



**sinarmas land**

***“Building for a better  
future”***

**2Q &1H 2017  
Financial Results Presentation**

CORONER COURT

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# **01. KEY HIGHLIGHTS**

02. FINANCIAL PERFORMANCE

03. BUSINESS UPDATES

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# Key Highlights for 2Q & 1H 2017

- The Group's 2Q and 1H 2017 revenue rose 34.3% and 33.2% respectively to S\$299.3 million and S\$536.4 million contributed mainly by higher sales of land parcels and larger number of residential units handed over to homebuyers in Indonesia
- Rental income\* increased 2.8% to S\$75.8 million in 1H 2017 from higher rental income from Indonesia division, despite a dip in rental contribution from UK division due to translation effect of a weakened British Sterling Pound
- Profit attributable to owners of the Company surged 78.7% to S\$63.0 million in 2Q 2017 and 96.6% in 1H 2017 to S\$100.2 million on the back of higher revenue and better operating performance from its Indonesia division
- Financial position remained healthy as at 30 June 2017 with total assets of S\$6,214.1 million, bolstered with cash and cash equivalents of S\$845.0 million and a net debt to equity ratio of 21.4%
- On 9 May 2017, BSDE issued a US\$70.0 million 5.50% notes due 2023
- On 30 May 2017, DMAS entered into a joint venture agreement with PanaHome to build a residential estate through a sustainable smart town concept within Kota Deltamas
- On 29 June 2017, SML successfully completed the acquisition of 33 Horseferry Road, a freehold commercial building in Central London, for a consideration of £188.6 million or S\$337.6 million

01. KEY HIGHLIGHTS

**02. FINANCIAL PERFORMANCE**

03. BUSINESS UPDATES

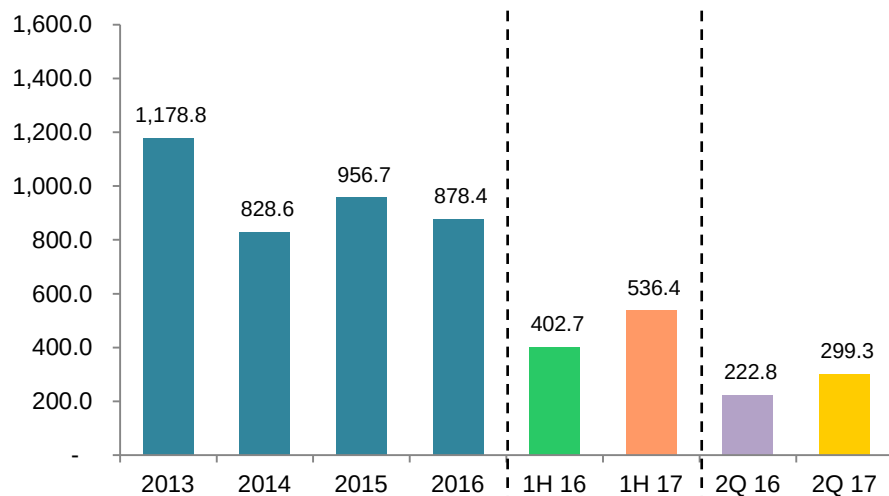
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# 2Q & 1H 2017 Financial Highlights

## Revenue

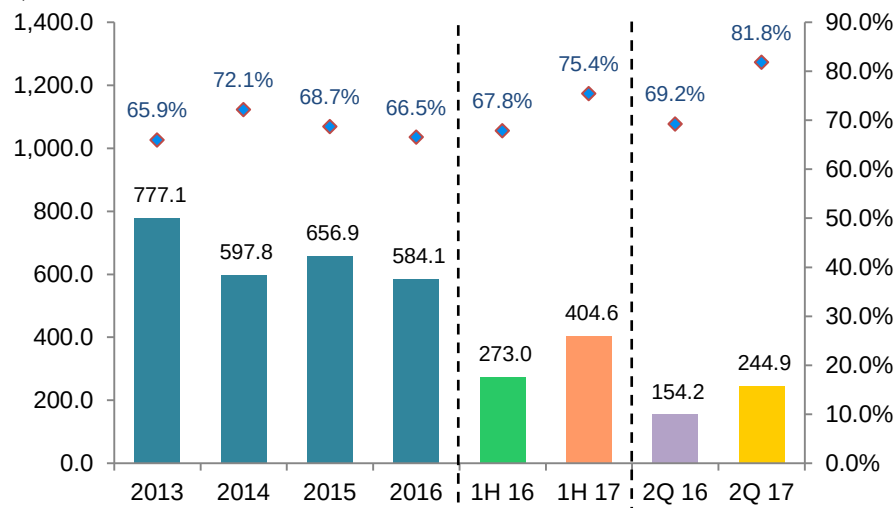
S\$ million



- Total revenue in 2Q & 1H 2017 rose 34.3% and 33.2% respectively to S\$299.3 million and S\$536.4 million contributed mainly by higher sales of land parcels and larger number of residential units handed over to homebuyers in Indonesia
- Of the gain in 1H 2017 revenue, bulk of it was attributable mainly to the recognition of S\$117.3 million from sales of land parcel to its joint venture for future joint development
- The increase was partially offset by lower sales in industrial land from Kota Deltamas and residential sales from China division

## Gross Profit and Gross Profit margin

S\$ million

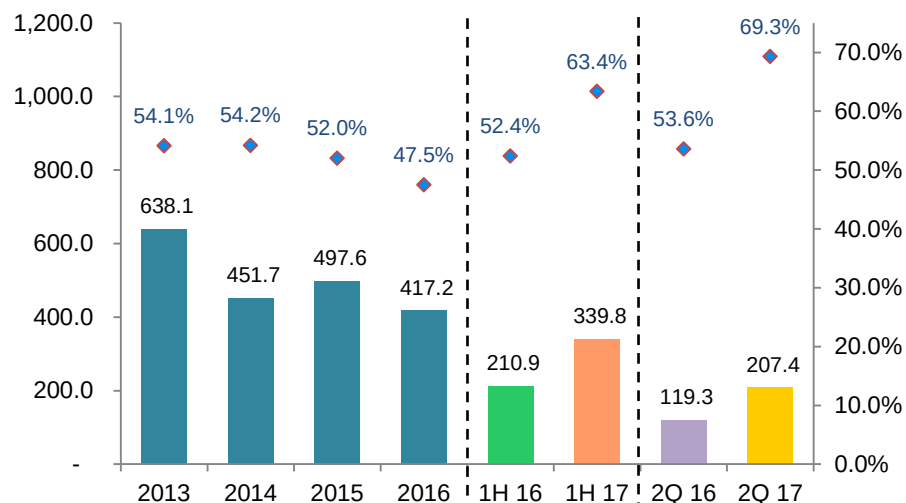


- In tandem with the higher revenue, 2Q & 1H 2017 gross profit increased 58.8% and 48.2% respectively to S\$244.9 million and S\$404.6 million
- On the back of higher sales of land parcels from Indonesia division and sales of commercial spaces in China, 2Q & 1H 2017 gross profit margin rose 12.6 and 7.6 percentage points to 81.8% and 75.4% respectively

# 2Q & 1H 2017 Financial Highlights

## EBITDA and EBITDA margin

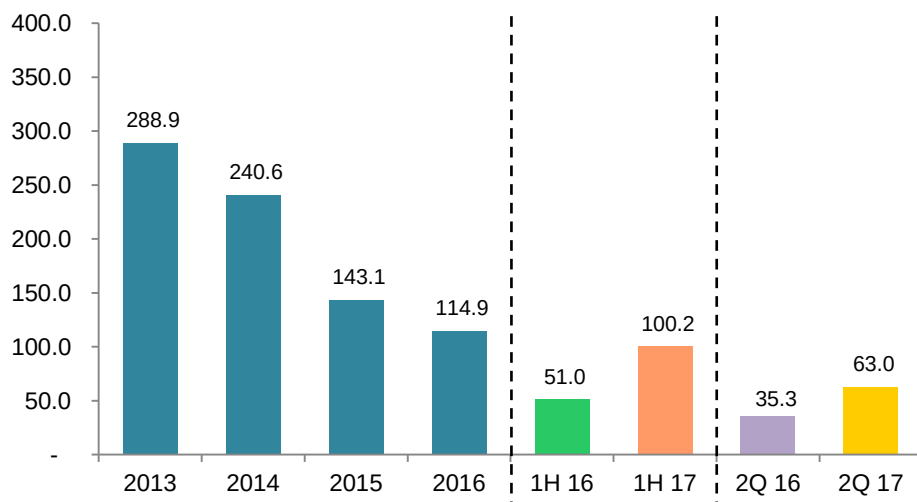
S\$ million



- EBITDA jumped 73.9% to S\$207.4 million in 2Q 2017 mainly due to higher revenue contribution from BSD City despite lower industrial land sales from Kota Deltamas and higher G&A expenses
- 1H 2017 EBITDA rose 61.1% or S\$128.9 million to S\$339.8 million offset by weakening British Sterling Pound and higher G&A expenses
- On the back of higher gross profit margin, EBITDA margin rose 15.7 percentage points to 69.3% in 2Q 2017 and 11.0 percentage point to 63.4% in 1H 2017

