Draft Amendments to the ITE Law Passed

The highly anticipated draft amendment to Law No. 11 of 2008 (“ITE Law”) which was anticipated in 2015, was finally passed by the House of Representatives of the Republic of Indonesia (Dewan Perwakilan Rakyat Republik Indonesia (DPR RI) – “House”) on 27 October 2016 (“Draft Amendments”). The draft will automatically enter into force if the President has still not signed it within 30 days of it being passed by the House. These Draft Amendments therefore came into effect on 28 November 2016.

The Draft Amendments address the following matters:
1. Electronic Systems Providers;
2. Electronic Information and/or Documents as Valid Legal Evidence;
3. The Protection of the Public’s Rights;
4. The Government’s Role in relation to ITE Violations;
5. Investigation Procedures;
6. Prohibited Actions and Sanctions for violations.

Electronic Systems Providers

The Draft Amendments finally provide a definition of an Electronic Systems Provider (“Provider”) which was lacking from the ITE Law. According to the Draft Amendments, a Provider is an individual, state administrator, legal entity or the public, who, separately or jointly, provides, manages and/or operates electronic systems for users of electronic systems for their own interests and/or those of other parties.

Electronic Information and/or Documents as Valid Legal Evidence

The Draft Amendments clarify that electronic information and/or documents may only be obtained as a result of interception, tapping, or recording for the purpose of law enforcement, at the requests of the police, the public prosecutor’s office and/or another relevant authority whose authority is determined by law. Further, instead of being provided in a Government Regulation (as stated in the ITE Law), the procedure for such interceptions will be provided in a Law.

Protection of the Public’s Rights (“Right to be Forgotten”)

In order to protect the public’s personal data privacy rights, under the Draft Amendments, under a court ruling, the owners of the information can ask Providers to erase any irrelevant electronic information and/or documents under the Providers’ control. The procedure for this will be provided in a Government Regulation.

The Government’s Role

In order to prevent the dissemination and use of electronic information and/or documents which violate the prevailing laws and regulations, the Draft Amendments give the Government (i.e. the minister or other relevant authority appointed by the President) authority to directly cut off access and/or ask the relevant Provider to cut off access to any prohibited electronic information and/or documents.

Investigation Procedures

Under the ITE Law, (i) searches (penggeledahan) and/or seizures (penyitaan) of electronic systems suspected of being involved in crimes require permission from the Head of the relevant District Court, while (ii) to arrest and detain (penangkapan dan penahanan) suspected perpetrators, a court order issued by the relevant District Court is required beforehand within twenty-four hours of the arrest. However, according to the Draft Amendments, searches and seizures of electronic systems and the arrest and detention of suspected perpetrators should comply with the prevailing criminal procedural laws and regulations.

The Draft Amendments give civil servants the following two additional authorities:
RECENT REGULATION
Minimum Wages in DKI Jakarta Province

To implement Government Regulation No. 78 of 2015 on Wages, the Governor of DKI Jakarta has just issued Governor's Regulation No. 227 of 2016 on The Provincial Minimum Wage for 2017 ("Governor Regulation 227/2016"). Governor's Regulation 227 of 2016 came into effect on the date of its promulgation, i.e. 31 October 2016 and the required minimum wage will apply from 1 January 2017.

According to Governor's Regulation 227/2016, the provincial minimum monthly wage for DKI Jakarta Province is IDR 3,355,750 (three million three hundred fifty-five thousand seven hundred fifty Rupiah). Employers may not pay less than the determined provincial minimum wage.

Exemption
However, under Governor’s Regulation 227/2016, the employer may submit a written application for a suspension of the implementation of the provincial minimum wage to the Governor through the Head of Service Office of Manpower and Transmigration of DKI Jakarta at least 10 (ten) days before this regulation is to be implemented. The application must satisfy the technical requirements under Governor’s Regulation No. 42 of 2007 on The Procedure for the Suspension of the Implementation of the Provincial Minimum Wage ("Governor’s Regulation 42/2007"). According to Governor’s Regulation 42/2007, as long as the application is still being processed, the
to conduct a foreign exchange transaction against Rupiah, banks must satisfy the following requirements:

a) those imposed by the banking authority(ies) under which only a certain category of bank is allowed to conduct foreign exchange transactions;

b) implement risk management as required under the banking authority(ies) regulations on the implementation of risk management in banks;

c) provide training on foreign exchange transactions against Rupiah to customers; and

d) comply with the Bank Indonesia regulation on the mandatory use of Rupiah.

**PBI 18/18**

Banks may conduct foreign exchange transactions against Rupiah for their own interests or for the interests of domestic parties under an agreement.

