certain level in accordance with the amount of capital investment conducted in a certain period of time;
  - b. exemption from or reduction of import duty on the import of capital goods, machinery, or other production equipment that cannot be domestically produced;
  - c. exemption from or reduction of the import duty for raw material or supportive material for production in a certain period of time and meeting certain requirements;
  - d. exemption from or suspension of Value Added Tax on the import of capital goods or machinery or production equipment that cannot be domestically produced during a certain period;

- e. accelerated depreciation or amortization;
  - f. reduction in Land and Building Tax, particularly in certain sectors, in certain areas or regions or zones.
- (5) Exemption from or reduction of income tax in a certain amount and time period that shall be granted only to new investment In a pioneer industry, namely industry with wide scale application, which brings additional quality and high externality, introduces new technology and gives strategic value to the national economy.
- (6) Relief or exemption from import tax for ongoing capital investment that is replacing machinery or other capital goods.
- (7) Further provisions regarding the grant of fiscal facilities stipulated in paragraphs (4) until (6) are promulgated in a Regulation of the Minister of Finance.

#### **Article 19**

The facilities as stipulated in Article 18 paragraph (4) and (5) shall be granted based on the national industry policies determined by the Government.

#### **Article 20**

The facilities as stipulated in Article 18 shall not be granted to foreign capital investment which is not in the form of a limited liability company.

#### **Article 21**

Other than the facilities stipulated in Article 18, the Government grants facilitated services and/or licensing to capital investment businesses, to obtain:

- a. rights over land;
- b. immigration service facilities; and
- c. import service facilities.

#### **Article 22**

- (1) The facilitated services and/or licensing of the rights over land as stipulated in Article 21 letter a can be granted and extended in advance all at once and can be renewed upon the request of the investor, in the form of:
- a. Right to Cultivate can be granted for 95 (ninety five) years by means of grant and extension in advance all at once for 60 (sixty) years, and can be renewed for 35 (thirty five) years;
  - b. Right to Build can be granted for 80 (eighty) years by means of grant and extension in advance all at once for 50 (fifty) years, and can be renewed for 30 (thirty) years;
  - c. Right to Use can be granted for 70 (seventy) years by means of grant and extension in advance all at once for 45 (forty five) years and can be renewed for 25 (twenty five) years;

- (2) Rights over land as stipulated in paragraph (1) can be granted and extended in advance all at once for capital investment with the following requirements:
  - a. capital investment that is long term and associated with the more competitive restructuring of the Indonesian economy;
  - b. capital investment with high risk associated with the return of capital over a long period based on the type of capital investment business;
  - c. capital investment that does not require a large area;
  - d. capital investment conducted using the right over state land; and
  - e. capital investment that does not disturb the people's sense of justice and does not damage public interest.
- (3) Rights over land can be renewed after evaluation as to whether the land continues to be used and cultivated properly based on the conditions, type and purpose of the rights grant.
- (4) The advance grant and extension of the rights over land which can be renewed as stipulated in paragraph (1) and (2) may be terminated or annulled by the Government if the capital investment business abandons the land, disturbs the public interest, uses or cultivates the land other than in accordance with the aims and purposes of the grant of such rights over land, and otherwise violates the provisions of laws and regulations regarding land.

#### **Article 23**

- (1) The facilitated services and/or licensing regarding immigration facilities as stipulated in Article 21 letter b can be granted to:
  - a. capital investment that requires foreign labor in carrying out the capital investment activities;
  - b. capital investment that requires temporary foreign labor for the restoration of machinery, other production equipment and after sales services; and
  - c. the prospective investor who is sounding out capital investment.
- (2) The facilitated services and/or licensing regarding immigration facilities granted to capital investment as stipulated in paragraph (1) letters a and b shall be granted after the investor obtains a recommendation from the Capital Investment Coordination Board.
- (3) Foreign capital investors may be granted the following facilities:
  - a. limited stay permit to the foreign investor for 2 (two) years;
  - b. the transfer of the status of limited stay permit to permanent stay permit after the foreign investor has resided in Indonesia for two years consecutively;
  - c. a multiple reentry permit to the holder of a 1 (one) year limited stay permit for a maximum period of 12 (twelve) months after the limited stay permit is granted;
  - d. a multiple reentry permit to the holder of a 2 (two) year limited stay permit for a maximum period of 24 (twenty four) months after the limited stay permit is granted;
  - e. a multiple reentry permit to the holder of a permanent stay permit for a