## Profit attributable to Owners of the Company

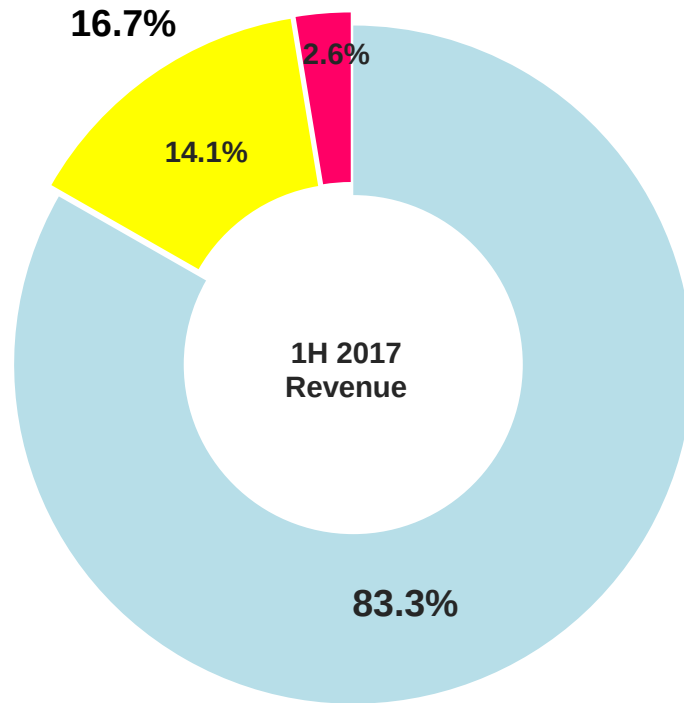
S\$ million



- Profit attributable to owners of the Company surged 78.7% to S\$63.0 million in 2Q 2017 and 96.6% in 1H 2017 to S\$100.2 million on the back of higher revenue and better operating performance from its Indonesia division

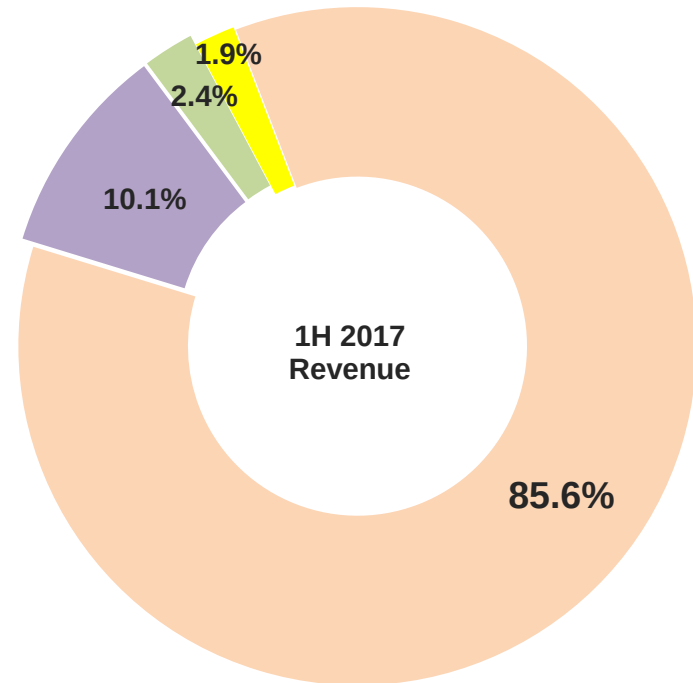
# 1H 2017 Revenue Breakdown

Revenue – Product Breakdown (%)



- Sales of Development Properties and Land
- Rental Income
- Others

Revenue – Geographical Breakdown (%)

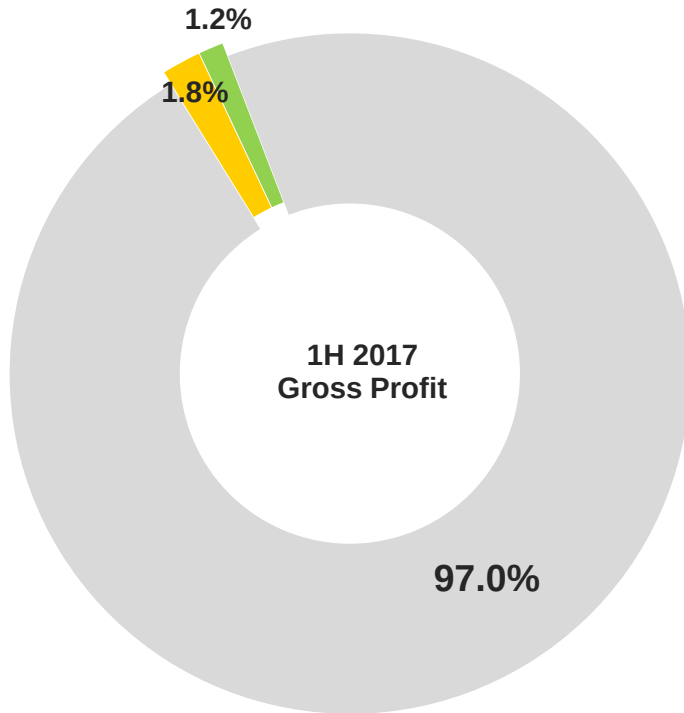


- BSDE
- Non-BSDE
- UK
- Others\*

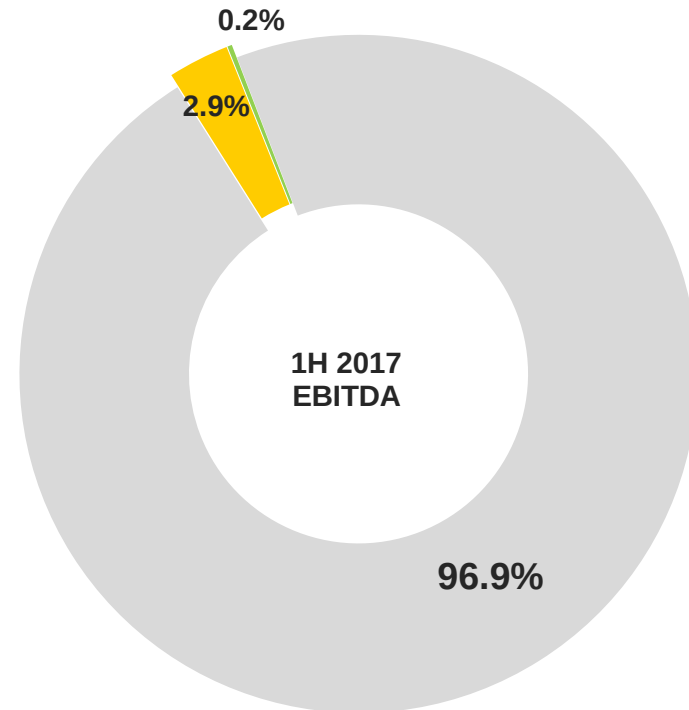
\* : Other countries include China, Singapore, Malaysia and Batam

# 1H 2017 Gross Profit and EBITDA Breakdown

Gross Profit – Geographical Breakdown (%)



EBITDA – Geographical Breakdown (%)