Foreign exchange transactions against Rupiah consist of the following

a) Spot transactions;

b) Foreign Exchange Derivative Transactions against Rupiah, which consist of (i) standard derivative transactions [plain vanilla], ie forward, swap, option, and cross currency swap (CCS) transactions; and (ii) structured product foreign exchange transactions against Rupiah (in the form of Call Spread Options).

Types of transaction and thresholds

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Transaction</th>
<th>Threshold</th>
<th>Whether the Underlying Transactions are required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Spot transaction</td>
<td>USD25,000, for the purchase of foreign exchange against Rupiah (the purchase may not be above the underlying transaction)</td>
<td>Yes, if above the threshold</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a) USD100,000, for the purchase of foreign exchange against Rupiah (the purchase may not be above the underlying transaction)</td>
<td>Yes, if above the threshold</td>
</tr>
<tr>
<td>2.</td>
<td>Plain vanilla (standard derivative transaction)</td>
<td>USD5,000,000, for the sale of foreign exchange against Rupiah by a customer to the Bank through a forward transaction (the purchase may not be above the underlying transaction)</td>
<td>Yes, if above the threshold</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) USD5,000,000, for the sale of foreign exchange against Rupiah by a customer to the Bank through options transaction (the purchase may not be above the underlying transaction)</td>
<td>Yes, if above the threshold</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c) USD1,000,000, for the sale of foreign exchange against Rupiah by a customer to the Bank through options transaction (the purchase may not be above the underlying transaction)</td>
<td>Yes, if above the threshold</td>
</tr>
<tr>
<td>3.</td>
<td>Call spread options</td>
<td>There is no specific threshold Note: Banks may not engage in structured product foreign exchange transactions against Rupiah except in the form of call spread options which meet the following criteria: a) they are supported by an underlying transaction; b) the value of a foreign exchange structured product transaction against Rupiah is no more than the nominal value under the underlying transaction;</td>
<td>Yes, regardless of the amount, there must be an underlying transaction.</td>
</tr>
<tr>
<td>No.</td>
<td>Type of Transaction</td>
<td>Threshold</td>
<td>Whether the Underlying Transactions are required</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------</td>
<td>-----------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>c. the term of the foreign exchange structured product transaction against Rupiah is no more than the term under the underlying transaction;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>d. the transaction is conducted based on dynamic hedging to ensure that the parties to call spread options are not exposed to foreign exchange risks as a result of market rates being above the estimates rates in the initial call spread options.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Exemptions

A. According to PBI 18/18, the above does not apply for the completion of derivative foreign exchange transactions against initial Rupiah conducted in the following circumstances:
   i. rollover transaction during the term of roll over and at the latest within the initial underlying transaction;
   ii. early termination of the transaction; or
   iii. termination or unwinding of the transaction.

B. Foreign exchange transactions against Rupiah among banks do not require an underlying transaction.

Completion

Spot transactions (discussed above in 1.), if conducted between a bank and a customer or between banks must be conducted by transferring the principal amount in full. However, the other types of transaction discussed in 2. and 3. above can be conducted by either netting (only for rollover, early termination, and termination/unwinding transactions) or transferring the principal amount in full.

PBI 18/19

Article 1. of PBI 18/19, defines foreign parties as:
   a. foreign citizens;
   b. foreign entities or foreign agencies;
   c. Indonesian citizens who are permanent residents in another country and are not domiciled in Indonesia;
   d. overseas bank offices of banks whose headquarters are in Indonesia;
   e. overseas company offices of Indonesian legal entities.

Banks may conduct foreign exchange transactions against Rupiah with foreign parties under a contract/agreement. Foreign exchange transactions against Rupiah consist of the following:

   a) Spot transactions;
   b) Foreign Exchange Derivative Transactions against Rupiah, which consist of (i) standard derivative transactions (plain vanilla), in the form of forward, swap, option, and cross currency swap (CCS) transactions; and (ii) structured product foreign exchange transactions against Rupiah in the form of Call Spread Options.

Types of transaction and thresholds

<table>
<thead>
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<th>Threshold</th>
<th>Whether the Underlying Transactions are required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Spot transaction</td>
<td>USD25,000</td>
<td>Yes, if above the threshold</td>
</tr>
</tbody>
</table>

RECENT REGULATION

100% exemption from BPHTB as a result of a sale and purchase or the granting of new rights for the first time; and/or (ii) impose 0% BPHTB if the land/building is acquired as a result of inheritance as long as it has a nominal value of IDR 2,000,000,000 (two billion Rupiah) or less.

