



**Asia-Pacific
Economic Cooperation**

2016/SOM2/MTF/017

Agenda Item: 6

Annual Mining Report – Indonesia

Purpose: Information
Submitted by: Indonesia



**10th Mining Task Force Meeting
Arequipa, Peru
9-10 May 2016**

Annual Mining Report (AMR)

APEC MTF, Ariquepa Peru

Mining industry in Indonesia has always been closely related to economic development and continues to be a prominent contributor to economic activity both directly as a major source of country income and indirectly as multiplier effect of mining itself.

Blessed with large amount of mineral resources throughout the country -in addition to current status of resource and reserves- further explorations in Indonesia will potentially discover new mineral reserves. Standing position of Indonesian Government is to urge mining permit holder to implement mineral beneficiation (processing and refining) within the country, putting forward the country interest to control production, preserving environment and its long term domestic interest, while in the same time taking consideration to political stability, national economic, regional economic and contribution of mining sector to state revenue in the highest regard.

Annex A provides recent updates and forecast of Mineral industry in Indonesia:

- Availability of processing and refining facility within the country (Annex A)
- Potential of loss in the state revenue of central and regional government
- Social impact

Policy on Mining 2016

1. Ore / raw material shall be processed domestically prior to export.
2. Metallic commodity that can be sold as concentrate (intermediate products) are copper concentrate, iron concentrate, iron sand concentrate/pellet, manganese concentrate, lead concentrate and zinc concentrate.
3. Metallic mineral commodity that can only be sold in the form of metal are such as tin, nickel, bauxite, gold, silver, and chromium.
4. After 2017, processed products can only be sold in the form of metals, meaning neither concentrates nor ores, can be exported
5. Since Law Republic of Indonesia No 23 year 2014 has been released, one crucial change in mining practice and conduct is that regional government does not have the authority to issue mining license anymore. In correlation with this new law, the implementation of Law number 4 is adjusted in accordance to Law number 23.
6. The Government of Indonesia currently in the circumstances to amend Law No 4 Year 2009 with regard to some issues such as divestment related policy.

Investment Policy and Opportunity

Improvement of Investment Policy

1. Licensing Process
 - Reduce obstacles in starting a business, especially in the case of licensing procedures.
2. Revise "Negative Investment List (DNI)"
 - Trying to create a more friendly investment rules for investors.
 - DNI with new sectors open to foreign investment.
3. Increasing tax incentives
 - Facility for Corporate Income Tax (PPh Badan) given by the government could be in the form of Tax Allowance (pursuant to Government Regulation of the Republic of Indonesia No.1/2007 jo.62/2008 jo.52/2011)
 - or Tax Holiday (pursuant to Regulation of Finance Minister of the Republic of Indonesia Number 130/PMK.011/2011)

Incentive (Annex B)

Through the Minister of Energy and Mineral Resources (ESDM) Decree No. 16/2015 on the requirements in the utilization of income tax facilities for investments in certain business sectors in the sectors of energy and mineral resources, the government eases investors to enter the energy sector. There are eight specialized business fields, and 13 areas of special effort in certain areas, which can get tax relief from the government. Business sectors that could receive tax discounts, among others; oil and gas, mineral and coal mining, electricity, and alternative energy.

For the coal mining sector, the government will only give incentives to two sectors. First, investors gasification processing throughout the province with an investment of at least Rp 100 billion, as for the mineral mining sector, business sector will receive the tax allowance which is gold and silver, iron sand, iron ore, uranium and thorium, tin, lead, bauxite, copper, nickel, manganese, zinc, and zirconium. Employers are entitled to such relief on condition that invest in building smelters other than Java for some commodities. As a minimum requirement of investment reached Rp 100 billion for iron, uranium, tin, nickel, and manganese. While the lead, and zircon reached Rp 50 billion, as well as bauxite and gold reached Rp 250 billion.