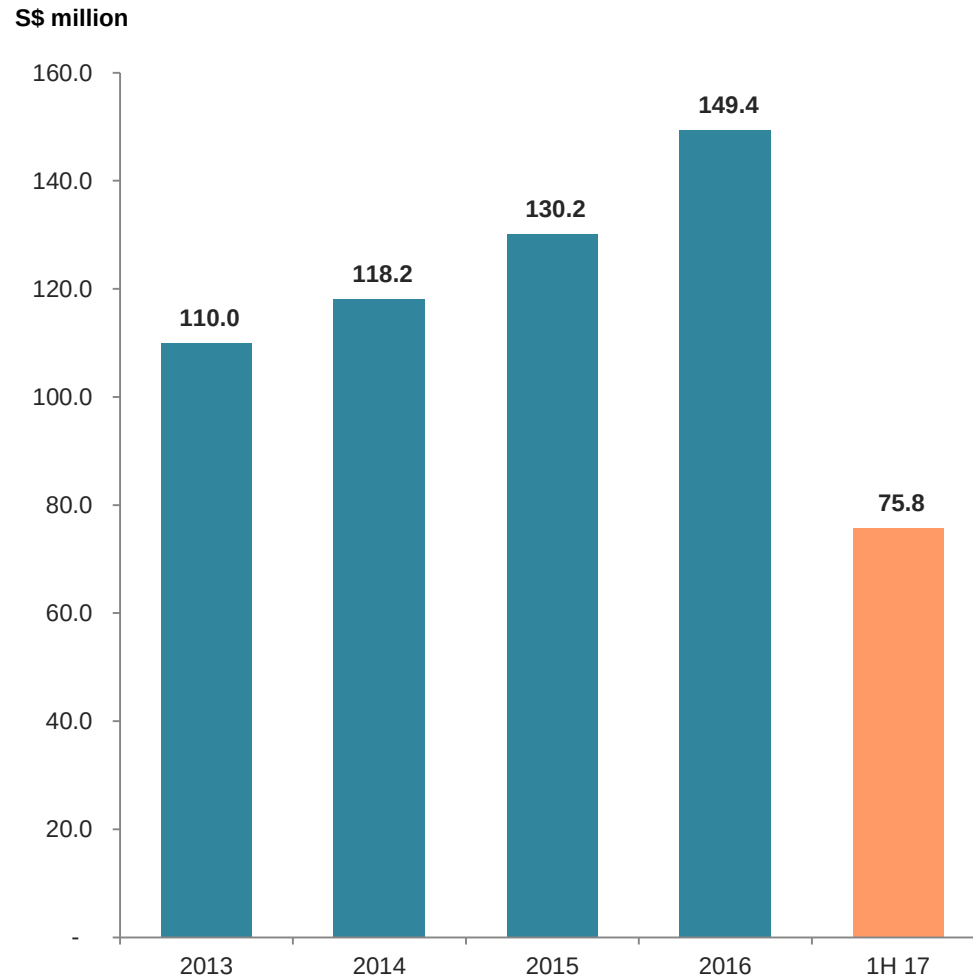


■ Indonesia    ■ UK    ■ Others\*

\* : Other countries include China, Singapore, Malaysia and Batam

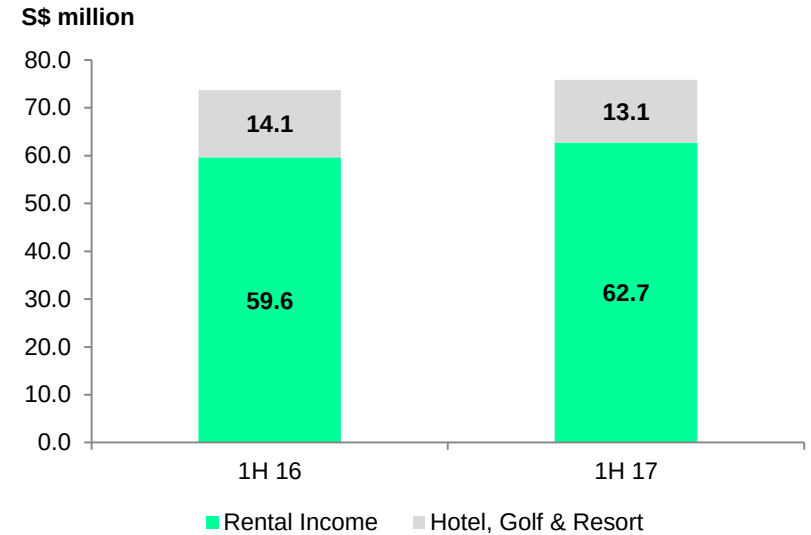
# 1H 2017 Recurring Income (Revenue) Breakdown

## Increasing Recurring Income (Revenue)\* base (S\$ million)

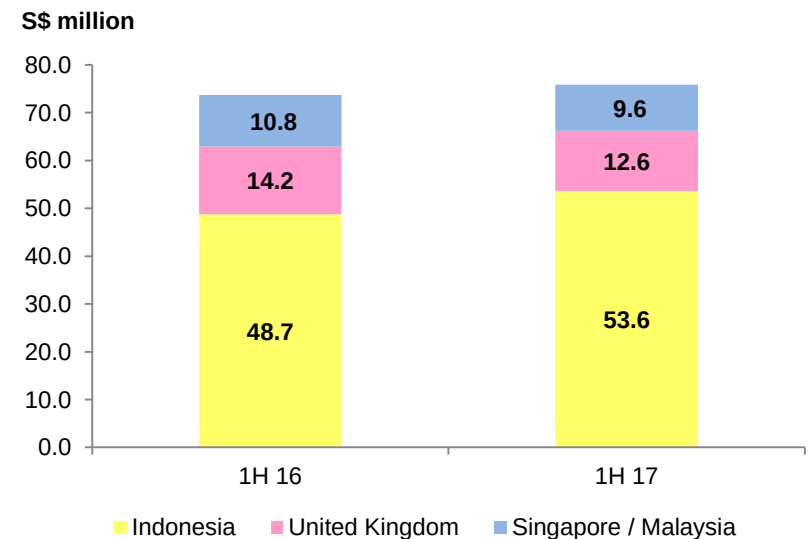


\* : Recurring income (Revenue) includes rental income, hotel revenue and revenue from golf and resort operations