The above BPHTB exemption and/or 0% BPHTB, may be applied for by an Individual Taxpayer with the following conditions:

a. for the previous BPHTB which has not been settled until the year of the submission of the application;

b. BPHTB exemption and/or 0% BPHTB can only be granted once for 1 (one) plot of land and/or a building for each application submitted and must be occupied by individual taxpayer; and

c. the individual taxpayer must be an Indonesian citizen domiciled in DKI Jakarta for at least 2 (two) years consecutively, commencing from the issuance date of the DKI Jakarta Identity Card (Ktp Tanda Penduduk/KTP).

For the above exemption and/or zero percent BPHTB a written application must be submitted accompanied by supporting documents as required under the Governor’s Regulation 193/2016 e.g. a copy of the Taxpayer Registration Number or a written statement.

The relevant official will examine the formal and material requirements for an application and may conduct a site visit to confirm the conformity to the facts and the truthfulness of the documents submitted.
### RECENT REGULATION

Once the above requirements have been satisfied, the official may grant an exemption or impose 0% BPHTB.

According to Governor’s Regulation 193/2016, the exemption and/or imposition of 0% BPHTB may be cancelled if within 5 (five) years of the date of the exemption/0% BPHTB being granted, it is found that the requirements under Governor’s Regulation 193/2016 have not been satisfied; in which case, the official will issue a Tax Underpayment Assessment Letter (Surat Ketetapan Pajak Daerah Kurang Bayar).

### M&T MESSAGES

- The firm once again ranked in Project Finance (1st tier), Energy and Infrastructure, Banking, M&A, Capital Markets and Restructuring and Insolvency in IFLR1000, 2017 edition. Rahayu Ningsih Hoed, Guy Des Rosiers, Lina Amran & Kurniawan Tanzil have been selected as Leading Lawyers.


- Lia Alizia and Teddy Suprijadi contributed to Majalah SIMFONI AAUI (Asosiasi Asuransi Umum Indonesia) published in September 2016 on Jabatan Rangkap, Pemilikan Saham dan Merger.

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<table>
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<th>Threshold</th>
<th>Whether the Underlying Transactions are required</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Plain vanilla (standard derivative transaction)</td>
<td>a) USD$100,000,000 for the sale of foreign exchange against Rupiah (the purchase must be within the value stated in the underlying transaction)</td>
<td>Yes, if above the threshold</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b) USD$5,000,000,000 for the sale of foreign exchange against Rupiah by the customer to the Bank through a forward transaction (the purchase must be within the value stated in the underlying transaction)</td>
<td>Yes, if above the threshold</td>
</tr>
<tr>
<td>3.</td>
<td>Call spread options</td>
<td>There is no specific threshold. Note: Banks may not conduct structured product foreign exchange transactions against Rupiah, except in the form of call spread options implementing dynamic hedging. This is to ensure that the parties to call spread options are not exposed to foreign exchange risks as a result of the market rate being above the estimated rate of the initial call spread options.</td>
<td>Yes, regardless of the amount, there must be an underlying transaction.</td>
</tr>
</tbody>
</table>

### Completion

Spot transactions (discussed above in 1.) between banks and foreign parties must be conducted by transferring the principal amount in full. However, for the other types of transaction discussed in 2. and 3. above can be conducted by either netting (only for rollover, early termination, and termination/unwinding transactions) or transferring the principal amount in full.

### Prohibitions

Banks may not engage in the following with foreign parties:
- a. providing credit or financing in Rupiah and/or foreign exchange (subject to certain exemptions, eg financing or guarantees related to investment activities in Indonesia for which a counter guarantee from a prime bank has been obtained);
- b. placements in Rupiah;
- c. purchasing commercial paper in Rupiah issued by foreign parties;
- d. intercompany invoicing in Rupiah;
- e. intercompany invoicing in foreign exchange in order to provide credit or financing overseas; and
- f. capital participation in Rupiah.

### Transferring Rupiah to Foreign Parties

Banks may not transfer Rupiah overseas. However, banks may transfer Rupiah to accounts held by foreign parties and/or held jointly by foreign parties and Indonesian parties, in banks in Indonesia if:
- a. the nominal Rupiah value transferred is up to the equivalent of USD$1,000,000 per day, per foreign party; or
- b. the transfers are among Rupiah accounts held by the same foreign parties.

