



ATLAS

BY BNP PARIBAS

CASH MANAGEMENT

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Indonesia is the fifth largest economy in Asia in nominal GDP terms and the world's third most populous nation behind China and India. Economic growth was robust over the period 2015-2019 (5.0% per year on average) but insufficient to increase GDP per capita substantially, and remains much lower than that of Thailand or Malaysia. Although Indonesia has major demographic advantages compared with other South East Asian countries, its growth prospects are still constrained. To benefit fully from its demographic advantage, the government must develop its manufacturing industry, requiring simultaneous efforts on labour, capital and regulation.

In 2020, economic growth contracted by 2.1% due to the COVID-19 pandemic shock and the rebound in 2021 should be moderate. However, in the medium term, economic prospects remain favourable as Widodo's government managed to adopt major economic reforms to stimulate medium and long-term growth and increase its attractiveness for foreign direct investment. Macroeconomic fundamentals, albeit deteriorating with the COVID-19 crisis, remain fairly good (low public debt, low fiscal deficit and low external debt to GDP ratios) but the country is still highly reliant on volatile portfolio inflows to finance its current account deficit as foreign direct investment (FDI) remains structurally low. Indonesia's competitiveness and attractiveness remain lower than in other ASEAN countries due to structural constraints. However, risks are mitigated by large foreign exchange reserves. Moreover, in the medium term, the Omnibus Law should improve the Indonesia's position in the supply chain process, boost its exports and FDI inflows and make the country less dependent on portfolio inflows.

Summary

BNP Paribas presence

BNP Paribas has been active in Indonesia since 1970 and is currently the only French bank, and one of only a few global banks, with a full service offering in Indonesia. BNP Paribas offers a multi-disciplined team to support a wide range of customer requirements, including cash management and trade finance. The bank has a full banking license which permits activities in all currencies including IDR.

BNP Paribas is a major player in trade finance throughout Asia, offering a full suite of traditional trade (letters of credit, bankers' guarantee, trade financing, standby letters of credit, etc.) and supply chain financing solutions (receivables purchase programmes, supplier financing etc.) products, including a unique inventory solution offered through its trade centres in Australia, China, Japan and Singapore, specifically for companies engaged in international trade, as part of a wider network of more than 100 trade centres globally. BNP Paribas has experienced trade finance advisors and personnel who deliver a range of customised trade solutions and advise on local market practices. These solutions are supported by the bank's ISO-certified trade services support team.

Currency

Currency

- Indonesian rupiah (IDR)

Exchange rates

	2016	2017	2018	2019	2020
Exchange rate: IDR per USD	13,308.3	13,380.9	14,236.9	14,147.7	14,582.2

Source: IMF, International Financial Statistics, June 2021.

Central Bank

- The Indonesian central bank is Bank Indonesia (www.bi.go.id).

Bank supervision

- Indonesian banks are supervised by the Financial Service Authority (OJK – www.ojk.go.id/en).
- The Ministry of Finance (www.depkeu.go.id) is responsible for regulating Indonesia's other financial institutions.

Bank accounts

Resident / non-resident status

- A company is considered resident in Indonesia if it is domiciled in or incorporated in Indonesia.

Bank accounts for resident entities

	Within INDONESIA	Outside INDONESIA
Local Currency	Permitted without restriction, fully convertible	Not permitted
Foreign Currency	Permitted (cheques are not permitted to be drawn), fully convertible	Permitted without restriction, fully convertible

Bank accounts for non-resident entities


	Within INDONESIA	Outside INDONESIA
Local Currency	Permitted with restrictions, fully convertible	Not permitted
Foreign Currency	Permitted with restrictions, fully convertible	Not applicable

Lifting fees

- Per item-based charges and/or subscription fees are applied on payments between resident and non-resident bank accounts.