## Recurring Income (Revenue) – Product Breakdown



## Recurring Income (Revenue) – Geographical Breakdown

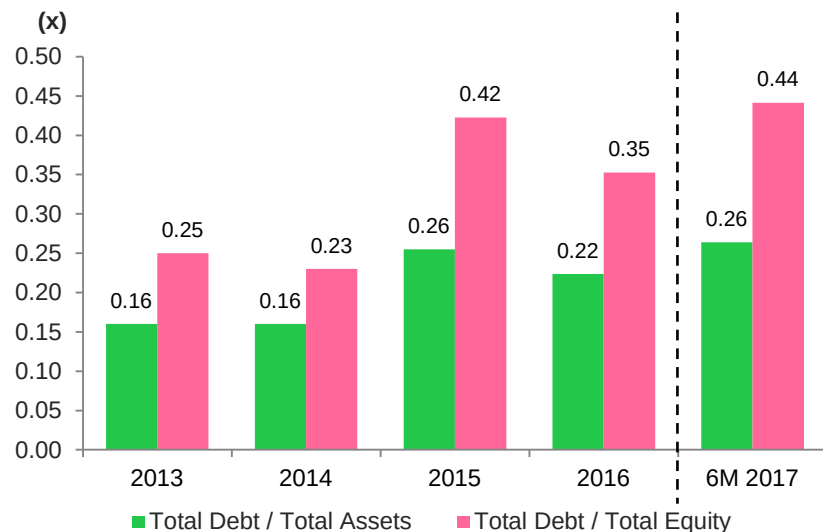


# 1H 2017 – Financial Snapshot

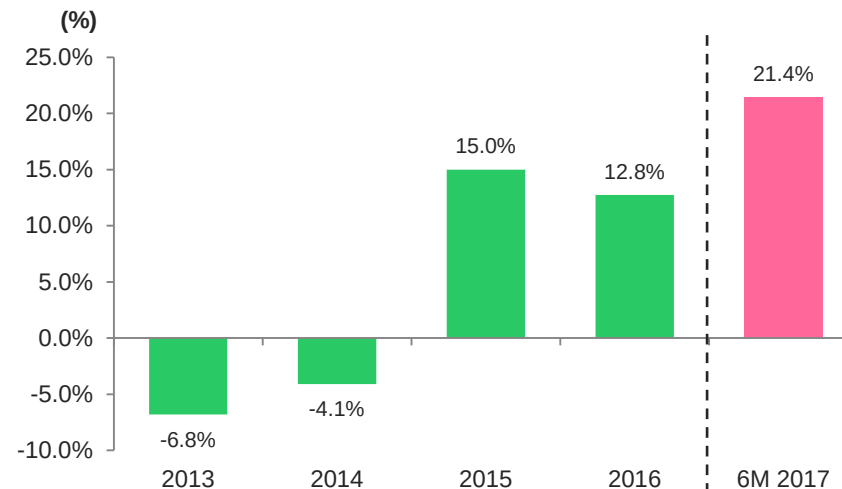
| (S\$ '000)                            | As at 30 Jun 2017 | As at 31 Dec 2016 |
|---------------------------------------|-------------------|-------------------|
| <b>Assets</b>                         |                   |                   |
| Cash and cash equivalents             | 845,005           | 867,276           |
| Investment properties                 | 1,375,430         | 1,077,139         |
| Properties held for sale              | 1,219,875         | 1,265,641         |
| Properties under development for sale | 1,724,364         | 1,793,858         |
| Other assets                          | 1,049,408         | 1,075,931         |
| <b>Total Assets</b>                   | <b>6,214,082</b>  | <b>6,079,845</b>  |
| <b>Liabilities</b>                    |                   |                   |
| Borrowings                            | 858,065           | 552,197           |
| Bond Payables                         | 774,283           | 794,299           |
| Other liabilities                     | 867,606           | 878,053           |
| <b>Total Liabilities</b>              | <b>2,499,954</b>  | <b>2,224,549</b>  |
| <b>Equity</b>                         |                   |                   |
| Total Capital and reserves            | 1,946,934         | 1,983,571         |
| Non-controlling Interest              | 1,767,194         | 1,871,725         |
| <b>Total Equity</b>                   | <b>3,714,128</b>  | <b>3,855,296</b>  |

# Key Financial Ratios

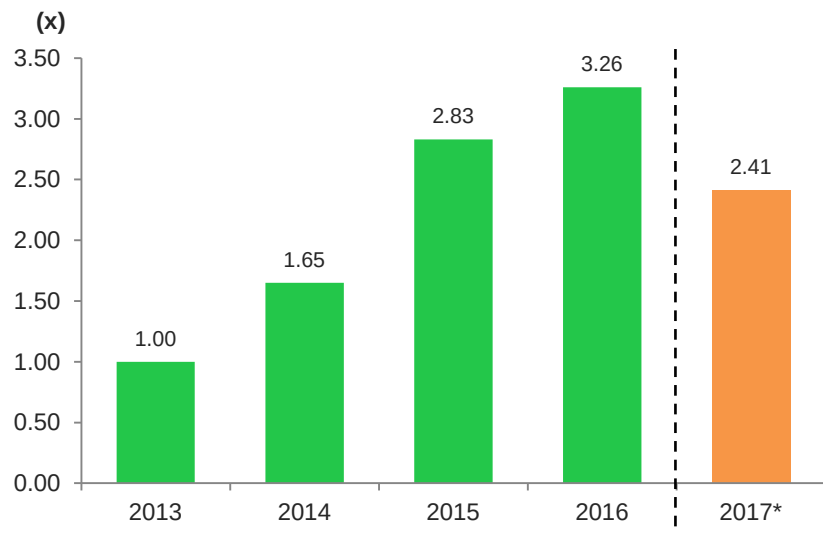
## Debt / Assets and Debt / Equity



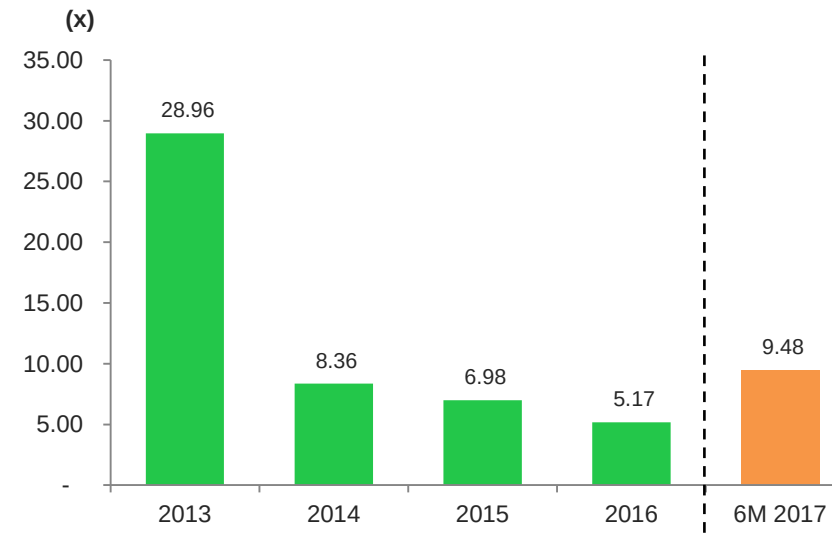
## Net Debt / Equity



## Total Debt / EBITDA



## EBITDA / Interest Expense



\* : Annualized

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# Acquisition of 4<sup>th</sup> Prime Grade A Office in London



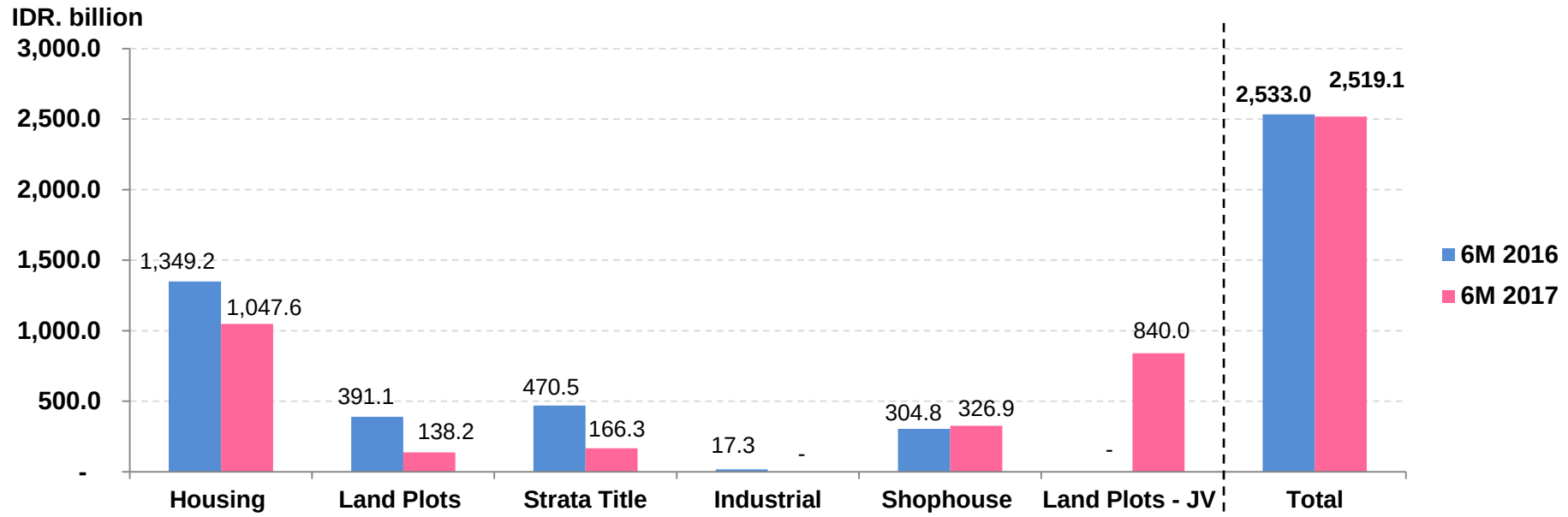
- On 29 June 2017, SML successfully completed the acquisition of **33 Horseferry Road (“33HF”)** for a consideration of **£188.6 million or S\$337.6 million\***
- Location in the heart of Victoria, one of Central London’s principal commercial and residential districts, **33 HF is bordered by St James’s to the north, Belgravia to the west, Westminster to the east and the River Thames to the south**
- **33HF a total net leasable area of 180,600 sq ft** which comprise 163,761 sq ft of Grade A office accommodation arranged over lower ground, ground and five upper floor, and 16,839 sq ft retail frontage space along Horseferry Road
- The office space single let in the entirety to the **UK Government’s Secretary of State for Transport (AA+ credit rating)**, while the retail units are leased to several high quality tenants including National Westminster Bank, Pret A Manger, William Hills and Starbucks, based on **“FRI” agreement^**
- Weighted average lease expiry **(WALE)** of **approximately 17 years**

## Notes:

\* : Based on exchange rate of £1.00 = S\$1.790

^ : In a “Full Repairing and Insuring leases (FRI)” agreement, the lessee (the tenant) will undertake the full repairing and insuring obligation, relieving the landlord from all liability for the cost of insurances and repairs

# Indonesia Property Division – BSDE achieved Marketing Sales of IDR 2.5 trillion for 6M 2017



- BSDE achieved **IDR 2.5 trillion of marketing sales for 6M 2017** or 35% of 2017 full year IDR 7.2 trillion marketing sales target
- 6M 2017 marketing sales decreased marginally compared to 6M 2016 due to several events and festive periods that limit the launching slots
- Residential pre-sales generated IDR 1,048 billion in the first month of 2017 or 48% of annual residential target. Commercial marketing sales achieved IDR 631 billion, representing 22% of full year target
- In terms of product composition, most marketing sales contribution was generated from the sales of landed houses (42%) and JV land plots (33%). The remaining 25% was contributed from shop houses (13%), strata title (7%) and land plots (5%)

# Indonesia Property Division – BSDE – Major Launch Updates



- **BSD City launched a cluster of “The Mozia” called “Avezza” on 11<sup>th</sup> June 2017**
- A total of 128 units of landed residential units were available for sales
- The price ranges from IDR 1.3 to 2.2 billion per unit, with specification of 73 to 116 sqm building area and 60 to 105 sqm land area
- On launched date, 57% of the total units were sold, contributing IDR 126 billion of marketing sales.