If the nominal value of a Rupiah transfer to an account held by a foreign party generated from a transaction other than a Derivative Foreign Exchange against Rupiah Transaction is more than USD$1,000,000, the recipient bank must ensure that the foreign party has an underlying transaction.
Further Regulation on Foreign Owned Property

Following the issuance of Government Regulation No. 103 of 2015 on the Ownership of Houses or Housing by Foreigners Domiciled in Indonesia dated 22 December 2015 (“GR 103/2015”), the government, through the Minister of Agrarian Affairs and Spatial Planning/Head of the National Land Agency (“MOA”) issued Regulation No. 29 of 2016 on The Procedure for Granting, Releasing and Transferring Ownership of Houses or Housing to Foreigners Domiciled in Indonesia on 26 September 2016 (“MOA Reg. 29/2016”) to replace the previous regulation, MOA Regulation No. 13 of 2016, as it was considered suboptimal. MOA Reg. 29/2016 was issued to implement Article 11 of GR 103/2015, which required further guidelines for foreigners seeking to own houses or other forms of residential property (“Residential Property”) or wishing to release or transfer their rights over Residential Property.

Under MOA Reg. 29/2016, foreigners domiciled in Indonesia and holding a valid stay permit may own houses or housing under a Right of Use (Hak Pakai). According to Article 41 of Law No. 5 of 1960 (Agrarian Law), a Right of Use is a right to use and/or harvest produce grown on land that is directly controlled by the State or owned by another party(ies), which gives authority to and imposes obligations on the holder specified in the decision made by the authority or in an agreement with the owner of the land, which is not a lease agreement or a land cultivation agreement (perjanjian pengolahan tanah), as long as it is not contrary to the spirit or provisions of the Agrarian Law. The Right of Use is inheritable, transferable, and may be secured under a Hak Tanggungan (the nearest equivalent in Indonesia to a mortgage).

**Types of Land Title**

Foreigners can hold the following types of property rights:

a. Individual houses constructed on land under:
   i. a Right to Use (Hak Pakai – “HP”);
   ii. a Right to Use (HP) over Freehold Title (Hak Milik – “HM”) occupied under an agreement granting a Right to Use over Freehold Title (Hak Pakai atas Hak Milik) drawn up in a Deed made by a Land Official;
   iii. a Right to Use (HP) derived from the transformation of a Freehold Title (HM) or a Right to Build (Hak Guna Bangunan – “HGB”).

b. Apartment units in a building built on land:
   i. under a Right to Use (HP);
   ii. derived from the transformation of Freehold Title to an Apartment Unit (Hak Milik Atas Satuan Rumah Susun).

**Limits on Residential Property Ownership**

Foreigners may only purchase Residential Property which meets with the following requirements:

1. minimum price thresholds:

<table>
<thead>
<tr>
<th>Location</th>
<th>Individual House (IDR)</th>
<th>Apartment (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DKI Jakarta</td>
<td>10 billion</td>
<td>3 billion</td>
</tr>
<tr>
<td>Banten</td>
<td>5 billion</td>
<td>2 billion</td>
</tr>
<tr>
<td>West Java</td>
<td>5 billion</td>
<td>1 billion</td>
</tr>
<tr>
<td>Central Java</td>
<td>3 billion</td>
<td>1 billion</td>
</tr>
<tr>
<td>Jogjakarta</td>
<td>5 billion</td>
<td>1 billion</td>
</tr>
<tr>
<td>East Java</td>
<td>5 billion</td>
<td>1.5 billion</td>
</tr>
<tr>
<td>Bali</td>
<td>5 billion</td>
<td>2 billion</td>
</tr>
<tr>
<td>West Nusa Tenggara</td>
<td>3 billion</td>
<td>1 billion</td>
</tr>
<tr>
<td>North Sumatera</td>
<td>3 billion</td>
<td>1 billion</td>
</tr>
<tr>
<td>East Kalimantan</td>
<td>2 billion</td>
<td>1 billion</td>
</tr>
<tr>
<td>South Sulawesi</td>
<td>2 billion</td>
<td>1 billion</td>
</tr>
</tbody>
</table>

M&T MESSAGES

- Rahayu Ningsih Hoed was one of the speakers at the Property Report Congress Indonesia 2016 on 13th October 2016 in Jakarta organized by PropertyGuru International (Thailand). She spoke about What Tax and the Law can Do to Improve the Real Estate Market.
- Anang Triyono and Ben Clanchy contributed the Indonesian chapter on Merger Control Basics 2016, WLG Merger Memo for World Law Group in October 2016.
- Makarim & Taira S. has been shortlisted for the ALB Indonesia Law Awards 2016 and nominated as Law Firm of the
M&T News is an email publication prepared by the Indonesian law firm Makarim & Taira S. It is only intended to inform generally on the topics covered and should not be treated as legal advice or relied upon when making investment or business decisions. Should you have any questions on any matter contained in M&T News, or other comments generally, please contact your usual M&T contact or email to newsletter@makarim.com

Year for Dispute Resolution, Intellectual Property, Labour and Employment. ALB Indonesia Law Awards is an event in which the achievements of Indonesia’s leading law firms, in-house legal teams, top deals and dealmakers are recognized and is organized by Asian Legal Business on 27 October 2016.