BNP Paribas Cash Management Capabilities

Collections

Cash collections	
Cheque collections	
Direct debit collections	

Domestic incoming transfers	
Virtual IBAN	
Virtual accounts	
International incoming transfers	
Card acquiring	

Payments

Cash withdrawals	
Cheque payments	
Direct debit payments	
Domestic outgoing transfers	
Commercial cards	
Virtual cards	
International outgoing transfers	
SWIFT gpi	
Real-time international payments through BNP Paribas' network	
Card issuing	

Channels

Local e-Banking	
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Global e-Banking - Connexis	✓
SWIFT/ host to host	✓

Payments & collections

Market overview

Cash remains the predominant payment method in Indonesia for low-value transactions; according to a 2020 Worldpay Global Payments Report, cash accounts for 77% of point-of-sale purchases. Credit card penetration is estimated at 0.07 credit cards per capita. However, the launch of QRIS, the national QR standard, in 2019, which ensures interoperability between different payments providers, and the Covid pandemic, has seen the use of digital payments rise. According to Bank Indonesia (BI), the value of electronic money transactions reached IDR 201 trillion in 2020, growing by 38.62% from 2019. With a smartphone penetration rate above 60%, the country is well-positioned to take advantage of digital payment methods; there are already more than 48 e-wallet platforms operating, including GoPay, Dana and OVO.

In 2019, Bank Indonesia published its Payment Systems Blueprint 2025. Its focus is on the development of a digital economy via the digitisation of payments and payment systems. As part of this initiative, the central bank plans to launch BI-FAST (end 2021), a real-time payment infrastructure for card-based instruments, electronic money, and direct to account (credit and debit transfers) schemes. BI-FAST, which will replace the SKNBI, will be available 24/7.

Electronic banking services are available from most banks. There is no national electronic banking standard in Indonesia, so companies use banks' proprietary services. Online and mobile banking services are available. Online banking adoption is low, but mobile banking usage among smartphone users is high. Regulations for digital banking are expected by end-2021 and will open up banking to the 50% that are unbanked.

Payment Systems

BI- RTGS	Type	<ul style="list-style-type: none"> Real-time gross settlement.
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	Participants	<ul style="list-style-type: none"> • 143.
	Transaction types processed	<ul style="list-style-type: none"> • High-value (in excess of IDR 100 million) and urgent IDR-denominated credit and debit transfers. • Net obligations from the SKNBI.
	Operating hours	<ul style="list-style-type: none"> • 06:30–16:45 WIB, Monday to Friday.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • Payments are cleared and settled in real time. • Third-party payment cut-off time = 16:30 WIB. • Interbank payment cut-off time = 17:00 WIB.
	System holidays	<ul style="list-style-type: none"> • BI-RTGS is closed on all Indonesian bank holidays. • Indonesia's bank holidays are: <ul style="list-style-type: none"> • 2nd half 2021: July 30*, August 10*, 17, October 19*, December 25 • 2022: January 1, February 1, March 1*, April 1*, 15, May 1, 3*, 4*, 16*, 26, June 1, July 10*, August 17*, October 8*, December 25 <p><i>*The date shown may vary by plus or minus one day. These dates are derived by converting from a non-Gregorian calendar (e.g., Muslim or Hindu) to the Gregorian calendar. Some of these dates cannot be determined in advance with absolute accuracy, even by the governing authorities. In the case of Muslim dates in particular, the feast days are determined by the sighting of a new/full moon.</i></p>
SKNBI	Type	<ul style="list-style-type: none"> • Automated clearing system.
	Participants	<ul style="list-style-type: none"> • 143.
	Transaction types processed	<ul style="list-style-type: none"> • Low-value (up to IDR 1 billion) and non-urgent and bulk IDR-denominated electronic credit transfers. • Paper-based payments (cheques and bilyet giros).
	Operating hours	<ul style="list-style-type: none"> • 06:30–16:45 WIB, Monday to Friday.
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> • The SKNBI operates two subsystems: Credit Clearing and Debit Clearing. • Credit Clearing: 08:15-16:20. • Debit Clearing: 08:15-15:00. • Final settlement for both subsystems is carried out via the BI-RTGS. Funds are available on a same-day or next-day basis.
	System holidays	<ul style="list-style-type: none"> • SKNBI is closed on all Indonesian holidays. (Dates as above)
NPG	Type	<ul style="list-style-type: none"> • National Electronic Payment System.
	Participants	<ul style="list-style-type: none"> • -