# Indonesia Property Division – BSDE – Digital Hub Groundbreaking



- On 18 May 2017, Sinarmas Land held the **groundbreaking ceremony** for the construction of 26 ha Digital Hub, the Silicon Valley of Indonesia
- Located in the south of BSD City Green Office Park, Digital Hub support the **daily operations and activities of technology-based and digital companies** that ranges from **startups, technology leaders, to educational institutions** engaging in the field of IT and creative industries

# BSDE issue US\$70 million bonds

- Bumi Serpong Damai (BSDE) has issued a new **US\$70 million 5.50% notes due 2023** (“new notes”)
- The new notes will be **consolidated and form a single series** with the 5.50% senior notes due 2023 in the aggregate principal amount of US\$200 million issued on 18 October 2016
- **Fitch Rating** and **Moody’s** have assigned ‘**BB-**’ and ‘**Ba3**’ ratings **respectively** to BSDE with a stable outlook
- The proceeds will be used to fund **capital expenditures**, including in connection with the **development of investment properties**, and for **working capital and other general corporate purposes**.



# Indonesia Property Division – DMAS Achieved IDR 720 billion Marketing Sales for 6M 2017



- **DMAS** (also known as Kota Deltamas) achieved **IDR 720 billion for 6M 2017 marketing sales** or 48% of full year 2017 (“FY 2017”) target of IDR 1,506 billion
- 6M 2017 marketing sales were mostly contributed from sales of industrial land, and supported by residential and commercial products
- DMAS has sold **36 hectares of industrial land sales in 6M 2017**, 48% of FY 2017 industrial land sales target of 60 hectares

# DMAS Partners PanaHome to develop smart town in Indonesia

- On 30<sup>th</sup> May 2017, DMAS and PanaHome Asia Pacific Pte. Ltd. (“PanaHome”) entered into a joint venture agreement with an aim to build **a residential estate through a sustainable smart town concept** within Kota Deltamas
- **PanaHome has 51%** in the joint venture company while **DMAS own the remaining 49%**
- The project development will last **till year 2026** with an estimated total development value of **Rp 3 trillion**
- The joint venture will pursue housing development by combining DMAS concept of creating a residential neighbourhood proximal to business districts in the Kota Deltamas area and PanaHome’s expertise in building sustainable smart towns in Japan



# Indonesia Economic Policy Package (Updates)

| Package | Unveiled         | Main Points                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15th    | 15 June 2017     | <ul style="list-style-type: none"> <li>• Improving Indonesia's logistics:               <ul style="list-style-type: none"> <li>- enhance the role of transportation insurance</li> <li>- reduce costs for logistic service providers</li> <li>- strengthen the Indonesia National Single Window (INSW) authority</li> <li>- reduce the number of prohibited and restricted goods</li> </ul> </li> </ul>                                                                                                                                            |
| 14th    | 10 November 2016 | <ul style="list-style-type: none"> <li>• Creating a roadmap for Indonesia's e-commerce industry:               <ul style="list-style-type: none"> <li>- easing and widening access to funding and offering tax incentives</li> <li>- harmonize regulations and gradually develop a national payment gateway</li> <li>- promote e-commerce awareness campaigns and improve e-commerce education</li> <li>- accelerate the development of high-speed broadband network and the improvement of the e-commerce logistics system</li> </ul> </li> </ul> |
| 13th    | 24 August 2016   | <ul style="list-style-type: none"> <li>• Deregulation for residential property projects for low-income families</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 12th    | 28 April 2016    | <ul style="list-style-type: none"> <li>• Enhancing the ease of doing business in Indonesia by cutting procedures, permits and costs</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                     |
| 11th    | 29 March 2016    | <ul style="list-style-type: none"> <li>• Lower tax rate on property acquired by local real estate investment trusts</li> <li>• Harmonization of customs checks at ports (to curtail dwell time)</li> <li>• Government subsidizes loans for export-oriented small &amp; medium enterprises</li> <li>• Roadmap for the pharmaceutical industry</li> </ul>                                                                                                                                                                                            |
| 10th    | 11 February 2016 | <ul style="list-style-type: none"> <li>• Removing foreign ownership cap on 35 businesses</li> <li>• Protecting small &amp; medium enterprises as well as cooperatives</li> </ul>                                                                                                                                                                                                                                                                                                                                                                   |
| 9th     | 27 January 2016  | <ul style="list-style-type: none"> <li>• Single billing system for port services conducted by SOEs</li> <li>• Integrate National Single Window system with 'inaportnet' system</li> <li>• Mandatory use of Indonesian rupiah for payments related to transportation activities</li> <li>• Remove price difference between private commercial and state postal services</li> </ul>                                                                                                                                                                  |

| Package | Unveiled          | Main Points                                                                                                                                                                                                                                                     |
|---------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8th     | 21 December 2015  | <ul style="list-style-type: none"> <li>• Scrap income tax for 21 categories of airplane spare parts</li> <li>• Incentives for the development of oil refineries by the private sector</li> <li>• One-map policy to harmonize the utilization of land</li> </ul> |
| 7th     | 4 December 2015   | <ul style="list-style-type: none"> <li>• Waive income tax for workers in the nation's labour-intensive industries</li> <li>• Free leasehold certificates for street vendors operating in 34 state-owned designated areas</li> </ul>                             |
| 6th     | 5 November 2015   | <ul style="list-style-type: none"> <li>• Tax incentives for investment in special economic zones</li> </ul>                                                                                                                                                     |
| 5th     | 22 October 2015   | <ul style="list-style-type: none"> <li>• Tax incentive for asset revaluation</li> <li>• Scrap double taxation on real estate investment trusts</li> <li>• Deregulation in Islamic banking</li> </ul>                                                            |
| 4th     | 15 October 2015   | <ul style="list-style-type: none"> <li>• Fixed formula to determine increases in labor wages</li> <li>• Soft micro loans for &gt;30 small &amp; medium, export-oriented, labor-intensive businesses</li> </ul>                                                  |
| 3rd     | 7 October 2015    | <ul style="list-style-type: none"> <li>• Cut energy tariffs for labour-intensive industries</li> </ul>                                                                                                                                                          |
| 2nd     | 30 September 2015 | <ul style="list-style-type: none"> <li>• Interest rate tax cuts for exporters</li> <li>• Speed up investment licensing for investment in industrial estates</li> <li>• Relaxation import taxes on capital goods in industrial estates &amp; aviation</li> </ul> |
| 1st     | 9 September 2015  | <ul style="list-style-type: none"> <li>• Boost industrial competitiveness through deregulation</li> <li>• Curtail red tape</li> <li>• Enhance law enforcement &amp; business certainty</li> </ul>                                                               |

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# 2Q 2017 vs 2Q 2016

## Consolidated Income Statement

### 2Q 2017 versus 2Q 2016 Consolidated Income Statement

| (S\$ '000)                          | 2Q 2017        | 2Q 2016        | Change %    |
|-------------------------------------|----------------|----------------|-------------|
| Revenue                             | 299,311        | 222,786        | 34.3        |
| Cost of Sales                       | (54,449)       | (68,552)       | (20.6)      |
| <b>Gross Profit</b>                 | <b>244,862</b> | <b>154,234</b> | <b>58.8</b> |
| <i>Operating Expenses</i>           |                |                |             |
| Selling Expenses                    | (14,850)       | (15,527)       | (4.4)       |
| General and administrative expenses | (42,752)       | (38,222)       | 11.9        |
| <b>Operating profit</b>             | <b>187,260</b> | <b>100,485</b> | <b>86.4</b> |
| Finance income                      | 7,432          | 6,487          | 14.6        |
| Others                              | (54,738)       | (18,957)       | 188.7       |
| <b>Profit before income tax</b>     | <b>139,954</b> | <b>88,015</b>  | <b>59.0</b> |
| Income tax                          | (12,076)       | (16,567)       | (27.1)      |
| <b>Profit for the period</b>        | <b>127,878</b> | <b>71,448</b>  | <b>79.0</b> |