maximum of 24 (twenty four) months after the permanent stay permit is granted.

- (4) The limited stay permit for the foreign investor as stipulated in paragraph (3) letters (a) and (b) is done by the Director General of Immigration based on a recommendation of the Capital Investment Coordination Board.

#### **Article 24**

The facilitated services and/or licensing for import license facilities as stipulated in Article 21 letter (c) can be granted for the import of:

- a. goods, provided that this does not violate any laws and regulations on the trade of goods;
- b. goods, provided that this does not have a negative effect on safety, security, health, the environment and the nation's morality.
- c. goods, in the relocation of a factory from abroad to Indonesia; and
- d. capital goods or raw material for self production needs.

### **CHAPTER XI**

#### **AUTHENTICATION AND BUSINESS ENTITY LICENSES**

#### **Article 25**

- (1) A capital Investor who intends to undertake capital investment in Indonesia shall comply with Article 5 of this Law.
- (2) Ratification of the establishment of a domestic capital investment business in the form of a legal entity or sole proprietorship shall be carried out in accordance with the prevailing laws and regulations.
- (3) Ratification of the establishment of a foreign capital investment business, which is in the form of a limited liability company, shall be carried out in accordance with the prevailing laws and regulations.
- (4) A capital investment business, which will undertake business activity, shall obtain licenses in accordance with laws and regulations from the authorized institutions, unless stipulated otherwise by the law.
- (5) Licenses as mentioned in paragraph (4) are obtained through one door integrated services.

#### **Article 26**

- (1) One door integrated services are intended to give support to investors in obtaining facilitated services, fiscal facilities and service facility and information concerning capital

investment.

- (2) The one door integrated service is provided by authorized institutes or institutions in the field of capital investment, which obtain a delegation or delegation of authority from the institute or institution, which has the authority to license at the central level, or an institute or institution, which has the authority to issue licenses in the province or district/city.
- (3) Provisions for procedures and implementation of one door integrated services as stipulated in paragraph (2) shall be regulated in a Presidential Regulation.

## **CHAPTER X**

### **COORDINATION AND IMPLEMENTATION OF CAPITAL INVESTMENT POLICIES**

#### **Article 27**

- (1) Government coordinates capital investment policy, whether coordination between Government institutions, between Government institutions and Bank Indonesia, and coordination between Government institutions and regional government, and also coordination among regional governments.
- (2) The coordination of the implementation of capital investment policy stipulated in paragraph (1) is carried out by the Capital Investment Coordination Board.
- (3) The Capital Investment Coordination Board as stipulated in paragraph (2) is chaired by a chairman who is directly responsible to the President.
- (4) The chairman of the Capital Investment Coordination Board as stipulated in Article (3) shall be appointed and dismissed by the President.

#### **Article 28**

- (1) In order to coordinate the implementation of the capital investment policy and services, the Capital Investment Coordination Board shall have the following duties and functions:
  - a. to carry out the duties and coordination of the implementation of capital investment policy;
  - b. to analyze and propose capital investment policy;
  - c. to determine the norms, standards, and procedures for the implementation of policy and services for capital investment;
  - d. to develop the opportunities and potential for capital investment in the regions by utilizing business entities;
  - e. to create the Indonesian capital investment map;
  - f. to promote capital investment;
  - g. to develop capital investment business sectors through empowering capital

- investment by, among others, increasing partnerships, increasing competitive abilities, creating fair business competition, and providing broad information on the implementation of capital investment;
- h. to help the resolution of obstacles and consult regarding problems faced by investors in carrying out capital investment activities;
  - i. to coordinate domestic investors who carry out their capital investment activity outside the territory of Indonesia;
  - j. to coordinate and implement one door integrated services.
- (2) Other than the duty of coordinating as stipulated in Article 27 paragraph (2), the Capital Investment Coordination Board has the duty to implement services for capital investment in accordance with the provisions of laws and regulations.