	Transaction types processed	<ul style="list-style-type: none"> Debit card transactions. In the long-term all domestic payment transactions will be processed via the NPG.
	Operating hours	<ul style="list-style-type: none"> NA
	Clearing Cycle details	<ul style="list-style-type: none"> NA

Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments.
- High-value (in excess of IDR 100 million) and urgent IDR-denominated credit transfers are settled on a same-day basis via BI-RTGS.
- Low-value (up to IDR 1 billion) and high-volume credit transfers are settled on a same-day or next-day basis via the Credit Clearing sub-system of SKNBI.
- BI-FAST (up to IDR 250 million)
System holidays: open for incoming, closed for outgoing
- In 2020, the volume and value of transactions via SKNBI increased 7.34% and 7.10% respectively, to 166,512.6 thousand, with a value of IDR 4,259.85 trillion.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.

Direct debits

- Direct debits are used for regular payments, such as utility bills.
- Indonesia does not have a national interbank direct debit system.
- PT Artajasa has implemented an independent interbank direct debit system. Payments can be initiated via ATM terminals.
- Direct debits are arranged on a bilateral basis between banks.

Cheques

- The cheque is a popular cashless payment instrument, used by companies.
- Post-dated cheques are permitted; cheques must be presented within 70 days of their issue.
- Bilyet giros, which cannot be exchanged for cash, are also available.

- Cheques and bilyet giros are cleared via the Debit clearing sub-system of SKNBI and settled via the BI-RTGS on a next-day basis.

Card payments

- Card payments are increasingly popular, especially for retail transactions.
- There were 204 million ATM/debit cards and 16.9 million credit cards in circulation in December 2020.
- There are 74 debit card issuers and 25 issuers of credit cards.
- Visa, MasterCard and JCB International-branded credit cards are the most widely issued. Diners Club credit cards are also available. Credit card usage is low.
- Debit card transactions are processed via the NPG.
- There are 5 debit card clearing operators in Indonesia (Artajasa Pembayaran Elektronik, Daya Network Lestari, Rintis Sejahtera, MasterCard Indonesia and Visa Worldwide Indonesia).
- There are four credit card clearing operators in Indonesia (JCB International, Mastercard Indonesia, Visa Worldwide Indonesia and Rintis Sejahtera).
- All ATM and debit cards must be migrated to the EMV standard by December 31, 2021.
- In 2020, there were 6,658.5 million ATM/debit card transactions (7,026.9 million in 2019), with a value of IDR 6,916,875,229 million (IDR 7,474,823,816 million in 2019).

ATM/POS

- There were 100,653 ATMs in April 2021.
- There were 1,510,091 POS terminals in April 2021.
- There are five domestic ATM networks (Bersama, Prima, LINK, Cakra and ALTO).
- Payments at international ATM networks (Cirrus (nine banks are Cirrus members) and Plus (10 banks are members)) are settled by Visa and MasterCard.
- POS payments are processed by the Debit BCA network, the Kartuku POS network, Visa and MasterCard.
- All ATMs and POS terminals are EMV-compliant.

Electronic wallet

- The dominant forms of electronic wallet schemes in Indonesia are pre-paid cards. These cards have a limited maximum spend of IDR 20 million per month.
- There were 483 million e-money cards in circulation in April 2021.
- There were 652,185 electronic money readers in Indonesia in April 2021.
- There are 49 institutions currently offering e-money schemes in Indonesia.