#### Attributable to:

|                           |        |        |      |
|---------------------------|--------|--------|------|
| Owners of the Company     | 63,033 | 35,265 | 78.7 |
| Non-controlling interests | 64,845 | 36,183 | 79.2 |

# 1H 2017 vs 1H 2016

## Consolidated Income Statement

### 1H 2017 versus 1H 2016 Consolidated Income Statement

| (S\$ '000)                          | 1H 2017        | 1H 2016        | Change %    |
|-------------------------------------|----------------|----------------|-------------|
| Revenue                             | 536,442        | 402,671        | 33.2        |
| Cost of Sales                       | (131,847)      | (129,682)      | 1.7         |
| <b>Gross Profit</b>                 | <b>404,595</b> | <b>272,989</b> | <b>48.2</b> |
| <i>Operating Expenses</i>           |                |                |             |
| Selling Expenses                    | (31,211)       | (27,851)       | 12.1        |
| General and administrative expenses | (82,597)       | (72,142)       | 14.5        |
| <b>Operating profit</b>             | <b>290,787</b> | <b>172,996</b> | <b>68.1</b> |
| Finance income                      | 15,225         | 13,189         | 15.4        |
| Others                              | (69,764)       | (47,785)       | 46.0        |
| <b>Profit before income tax</b>     | <b>236,248</b> | <b>138,400</b> | <b>70.7</b> |
| Income tax                          | (22,811)       | (26,304)       | (13.3)      |
| <b>Profit for the period</b>        | <b>213,437</b> | <b>112,096</b> | <b>90.4</b> |

#### Attributable to:

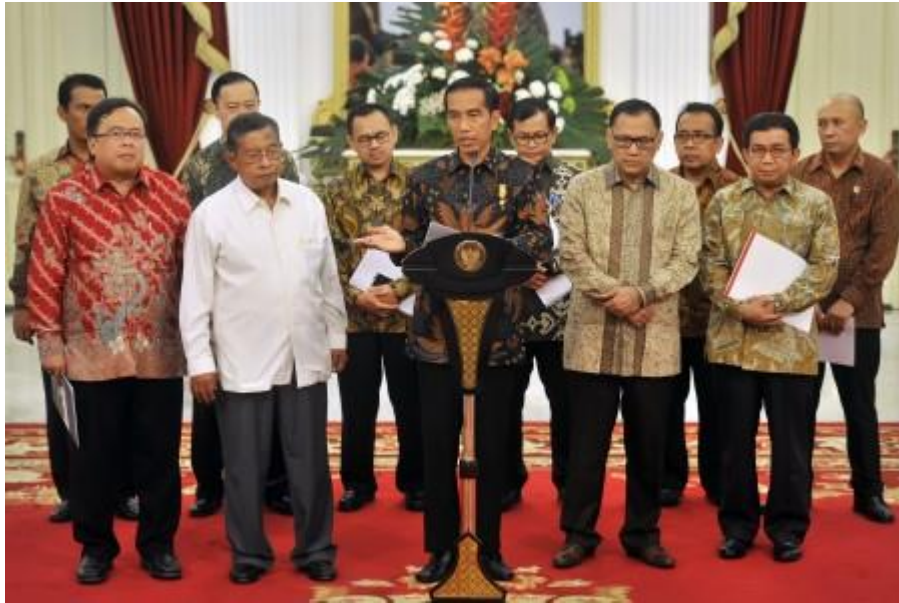
|                           |         |        |      |
|---------------------------|---------|--------|------|
| Owners of the Company     | 100,234 | 50,988 | 96.6 |
| Non-controlling interests | 113,203 | 61,108 | 85.3 |

# Statement of Financial Position

## Statement of Financial Position

| (S\$ '000)                            | As at 30 Jun 2017 | As at 31 Dec 2016 |
|---------------------------------------|-------------------|-------------------|
| <b>Current Assets</b>                 |                   |                   |
| Cash and cash equivalents             | 845,005           | 867,276           |
| Properties held for sale              | 1,219,875         | 1,265,641         |
| Other current assets                  | 442,529           | 435,383           |
| <b>Total Current Assets</b>           | <b>2,507,409</b>  | <b>2,568,300</b>  |
| <b>Non-Current Assets</b>             |                   |                   |
| Associated companies                  | 261,801           | 265,247           |
| Joint ventures                        | 140,968           | 122,925           |
| Properties under development for sale | 1,724,364         | 1,793,858         |
| Investment properties                 | 1,375,430         | 1,077,139         |
| Property, plant and equipment         | 176,344           | 195,777           |
| Other non-current assets              | 27,766            | 56,599            |
| <b>Total Non-Current Assets</b>       | <b>3,706,673</b>  | <b>3,511,545</b>  |
| <b>Total Assets</b>                   | <b>6,214,082</b>  | <b>6,079,845</b>  |
| Short-term borrowings                 | 96,114            | 46,191            |
| Short-term payables and liabilities   | 672,868           | 679,629           |
| Bonds payables                        | 774,283           | 794,299           |
| Long-term borrowings                  | 761,951           | 506,006           |
| Long-term liabilities                 | 194,738           | 198,424           |
| <b>Total Liabilities</b>              | <b>2,499,954</b>  | <b>2,224,549</b>  |
| <b>Total Capital and reserves</b>     | <b>1,946,934</b>  | <b>1,983,571</b>  |
| Non-controlling Interest              | 1,767,194         | 1,871,725         |
| <b>Total Equity</b>                   | <b>3,714,128</b>  | <b>3,855,296</b>  |
| <b>Total Liabilities and Equity</b>   | <b>6,214,082</b>  | <b>6,079,845</b>  |

# Indonesia Property Division – Indonesia Economic Stimulus Policy Package #1



- Indonesia president Joko “Jokowi” Widodo unveiled **Indonesia’s 1<sup>st</sup> economic policy package** on 9 September 2015 that **aims to boost Indonesia’s mid to long term economy**
- **89 regulations are to be revised** as they are considered to burden the country’s business environment
- Simplify the process for companies to obtain business permits, **cut red tape, curtail overlapping regulations**, enhance the **use of electronic-based services**
- Government will empower the micro, small and mid-sized businesses through **subsidized loans with low interest rates of 12 percent only** (from 22-23 percent currently)
- **Accelerate and increase the flow of central government funds to the local governments.** These funds are specifically for infrastructure development in the regions.
- Local government will become important powers to **speed up realization of strategic projects** of national interest
- **Investment in the property sector needs to be encouraged**, including friendly policies for low-income communities

# Indonesia Property Division – Indonesia Economic Stimulus Policy Package #2



- 2<sup>nd</sup> economic policy package unveiled on 29 September 2015 focuses on **establishment of bonded logistics zone and import tax cut**
- Time required to process **investment permits** for investments in Indonesia's industrial estates will be **curtailed from eight days to only three hours**
- Preparing **two bonded logistic zones**, one in **Cikarang (West Java)** and the other in **Merak (Banten)** as it aims to offer more efficient industrial facilities
- The zone in **Cikarang** is designed to serve the **logistics-related manufacturing industry**, while the zone in **Merak** is to function as a **storage facility for fuel logistics**.
- These zones should serve as **a hub for capital goods, intermediary goods, and raw materials**
- Bonded zones are attractive as the government provides several taxation facilities, such as the **exemption of value-added tax (VAT) and sales tax on imported intermediary goods**, as well as the possibility to postpone import duty payments
- Indonesian government **scrapped VAT** for imports of aircraft components and aviation safety equipment
- This exemption applies to both airlines and those third-party companies that import such aircraft components. The move will support companies engaged in the aviation sector.