- Maria Sagrado was acknowledged as one of the 40 young Asian private practice lawyers under the age of 40 by Asia Law Business (ALB), Thomson Reuters in October 2016.

- Makarim & Taira S. has been shortlisted for the Euromoney Legal Media Group Asia Women in Business Law Awards 2016 and nominated for the Country Awards category in Indonesia. Our Partner, Lia Alizia has been nominated as the Best in the Labour and Employment category. The event was held on 9 November 2016 in Hong Kong by Euromoney Institutional Investor’s Legal Media Group a leading international business-to-business media group.

- Candace Limbong and Lia Alizia contributed the Indonesia chapter to iGlobal 2017 Alert published by iGloballaw.com in December 2016.

Ownership Terms1

<table>
<thead>
<tr>
<th>Type of Property</th>
<th>Type of Land the Property is (to be) built on</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Houses</td>
<td>Land under a Right to Use (HP)</td>
<td>30 (thirty) years, extendible for a further 20 (twenty) years and renewable for another 30 (thirty) years.</td>
</tr>
<tr>
<td></td>
<td>Land under a Right to Use over a Freehold Title (Hak Pakai atas Hak Milik) (under an agreement)</td>
<td>30 (thirty) years, extendible for a further 20 (twenty) years and renewable for another 30 (thirty) years as agreed with the holder of land title.</td>
</tr>
<tr>
<td></td>
<td>Land under a Right to Use (HP) derived from a Freehold Title (HM) due to a sale and purchase, grant, exchange (tukar menukar), auction, or other transaction under Article 6 (1) of MOA Reg. 29/2016.</td>
<td>For the remainder of the term of the Right to Build (HGB), extendible for a further 20 (twenty) years and renewable for another 30 (thirty) years.</td>
</tr>
<tr>
<td>Apartment Units</td>
<td>Land under a Right to Use (HP)</td>
<td>There is no specific provision on the ownership term of an apartment unit. Arguably, this should follow that of the Right to Use (HP) over land.</td>
</tr>
<tr>
<td></td>
<td>A Right to Use over an Apartment Unit (Hak Pakai Atas Satuan Rumah Susun) which was first obtained from the holder of the new Freehold Title to the</td>
<td>30 (thirty) years, extendible for a further 20 (twenty) years and renewable for another 30 (thirty) years.</td>
</tr>
<tr>
<td></td>
<td>A Right to Use over an Apartment Unit (Hak Milik Atas Satuan Rumah Susun) derived from a Freehold Title to an Apartment Unit (Hak Milik Atas Satuan Rumah Susun) under Article 6 (2) of MOA Reg. 29/2016.</td>
<td>For the remainder of the term of the Freehold Title to the Apartment Unit (Hak Milik Atas Satuan Rumah Susun), extendible for a further 20 (twenty) years and renewable for another 30 (thirty) years.</td>
</tr>
</tbody>
</table>

Notes:
1. If individual houses constructed on land under a Right to Use (HP) derived from the conversion of a Freehold Title (HM) or a Right to Build (HGB) will be transferred to Indonesian Citizens, the Right to Use (HP) can be converted back to a Freehold Title (HM) or a Right to Build (HGB), and
2. If a Right to Use over an Apartment Unit (Hak Pakai Atas Satuan Rumah Susun) derived from a Freehold Title to an Apartment Unit (Hak Milik Atas Satuan Rumah Susun), will be transferred to Indonesian Citizens, it can be converted back to a Freehold Title to an Apartment Unit (Hak Milik Atas Satuan Rumah Susun)1

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<table>
<thead>
<tr>
<th>Location</th>
<th>Value of the Property (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual House (&gt;)</td>
<td>Apartment (&gt;)</td>
</tr>
<tr>
<td>Other locations</td>
<td>1 billion</td>
</tr>
</tbody>
</table>
---

2. other requirements:
a. 1 (one) plot of land per person/family; and
b. the area of the land cannot be more than 2,000 (two thousand) square meters;
3. in certain circumstances, the MOA may grant foreigners who have a significant positive impact on the economy an area of land of more than 2,000 (two thousand) square meters;
4. the limits in 1 and 2 above do not apply to Residential Properties owned by Representatives of Foreign Countries and/or International Agencies.

1 Article 6 and 7 or GR103/2015 and Article 7, 8, and 9 of MOA Reg. 29/2016