- Mobile wallet schemes are available. Popular mobile wallets apps are GoPay, OVO and DANA. LinkAja is a state-owned mobile payment platform.
- QRIS is the national QR Code standard, the QRIS. There is a maximum limit of IDR 2 million per transaction when using QRIS.
- In 2020, there were 4.625 million e-money transactions (5,226 million in 2019), with a value of IDR 204,909,170 million (IDR 145,198,616 million in 2019).

Short term investments

Market overview

Interest payable on credit balances

- Interest-bearing current accounts are permitted in Indonesia. Accounts in domestic and foreign currency are available.

Demand deposits

- Demand deposits denominated in IDR or major foreign currencies are available for terms up to one year.

Time deposits

- Time deposits are available in IDR or major foreign currencies with terms ranging from one month to two years.

Certificates of deposit

- Domestic banks issue certificates of deposit (CDs) with terms ranging from one week to 12 months. CDs can be issued paying fixed or variable interest.

Treasury bills

- The central bank issues short-term government bills (SPN) for terms of one, three, six months and 12 months. Islamic T-bills (SPN-S) are issued with a six-month maturity.

Commercial paper

- Domestic commercial paper is not commonly issued in Indonesia.
- Maturities range from one week to 12 months.

Money market funds

- Domestic money market funds are popular short-term investment instruments.

Repurchase agreements

- Repurchase agreements with maturities of one, three and six months are commonly available in Indonesia.

Bankers acceptances

- Banker's acceptances are not commonly used in Indonesia. Where available, they are generally based on an underlying trade transaction such as financing imports.

BNP Paribas Trade Finance Capabilities

Trade payments

Documentary credits	✓
Documentary collections	✓

Guarantees

Bank guarantees	✓
Standby letters of credit	✓

Supply chain management

Receivables	✓
Payables	✓
Inventory	●

Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	✓
Connexis Connect	✓
Connexis Guarantee	✓
SWIFTnet Supply Chain	✓

- BNP Paribas' Global Trade Solutions (GTS) team in Indonesia comprises a senior trade manager and offers a comprehensive suite of trade products in conventional trade and supply chain management. The GTS team supports some of the biggest names in the retail and commodity industries based on its expertise, strength of solutions and access to the BNP Paribas international trade network.

International trade

General trade rules

- As a member of the Association of Southeast Asian Nations (ASEAN), Indonesia has entered into the ASEAN Trade in Goods Agreement (ATIGA) between member states (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam). Indonesia is also a member of the ASEAN Free Trade Area (AFTA) and is committed to reducing and eliminating tariffs between members.

- As a member of the Asia-Pacific Economic Cooperation (APEC) forum, Indonesia has agreed to liberalise trade and investment rules between members.
- As a signatory to the D-8 Preferential Tariff Agreement, Indonesia has agreed to reduce tariffs on trade between member states (Bangladesh, Indonesia, Iran, Malaysia, Egypt, Nigeria, Pakistan and Turkey).

Trade agreements

- ASEAN has signed free trade agreements (FTAs) with Australia, China, EFTA member states, Hong Kong, Japan, India, New Zealand and South Korea. It is negotiating an FTA with the EU.
- Indonesia has an Economic Partnership Agreement with Japan and Australia, and has a bilateral investment treaty with Singapore. It has signed an FTA with Mozambique but this is not yet in effect.
- Indonesia is in negotiations with Bangladesh and Iran for a preferential trade agreement. FTA negotiations have been launched with a number of other countries, including Switzerland, Turkey and Tunisia.

Imports / exports

Imports	Refined petroleum	Crude petroleum	Vehicles	Telephones	Natural gas	
Primary Import sources	China (27.0%)	Singapore (12.0%)	Japan (8.0%)	Thailand (5.0%)	USA (5.0%)	South Korea (5.0%)
Exports	Coal	Palm oil	Natural gas	Cars	Gold	
Export markets	China (15.0%)	USA (10.0%)	Japan (9.0%)	Singapore (8.0%)	India (7.0%)	Malaysia (5.0%)

Import / export volumes

	2016	2017	2018	2019	2020
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Exports	- goods USD m	144,470	168,883	180,725	168,455	163,355
	- services USD m	23,324	25,328	31,207	31,641	14,907
Imports	- goods USD m	129,152	150,069	180,953	164,948	135,141
	- services USD m	30,407	32,707	37,692	39,282	24,502
Current account as % GDP		– 1.8	– 1.7	– 2.9	– 2.7	• – 0.4

Sources: IMF, International Financial Statistics, June 2021.

