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Data Center Investments and Opportunities in Indonesia

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A. Introduction

As Southeast Asia's largest economy, Indonesia continues to adapt to and embrace global technological advancements, creating numerous opportunities in artificial intelligence and the digital economy. As a result, it has experienced rapid data center growth in recent years. Indonesian-listed PT DCI Indonesia Tbk has emerged as one of the country's largest companies by market capitalization, leading through innovation with its Tier 4 Data Center. Investments from foreign investors such as Microsoft, ST Telemedia GDC, Edgnex, Digital Edge, Amazon Web Services (AWS), Alibaba, further reflect the confidence in Indonesia's growing data center market.

Nongsa Digital Park (“**NDP**”) in Batam, Riau province, adjacent to Singapore, has developed into a technology cluster supporting the country's digital economy. As a ‘special economic zone’ with a focus on digital business, it plays a pivotal role in supporting digital development in Indonesia. Recently, the Indonesia Investment Authority (INA), Indonesia's sovereign wealth fund, partnered with DayOne Data Center, a Singapore-based operator spun off from Chinese owned GDS Holdings Ltd. to build a major data center campus in NDP after securing the IDR equivalent of over USD 400 million in funding in 2025.

Current data centers investment is largely concentrated (more than half of national data center capacity) in Batam and Jakarta and its surrounding areas (Greater Jakarta). Existing data centers have mostly developed in industrial estates in those areas, such as Karawang, Cikarang and Cibitung (all just east of Jakarta), which provide various taxation and licensing-related facilities and benefits for industrial tenants. As data centers require advanced infrastructure, such as reliable power supply and high-speed internet, supported by skilled human resources, industrial estates typically in the Greater Jakarta Region have proven to be strategic locations to entice data center investors. Other major cities like Surabaya and Bandung have also started to attract data centers.

B. Regulatory Framework

With growing investments in this sector, businesses must be able to navigate the regulations governing the establishment and operation of data centers in Indonesia:

1. Requirements for Establishing a Data Center in Indonesia

Foreign investors establishing a data center in Indonesia must set up a limited liability company, commonly referred to as “**PT PMA**”. Under Government Regulation No. 28 of 2025, PT PMAs must invest a minimum of IDR10 billion, about USD 600,000 (excluding investment in land and building assets) for each designated business line and location, with a minimum issued and paid-up capital of IDR 2.5 billion.

Each business line of a PT PMA is identified with a 5-digit Indonesian Standard Business Classification (“**KBLI**”) code. KBLI codes categorize activities based on their level of risk, which determines the permitted scope of business, investment classification, and licensing requirements.

As of April 2026, the data center business will be categorized under **63102** on Computer Infrastructure Supply, Hosting, and Related Activities. KBLI 63102 covers services/activities such as (i) leasing of server space and network facilities within a data center (data center colocation), (ii) electronic storage of data and documents for restricted access purposes, and (iii) other computer data storage services. Subject to the specifics of the intended data center's activities, a PT PMA for data center may need to register more than one KBLI, as different KBLIs apply to data processing and cloud computing.

2. Regulations on Data Centre Operations in Indonesia

A data center business must register as an Electronic Systems Operator ("**PSE**"). A PSE will be either a Public PSE or a Private PSE. A Private PSE is carried on by private sector business (and applicable to a PT PMA) which must obtain a Registration Certificate from the Minister of Communications and Digital Affairs ("**MOCD**").

A data center business must also consider Indonesia's Personal Data Protection Law (**PDP Law**), particularly with respect to data collection, processing, storage, updating, deletion, and other matters related to personal data (e.g. a person's identity, or personal financial information.). Under the PDP Law, responsibility for personal data protection, from obtaining consent to ensuring the rights of data subjects predominantly lies with the 'data controller', i.e. the entity collecting and exercising control over personal data, such as telecommunications companies, financial institutions, or digital enterprises that collect and control their customers' personal data; they are typically customers of data centers. However, data center operators, which commonly act as data processors, must also comply with the PDP Law when implementing a data controller's processing instructions.

Upon commencing operations, data center operators as PSEs must implement governance policies, operational procedures, and periodic audit mechanisms for their data center operations. In operating data centers, PSEs must comply with applicable 'national standards', including SNI 8799:2023 on Information Technology – Data Centers, and other related standards.

3. Responsible Authorities

As of now, data centers fall under the supervision of the Ministry of Industry ("**MOI**"). However, recent KBLI reclassification may change that. Given the PSE licensing, data center business activities are also overseen by the MOCD. Additionally, data centers in the financial sector (e.g. commercial banking) operate under the auspices of the Financial Services Authority (OJK).

As to the licensing of a PT PMA generally, the Ministry of Law registers the company's incorporation, while the Ministry of Investment and Downstream Industry/Capital Investment Coordinating Board or 'BKPM' authorizes oversight of foreign investments.

C. **Facilities for Data Center Businesses in Indonesia**

To support the development of the digital economy, data center business (including data processing and hosting) is a 'priority business sector' under Presidential Regulation No. 10 of 2021 on Investment Fields, which provides tax holiday incentives for data center investments.

Until 2025, foreign investments valued at IDR 100 billion (approximately USD 6 million) were eligible for a tax holiday incentive (for up to 30 years), granting up to a 50% reduction of income tax (subject to certain qualifications). A 100% reduction was available for investments exceeding IDR 500 billion (approximately USD 30 million). A replacement regulation from Minister of Finance with the same or similar incentives is expected.

Further, the Indonesian government designated a Special Economic Zone – "**SEZ**" in Nongsa, Batam, for digital business (i.e. NDP) which currently hosts a 28,730 sqm data center facility. Entities operating within an SEZ can be entitled to various facilities and benefits as to tax, the movement of goods, manpower, immigration, zoning, and licensing. This includes, for example, corporate income tax reductions, non-collection of value added tax, non-collection of import duty for capital goods in the construction phase, and streamlining of licenses issued by the SEZ Administrator. Other than an SEZ, industrial estates have become a supportive environment for data center facilities given their

various taxation and licensing-related facilities and benefits for industrial tenants.

D. Future Prospects for Data Center Investments in Indonesia

Investment in data centers in Indonesia presents a promising opportunity for foreign investors, as the country continues to pursue technological development and digital independence. In 2025, Indonesia's data center capacity reached 500 megawatts (MW) and is projected to rise to 900MW in 2026, which is less than 1.5 watts per capita. Further growth is expected and necessary given the national internet penetration level which has exceeded 80%, the increasing adoption of artificial intelligence at both the business and consumer level, and the high use rates of existing data centers rates. Therefore, the Indonesian government is working towards data center capacity expansion to meet the demand of an increasingly digitally active population. This is reflected in, e.g. the initiatives of Indonesia's National Electricity Company (PLN) to expand the development and use of renewable energy for reliable and sufficient electricity supply for data centers, as well as ongoing regulatory development that positively demonstrates the government's ability and willingness in supporting the industry.

Investors should remain attentive to regulatory updates, particularly regarding licensing requirements, to ensure the seamless progression of their investments free of obstacles.

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