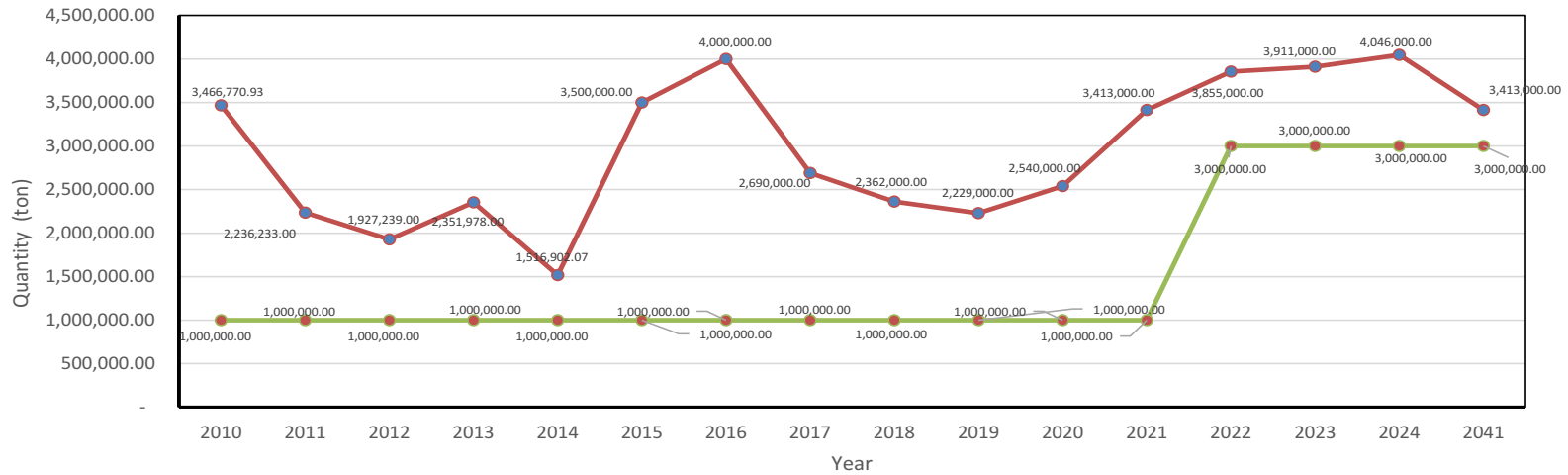
Closing Remarks

1. Indonesia has important mineral and coal resources and reserves that are prospective to be developed in future, both in the upstream and downstream industry.
2. Nowadays are the era of mineral industry awakening in Indonesia. Indonesia is extending the invitations to investors to develop the potential of mineral and coal resources and to collaboratively expand and establish downstream mineral industries.
3. The Government of Indonesia will facilitate to bridge investors and stakeholders in Indonesia to ease doing business.