Trade finance - Imports

Documentation

- The following documentation is required in order to import goods into Indonesia:
 - customs declaration
 - commercial invoice
 - bill of lading
 - packing list
 - cargo release order
 - certificate of origin
 - insurance document
 - proof of payment of customs, excise and taxation (SSPCP)
 - terminal handling receipt.

Import licences

- Licences are required for all goods imported into Indonesia.

- Agricultural products such as beverages, fruits and other food items are only permitted to be imported by those designated to do so by the Ministry of Trade.
- Indonesia operates the Batam- Bintan- Karimun free trade zone.

Import taxes and tariffs

- Under the Common Effective Preferential Tariff (CEPT) scheme, tariffs for ASEAN member states are generally set between 0% and 5%.
- The ASEAN-China free trade area eliminates 90% of tariff and investment barriers between China and ASEAN member states.
- Import duty is payable at rates from 0% to 150%.
- Indonesia operates the Batam- Bintan- Karimun free trade zone.

Financing requirements

- Financing requirements are set by individual commercial banks.

Risk mitigation

- None

Prohibited imports

- Prohibited imports are published on a negative list.

Trade finance - Exports

Documentation

- The following documentation is required in order to export goods from Indonesia:

- customs declaration
- commercial invoice
- bill of lading
- packing list.

Export licences

- Trade permits from the Ministry of Trade are required for all exports.

Export taxes and tariffs

- Tariffs are applied to certain goods, including leather, wood, certain mineral ores, crude palm oil and cocoa.

Financing requirements

- None

Risk mitigation

- Asuransi Ekspor Indonesia (ASEI), Indonesia's national export credit insurer, provides state-supported export credit insurance.
- Export credit insurance is also available from private insurance companies.
- Export financing is available privately from commercial banks.

Prohibited exports

- Prohibited exports are published on a negative list.

Regulatory requirements

Reporting regulations

- All companies with total assets in excess of IDR 100 billion or annual sales in excess of IDR 100 billion are subject to reporting requirements.
- Transactions between residents and non-residents must be reported by residents to the Bank Indonesia on a monthly basis.
- Resident companies must report all transactions on accounts held outside Indonesia to the Bank Indonesia on a monthly basis.
- Resident companies must report netting and/or offsetting funds with affiliate companies outside Indonesia to Bank Indonesia on a monthly basis.

Exchange controls

- There are no foreign exchange controls in Indonesia. The IDR is freely convertible.
- All domestic financial transactions must be conducted in IDR, including payments, settlements of obligations and other financial transactions, whether using cash or otherwise.
- Only authorized banks may carry out foreign trade -related exchange operations.
- Forward contracts against IDR offered by domestic banks to non-residents are restricted to a maximum value of USD 1 million, unless there is some underlying investment activity.
- Onshore banks in Indonesia are prohibited from carrying out certain transactions with non-residents including: the provision of overdrafts; the placement of domestic currency funds; domestic currency transfers to an account held by a non-resident (or jointly held account) and a resident at a domestic or foreign bank, except for economic activities in Indonesia; or between accounts held by the same non-resident.
- Resident banks are not typically permitted to grant credit to non-residents.
- Foreign currency purchased against the IDR must be supported by an underlying economic transaction if it exceeds USD 100,000.
- Exporters in Indonesia must repatriate their export earnings from offshore banks to domestic banks within 90 days from the date of the export declaration form. There is no obligation to keep these funds in a domestic bank and no restriction on subsequent transfers abroad. Profits earned abroad are not required to be remitted back to Indonesia.