#### **Article 29**

In carrying out its duties and functions along with the one door integrated services, the Capital Investment Coordination Board should directly involve representatives from each relevant sector and region using officials who are competent and authorized.

### **CHAPTER XI THE IMPLEMENTATION OF CAPITAL INVESTMENT**

#### **Article 30**

- (1) The Government and/or regional governments shall ensure business certainty and safety in capital investment activities.
- (2) Regional governments shall implement capital investment activities which fall within its authority, except such capital investment as falls within the Government 's area.
- (3) The implementation of capital investment by regional government shall be based on criteria of externality, accountability, and efficiency.
- (4) The implementation of inter-provincial capital investment shall be a Government matter.
- (5) The implementation of inter-regency/city capital investment shall be a provincial government matter.
- (6) The implementation of capital investment in one regency/city shall be a regency/city government matter.
- (7) In the implementation by government of capital investment, the authority of the

Government covers:

- a. capital investment related to natural resources that are not renewable with a high risk of environment destruction.
  - b. capital investment in national scale high-priority industry;
  - c. capital investment related to the integration and communication function among regions or across provinces;
  - d. capital investment related to the implementation of the national defense and security strategy;
  - e. foreign capital investment and investors using foreign capital, which originate from a foreign government based on an agreement between the Government and the foreign government; and
  - f. other capital investment sectors which are Government responsibility based on law.
- (8) For capital investment which is the responsibility of Government as set out in paragraph (7), the Government shall either implement itself, delegate to the governor as the Government representative, or delegate to a regency/city government.
- (9) Provisions for the distribution of governmental power in capital investment shall be regulated further by Government Regulation.

#### **CHAPTER XIV**

#### **SPECIAL ECONOMIC ZONES**

##### **Article 31**

- (1) A special economic zone may be determined and developed, in order to accelerate the development of the economy in certain regions considered strategic for national economy development, and to maintain the balance in progress of an area.
- (2) The Government is authorized to determine stand-alone capital investment policies in a special economic zone.
- (3) Provisions for special economic zones as stipulated in paragraph (1) shall be regulated by the law.

#### **CHAPTER XV**

#### **SETTLEMENT OF DISPUTES**

##### **Article 32**

- (1) Capital investment disputes between the Government and investors shall first be settled through deliberation towards consensus.

- (2) If such deliberation towards consensus stipulated in paragraph (1) fails, the settlement of dispute shall be carried out through arbitration or alternative dispute settlement or in court in accordance with prevailing laws and regulations.
- (3) A capital investment dispute between the Government and a domestic investor shall be settled through arbitration based on agreement between the parties, and if such arbitration fails, the settlement of dispute shall be conducted in court.
- (4) A capital investment dispute between the Government and a foreign investor shall be settled through international arbitration based upon agreement between the parties.

## **CHAPTER XVI**

### **SANCTIONS**

#### **Article 33**

- (1) Domestic investors and foreign investors who undertake capital investment in the form of a limited liability company are prohibited from entering into agreements and/or statements which assert that share ownership in such limited liability company is for and on behalf of another person.
- (2) If a domestic investor and foreign investor enter into an agreement and/or statement as stipulated in paragraph (1), such agreement and/or statement is legally invalid.
- (3) If an investor who undertakes business activity based on an agreement or cooperation contract with the Government commits a corporate crime in the form of a tax crime, inflating recovery costs, and other markups to minimize profit, resulting in loss to the state, based on a finding or investigation by authorized officers, and after a binding court decision, the Government shall terminate such agreement or cooperation contract with the investor concerned.