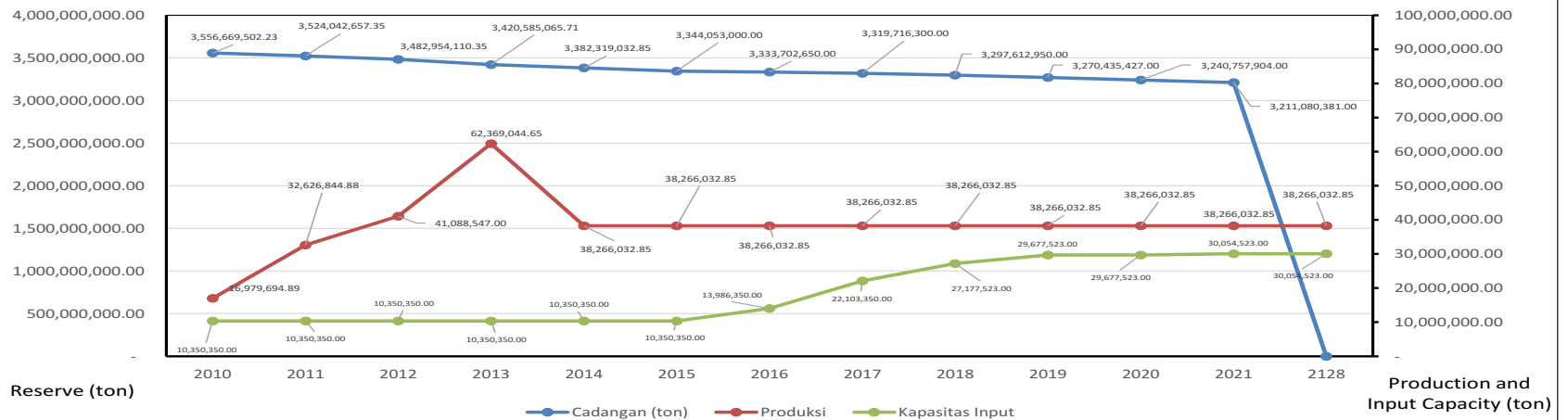
Commodities

ANNEX A

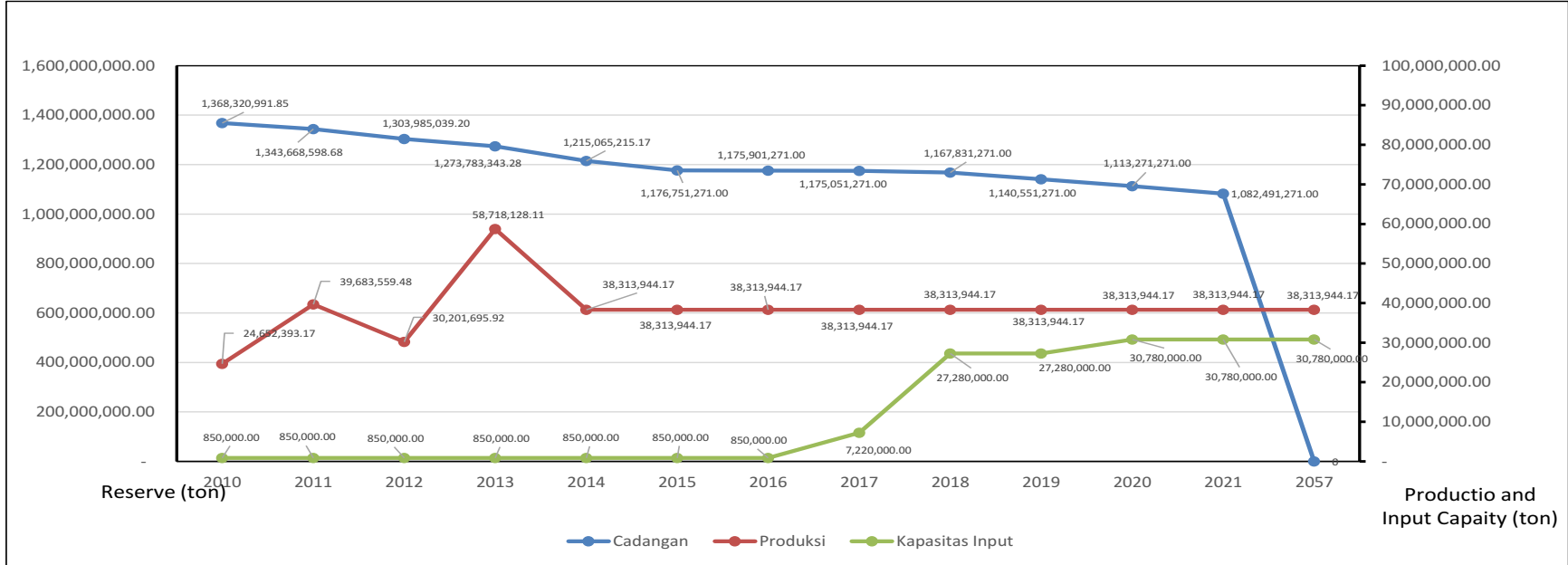
Total Production Capacity Concentrate Against Smelter For Copper Commodities



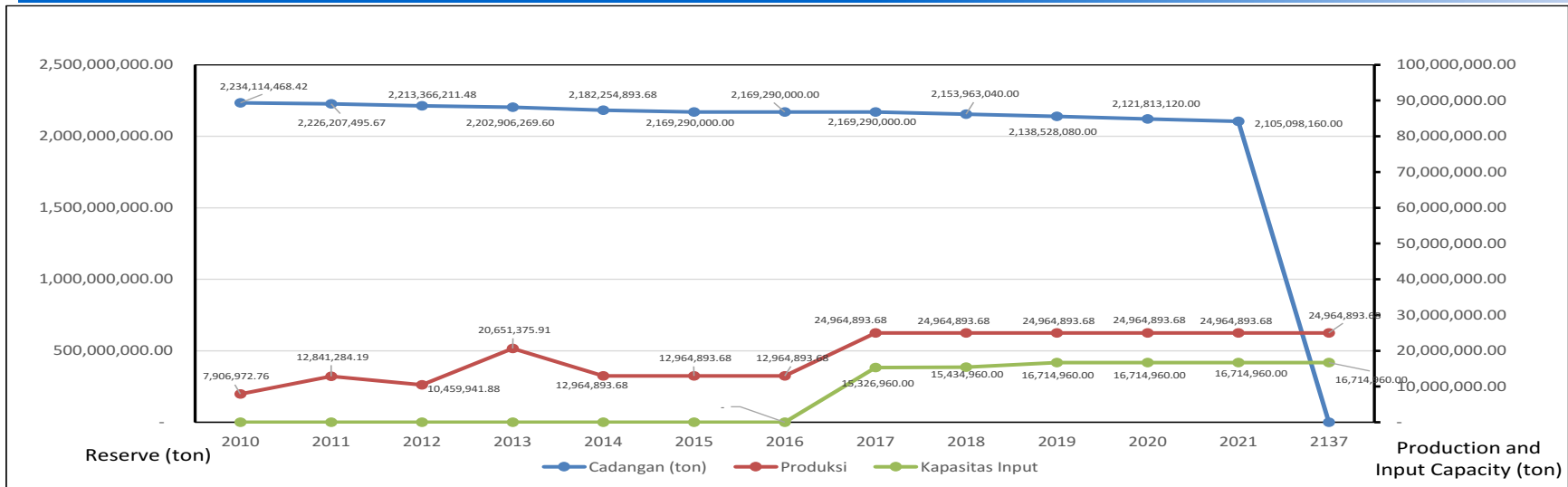
Total Production Capacity Concentrate Against Smelter For Nickel Commodities



Total Production Capacity Concentrate Against Smelter For **Bauxite** Commodities



Total Production Capacity Concentrate Against Smelter For **Iron Ore and Iron Sand**



IV. INCENTIVE

Fiscal Incentive

a

Income tax for investments in certain business areas and/or in certain regions (PP 52/2011 and the Ministry Decree 130/2011)

b

Exemption of import duty for machinery, goods, and raw materials for certain industries

c

Exemption of Import Duty, Value Added Tax, Income Tax, Sales Tax on Luxury Goods and other tax levies for certain industrial activities

Non Fiscal Incentive

a

One stop service for Registration Investment Permit

b

Determination as Industry Vital Object

c

Electronic system for Information Service and Licensing Investment System

d

Custom Non-Fiscal Facility :

- Rush Handling
- Vooruitslag
- Importer Priority Lane and Main Partner
- Prenotification