- **3<sup>rd</sup> economic policy package** unveiled on 7 October 2015 focuses on **micro-financing** and **cheaper diesel & electricity**
- **Indonesian street vendors and small businesses** (that operate in designated areas) can obtain a leasehold certificate through which they can **secure cheap government-backed micro loan** to expand their business since many lack assets to secure a loan
- Boost the industrial sector by **cutting the diesel price by IDR 200 to IDR 6,700 (USD \$0.48) per liter**
- **Electricity tariffs** (for industries) are to be **cut by 30 percent** between 11 pm and 8 am
- Companies that are in **financial trouble** will be **allowed to delay the payment of up to 40 percent** of its electricity bills until the next year with condition that the company **agrees not to layoff employees.**



- **4<sup>th</sup> economic policy package** unveiled on 15 October 2015 focuses on **boosting labour and employment in Indonesia**
- **Implementation of a new fixed formula** that will be applied by the government to determine increases in labour wages across the 34 provinces of the Archipelago
- **Currently, minimum wage growth is not fixed** but depends on negotiations between local governments and labour unions and is also based on the basic costs of living index in each 34 provinces
- Every year the basic costs of living index (which involves 60 essential monthly expenditures) is surveyed. The result of this index is highly influential in determining the new minimum wage as it forms a recommendation to the local Governor.
- As a result, sudden big jumps in minimum wages occurs. This is not good news for the business climate as it increases uncertainty for business owners and investors.
- The **new formula** is designed to provide **more certainty to business owners** regarding minimum wage growth
- Every year, wages will be allowed to increase **based on the provincial inflation rate and economic growth pace**



- **5<sup>th</sup> economic policy package** unveiled on 22 October 2015 focuses on **tax incentive for revaluation of fixed assets and removal of double taxation**
- New tax incentive **encourage companies to revalue assets**, hence increasing their leverage. With higher-valued assets and larger capital, these **companies can borrow more from banks**, hence having **more room to invest**
- Previously, companies had to pay a 10% tax on the company's fixed asset growth. From **now till 31 Dec 2015, the tax rate is 3%**; increasing to 4% from 1 Jan 2016 to 30 Jun 2016; and 6% from 1 Jul 2016 to 31 Dec 2016
- **Scrap double taxation on real estate investment trusts** that are being established in Indonesia in an effort to boost the domestic capital market
- The government is going to **encourage the growth of the Islamic finance industry** by simplifying the regulatory and licensing for products of Islamic banking.
- There will be codification of Islamic products, in which **some certain code licences will be exempted.**



- **6<sup>th</sup> economic policy package** unveiled on 5 November 2015 **focuses tax incentives for investment in Indonesia's special economic zone**
  - **Special economic zones** are defined as designated areas **where natural resources** (mined in or around the zone) **are processed**
  - Investors can get income **tax discounts of between 20 and 100 percent** for a duration **up to 25 years** with a minimum investment value
  - These generous tax holidays are designed to attract investment in the country's manufacturing industry
- 
- **Foreign investors are allowed to own property** in these special economic zones and investors will be able to **import raw materials without being charged value-added tax (VAT)**
  - **Goods manufactured** in these special economic zones are to be **exempted from VAT when sold domestically**, but remain subject to customs and excise fees.
  - The Indonesian government assigned the special economic zone status to eight areas: Tanjung Lesung (Banten), Sei Mangkei (North Sumatra), Palu (Central Sulawesi), Bitung (North Sulawesi), Mandalika (West Nusa Tenggara), Morotai (North Moluccas), Tanjung Api-Api (South Sumatra), and Maloi Batuta Trans Kalimantan (East Kalimantan).

# Indonesia Property Division – Indonesia Economic Stimulus Policy Package #7

- **7<sup>th</sup> economic policy package** unveiled on 4 December 2015 **focuses on waiving income tax for workers in the nation's labor-intensive industries**
- **Those who work in labor-intensive industries**, such as footwear, textiles or tobacco, and earn less than IDR 50 million (approx. USD \$3,700) per year **are eligible for exemption from paying income tax.**
- **This policy** will be maintained **for at least two years.**
- Also, the government will **grant leasehold certificates (for free)** to street vendors operating in 34 state-owned designated areas.
- The program, which will be launched in Banten (West Java), **aims to increase vendors' capital**
- Through this new policy, however, these **vendors will have access to government-backed micro-loans** unlike previously where they have difficulty obtaining loans as most vendors are working illegally and lack capital to secure a loan





- **8<sup>th</sup> economic policy package** unveiled on 21 December 2015 **focuses on Import Tax, Oil Refineries and One-Map Policy**
  - To improve the rapid expanding aviation industry, the government announced **scrapping import taxes on 21 categories of airplane spare parts**
  - The Indonesian government also announced the **opening up of oil refinery sector** that was previously only available to state-owned energy firm Pertamina or through a partnership between a private investor and Pertamina
- 
- **Private investors are now allowed to establish oil refineries independently** but are required to sell the end-products to Pertamina.
  - The central government will **streamline and harmonize land-acquisition for infrastructure development** across the country through the new "one-map policy"
  - **The one-map policy will imply four advantages:** **(1)** integration of the planning of land utilization with the government's Spatial Planning Document (Dokumen Rencana Tata Ruang), **(2)** easing and speeding up the completion of conflicts of land use, **(3)** one reference map will improve the information provision related to localization of economic activities, and **(4)** speed up the issuance of permits related to land usage.

# Indonesia Property Division –

## Indonesia Economic Stimulus Policy Package #9

- **9<sup>th</sup> economic policy package** unveiled on 27 January 2016 **aims to combat Indonesia's high logistics cost**
- Indonesia's 9th economic stimulus package **consists of four parts:**
- **(1) to integrate billing and payments for port services** conducted by state-owned enterprises into one electronic system (single billing system)
- **(2) to integrate the Indonesia National Single Window system** (which handles export and import documents) with the 'inaportnet' system (which monitors the flow of goods in harbors)
- **(3) to revise Transportation Ministry Regulation No.3/2014 on the Use of Foreign Currencies for Transportation Payments.** By revising this regulation the Indonesian government aims to make the use of the **Indonesian rupiah mandatory for payments related to transportation activities**
- **(4) to remove Communications and Information Ministry Regulation No.9/2015.** This move should **neutralize the price difference between private commercial postal services and state postal services in Indonesia.** The aforementioned regulation states that commercial postal services in Indonesia are required to be more expensive than universal (private) postal services. This regulation was a major advantage to state-owned Pos Indonesia but limited competitiveness and efficiency in the country's postal services sector.



- **10<sup>th</sup> economic policy package** was unveiled on 11 February 2016 focuses on **deregulation measures and significant revisions to the negative investment list**
- Simplified the negative investment list to only 84 from 119 and opened **29 new sectors to foreign investors**
- **Allow 100 percent foreign ownership** in cold storage business, crumb rubber industry, sport-centers, film production industry, restaurants, raw materials for medicines, toll roads, and telecommunication equipment
- Revisions are designed to optimize the nation's economic growth while not causing a reduction in local competitiveness

## New versus Old Maximum Allowed Foreign Ownership:

| Industry                         | New % Share | Old % Share |
|----------------------------------|-------------|-------------|
| Warehouse Distributor            | 67%         | 33%         |
| Cold Storage                     | 100%        | 33%         |
| Business Training                | 67%         | 49%         |
| Travel Agency                    | 67%         | 49%         |
| Golf Course                      | 67%         | 49%         |
| Transport Supporting Services    | 67%         | 49%         |
| Sport Center                     | 100%        | 49%         |
| Film Production Houses           | 100%        | 49%         |
| Crumb Rubber                     | 100%        | 49%         |
| Museums                          | 67%         | 51%         |
| Catering                         | 67%         | 51%         |
| Convention Services              | 67%         | 51%         |
| Exhibitions & Travel Incentives  | 67%         | 51%         |
| Restaurant                       | 100%        | 51%         |
| Construction Consultancy         | 67%         | 55%         |
| Telecommunication Services       | 67%         | 65%         |
| Raw Materials for Medicines      | 100%        | 85%         |
| Toll Road                        | 100%        | 95%         |
| Telecommunication Testing Agency | 100%        | 95%         |