#### **Article 34**

- (1) Business enterprises and sole proprietorships as stipulated in Article 5 that do not meet the obligations stipulated in Article 15 can be subjected to the following administrative sanctions:
  - a. a written warning;
  - b. a limitation on their business activities;
  - c. Freezing of the business activity and/or investment facility;
  - d. closing the business activity and/or investment facility.
- (2) Administrative sanctions as stipulated in paragraph (1) shall be implemented by the institution or body which is authorized under prevailing laws and regulations.

- (3) Business enterprises and sole proprietorships can be charged with sanctions other than administrative sanctions based on prevailing laws and regulations.

**CHAPTER XVII**  
**TRANSITIONAL PROVISIONS**

**Article 35**

International agreements, whether bilateral, regional, or multilateral in the field of capital investment, which have been approved by the Government of Indonesia before this law came into effect, shall remain valid until the time the said agreements end.

**Article 36**

Drafts of International agreements, whether bilateral, regional, or multilateral in the field of capital investment, which have not been approved by the Government of Indonesia before this law came into effect, shall be adjusted to the provisions of this Law.

**Article 37**

- (1) At the time this law comes into effect, all laws and regulations which are implementing regulations of Law No. 1 Year 1967 regarding Foreign Capital Investment as amended by Law No. 11 Year 1970, and Law No. 6 Year 1968 regarding Domestic Capital Investment as amended by Law No. 12 Year 1970, shall remain valid provided that they do not contradict and have not been regulated by new implementing regulations based on this law.
- (2) All capital investment approvals and implementing permits which have been granted by the Government based on Law No. 1 Year 1967 regarding Foreign Capital Investment as amended by Law No. 11 Year 1970 and Law No. 6 Year 1968 regarding Domestic Capital Investment as amended by Law No. 12 Year 1970, shall remain valid until the validity periods of the permits expire.
- (3) All capital investment applications and other applications related to capital investment which have already been submitted to the authorized institution and have not yet received government approval at the time of ratification of this law, shall be subjected to the provisions of this Law.
- (4) In the case of capital investment enterprises which have been granted a business permit by the government based on Law No. 1 Year 1967 regarding Foreign Capital Investment as amended by Law No. 11 Year 1970, and Law No. 6 Year 1968 regarding Domestic Capital Investment as amended by Law No. 12 Year 1970, in the event that the period of the business permit has ended, the business permit can be extended based on this Law.

**CHAPTER XVIII**  
**CLOSING PROVISIONS**

**Article 38**

With the entry into force of this Law:

- a. Law Number 1 of 1967 regarding Foreign Investment (Statue Book Number 1 of 1967, Supplement to Statute Book Number 2818), as amended by Law Number 11 of 1970 (Statue Book Number 46 of 1970, Supplement to Statute Book Number 2943); and
- b. Law Number 6 of 1968 regarding Domestic Investment (Statute Book Number 33 of 1968, Supplement to Statute Book Number 2853), as amended by Law Number 12 of 1970 (Statute Book Number 47 of 1970, Supplement to Statute Book Number 2944), shall be declared null and void.

**Article 39**

All provisions of laws and regulations directly related with capital investment shall be based on and shall be adjusted with the provisions of this Law.

**Article 40**

This law shall take effect as from the date of enactment.

For public cognizance, this Law shall be enacted by publication in the Statute Gazette of the Republic of Indonesia.

**Ratified in Jakarta**

on date \_\_\_\_\_

PRESIDENT OF THE REPUBLIC OF INDONESIA,

SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta

On date...

MINISTER OF LAW AND HUMAN RIGHTS OF REPUBLIC OF INDONESIA,

HAMID AWALUDIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR \_\_\_\_ NUMBER \_\_\_\_