Taxation

Resident / non-resident

- Companies incorporated or domiciled in Indonesia are resident for tax purposes.
- Foreign companies that are not legally resident in Indonesia, yet have a permanent establishment (PE) in Indonesia, are taxed on their profits as if they were resident.

Financial instruments

- Indonesia has no specific rules for the taxation of financial instruments.

Interest and financing costs

- The deductibility of certain interest and other financing costs follows general principles: the interest and financing costs must relate to the activity of generating, maintaining and collecting taxable income.
- Interest on loans relating to time deposits (which income is subject to a final tax) is not deductible.
- Interest on loans used to buy shares where dividends to be received are not subject to income tax is also not deductible.
- A debt-to-equity ratio of 4:1 is generally applicable. Exemption applies to certain taxpayers.

Foreign exchange

- Indonesia has no specific rules for the taxation of foreign exchange conversions. In general, the recognition of foreign exchange gains or losses follows Indonesian accounting standards. However the foreign exchange gain/loss must relate to activity for generating, maintaining and collecting taxable income, in order to be taxable or deductible.

Advance tax ruling availability

- Indonesian taxpayers can request private rulings on specific issues from the Directorate General of Taxes (DGT). However, there is no legal obligation for the DGT to respond to the private ruling requests.

Capital gains tax

- Capital gains are taxable as ordinary income and capital losses are tax-deductible. Gains from certain transactions are taxed under a special regime (e.g. gains from the disposal of land and/or buildings are subject to a final tax of 2.5% of the transaction value).

Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	15%	15%	15%	2–10%
Non-resident entities	20%	20%	20%	20%

- Interest paid by a domestic taxpayer to a resident generally is subject to a 15% withholding tax, which represents an advance payment of tax liability. Interest paid by a bank in Indonesia to a tax resident is subject to a 20% final withholding tax.
- A 20% withholding tax is payable on branch profits after corporation tax, irrespective of whether they are remitted, unless they are reinvested in Indonesia.
- Certain services (including consulting, management and technical services) attract a withholding tax of 2%. In the event the service is performed by a non-tax resident, withholding tax is usually 20%.

Tax treaties / tax information exchange agreements (TIEAs)

- Indonesia has exchange of information relationships with 77 jurisdictions through 71 double tax treaties and six TIEAs (www.eoi-tax.org, 2018).
- Indonesia, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, is a signatory of a multilateral co-operation agreement (the MCAA). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).
- With Country-by-Country reporting tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA will start in 2017-2018 on 2016 information.

Thin capitalisation

- A certain portion of interest arising from debt is non-deductible for tax purposes if the taxpayer's debt-to-equity ratio exceeds 4:1, except for certain industries.

Transfer pricing

- Transactions between parties that have a special relationship must be carried out in a 'commercially justifiable way' and on an arm's-length basis. Documentation is required, which should at least include an overview of the taxpayer's business operations and structure, its transfer pricing policy, a comparability analysis, selected comparables and an explanation of how the arm's-length price or profit was determined (including the transfer pricing methodology). The Indonesian tax authorities have issued detailed transfer pricing guidelines, which, in principle, are in line with the OECD's approach.

Stamp duty

- Stamp duty is nominal.

Cash pooling

- Indonesia has no specific tax rules on [cash pooling](#) arrangements. Hence, the tax treatment would follow the general principles of the income tax law.

Financial transactions / Banking services tax

- The sale of shares listed on the Indonesian stock exchange are subject to a final tax of 0.1% of the transaction value; an additional tax of 0.5% applies to the share value of founder shares at the time of a initial public offering. The transfer of the shares of an unlisted resident company is subject to withholding tax of 5% of the transfer value, unless an exemption applies under a tax treaty.

All tax information supplied by Deloitte Touche & Tohmatsu and Deloitte Highlight 2021 (www.deloitte.com).



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