# Indonesia Property Division – Indonesia Economic Stimulus Policy Package #11

- **11<sup>th</sup> economic policy package** was unveiled on 29 March 2016 includes a **lower tax rate on property purchased by local real estate investment trusts**, the **harmonization of customs checks** across the nation's ports (curtailing dwell time), **government subsidies for loans taken up Indonesia's export-oriented small and medium enterprises**, and the **drawing of a roadmap for the nation's pharmaceutical industry**
- The Indonesian government will cut the final income tax rate on sales of property to real estate investment trusts (REITs) from **5 percent to 0.5 percent**
- Dwell time at Indonesian ports are targeted to be **reduced from 4.7 days to 3.7 days** through reforming of various procedures particularly the harmonization of customs checks among the port authorities
- Indonesian government will provide subsidized loans for those Indonesian small and mid-sized companies that are primarily export-oriented. This policy encourages the development of export-oriented industries in Indonesia and will also have a positive impact on the country's trade and current account balances
- The government aims to **boost the domestic production of medicines' raw materials**, particularly for five product categories (namely biotechnology, vaccines, herbal extracts, active pharmaceutical ingredients and medical devices)
- Indonesia government had removed the pharmaceutical industry from its negative investment list (which lists the sectors that are closed, or partially closed, for foreign ownership), implying 100 percent foreign ownership is now allowed
- Step up effort to develop the local manufacturing of medicines (including raw materials) such as offering tax holiday, development of a special economic zone as well as an integrated logistics center

# Indonesia Property Division – Indonesia Economic Stimulus Policy Package #12



- **12<sup>th</sup> economic policy package** was unveiled on 28 April 2016 focuses on **enhancing the ease of doing business for the small and mid-sized companies**
- Also, the government announced the **cut in a number of procedures and permits, as well as costs** required for development of a business
- **The number of procedures required to establish a business has been cut from 94 procedures to 49, while the number of permits has been curbed from nine permits to six.** This should manage to drastically cut the time that is required to open a business in Indonesia.

| Indicator                | Prior to 12th Package                                                                                                      | After 12th Package                                                                                                       |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Starting a Business      | <ul style="list-style-type: none"><li>• 12 procedures</li><li>• 47 days</li><li>• Costs at IDR 6.8 - 7.8 million</li></ul> | <ul style="list-style-type: none"><li>• 7 procedures</li><li>• 10 days</li><li>• Costs at IDR 2.7 million</li></ul>      |
| Construction of Building | <ul style="list-style-type: none"><li>• 17 procedures</li><li>• 210 days</li><li>• IDR 86 million for 4 permits</li></ul>  | <ul style="list-style-type: none"><li>• 14 procedures</li><li>• 52 days</li><li>• IDR 70 million for 3 permits</li></ul> |
| Tax Payments             | <ul style="list-style-type: none"><li>• 54 payments</li></ul>                                                              | <ul style="list-style-type: none"><li>• 10 online payments</li></ul>                                                     |



- **13<sup>th</sup> economic policy package** was unveiled on 24 August 2016 focuses on the reduction of bureaucracy (red tape) in a bid to boost the construction of low-cost housing for the poorer segments of Indonesian society
- The number of necessary permits will be cut down from **33 to 11**, as well as reducing the number of days needed to obtain all permits **from up to 981 days to 44 working days**
- By making it easier, faster and less expensive to invest in the construction of low-cost housing in Indonesia, the government's "1 million houses program" (a five-year program) should get a real boost.
- Tough red tape managed to curtail the success of the 1 million houses program. So far this year only 400,000 low-cost houses have been built.



- **14<sup>th</sup> economic policy package** was unveiled on 10 November 2016 focuses on tackling eight issues that could turn Indonesia into the biggest digital economy in ASEAN by 2020 with a targeted value of US\$130 billion
- The 8 issues are funding, taxation, consumer protection, human resources, logistics, communication infrastructure, cyber security and the establishment of a project management office
- The government expects the new policy package, dubbed the e-commerce road map, to **create 1,000 “techno-preneurs” with businesses that have a total value of \$10 billion by 2020**
- The road map to expected to better protect national interests and give priority to small and medium-sized enterprises and start-ups
- Government also aims to **reduce taxes** for locals investing in start-ups and simplify taxation procedures for **e-commerce start-ups with a turnover of less than IDR 4.8 billion a year**, so that the **final income tax will only come to 1 percent**.

- **15<sup>th</sup> economic policy package** was unveiled on 15 June 2017 to **develop the business and competitiveness of national logistics service providers**
- This package will address **4 main aspects**:
  1. Enhancing the role of transportation insurance
  2. Reducing costs for logistic service providers,
  3. Strengthening the Indonesia National Single Window (INSW) authority
  4. Reducing the number of prohibited and restricted goods
- In trying to **reduce costs incurred by logistic service providers**, the **government aims to eliminate costs** of sea transportation, shipping agencies, freight forwarding, loading and unloading services as well as port management
- Currently, **those business activities incur certain costs, ranging between Rp 2 billion (US\$150,568) and Rp 500 billion**. Under the new policy package, **these costs will be eliminated**
- In addition, three presidential regulations will be revised and integrated into one presidential regulation concerning INSW to **expedite the development and application of automated licensing services in the export and import, customs, and port fields**



- The **nine-month tax amnesty programme (from July 2016 to March 2017)** was approved on 28 June 2016 by parliament
- This strategy is poised to boost state tax income by (temporarily) granting amnesty as well as offering attractive incentives to tax evaders who has not previously declared their assets at home or abroad. In return, the tax dodgers have to declare and (if wanted) repatriate their offshore assets into Indonesia
- The Indonesian government hopes assets worth IDR 4,000 trillion (S\$409 billion) will be declared and IDR 1,000 trillion (S\$102 billion) will be repatriated
- **Funds that are repatriated** through the tax amnesty program are **required to remain in Indonesia for at least three years**. The following investment instruments are available:
  - Government bonds
  - State-owned enterprises' bonds
  - Corporate bonds
  - Time deposits and savings at designated lenders (probably the big state-controlled banks)
  - Mutual funds
  - Collective investment contracts
  - Real estate investment trust (REIT)
  - Property investment through a private equity scheme (RDPT).

- Applicable Rates Summary Table:

| For Individual Taxpayers                                                                                                     | Submission Period            | Redemption Payment Rates (%) |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| <b>Repatriated Assets or Onshore Assets</b><br><i>(subjected to the requisite 3-year investment / retention requirement)</i> | July 2016 – September 2016   | 2                            |
|                                                                                                                              | October 2016 – December 2016 | 3                            |
|                                                                                                                              | January 2017 – March 2017    | 5                            |
| <b>Foreign Assets – Not Repatriated</b>                                                                                      | July 2016 – September 2016   | 4                            |
|                                                                                                                              | October 2016 – December 2016 | 6                            |
|                                                                                                                              | January 2017 – March 2017    | 10                           |

# Indonesia Tax Amnesty Programme – 3<sup>rd</sup> & Final Phase Update

- The third and final phase of Indonesia's tax amnesty program ended on 31 March 2017 with **the Indonesian government collecting IDR 114.0 trillion** (approx. USD 8.6 billion) in additional tax revenue, or **69.1 percent** of the nine-month program's full target (IDR 165 trillion)
- **Total asset declarations** amounted to IDR 4,865.7 trillion (approx. USD 366 billion), **exceeding the government's target** of IDR 4,000 trillion
- However, the **repatriation of offshore funds** only reached IDR 147.0 trillion (approx. USD 11.1 billion), or **14.7 percent of the full target** (IDR 1,000 trillion)
- Indonesia's tax amnesty program, till 31 March 2017, is divided in three phases. In the first phase the government offered the most attractive tax tariffs to taxpayers who declare and/or repatriate their previously unreported assets
- Tax Amnesty Program Performance:

|                       | Target (IDR trillion) | As at 31 Mar '17 (IDR trillion) | Achieved |
|-----------------------|-----------------------|---------------------------------|----------|
| State Income          | 165.0                 | 114.0                           | 69.1%    |
| Declaration of Funds  | 4,000.0               | 4,865.7                         | 121.6%   |
| Repatriation of Funds | 1,000.0               | 147.0                           | 14.7%    |

- Applicable Rates Summary Table:

| For Individual Taxpayers                                                                                                     | Submission Period                               | Redemption Payment Rates (%) |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------------------------|
| <b>Repatriated Assets or Onshore Assets</b><br><i>(subjected to the requisite 3-year investment / retention requirement)</i> | July 2016 – September 2016 <b>(Completed)</b>   | 2                            |
|                                                                                                                              | October 2016 – December 2016 <b>(Completed)</b> | 3                            |
|                                                                                                                              | January 2017 – March 2017 <b>(Completed)</b>    | 5                            |
| <b>Foreign Assets – Not Repatriated</b>                                                                                      | July 2016 – September 2016 <b>(Completed)</b>   | 4                            |
|                                                                                                                              | October 2016 – December 2016 <b>(Completed)</b> | 6                            |
|                                                                                                                              | January 2017 – March 2017 <b>(Completed)</b>    | 10                           |

# Thank You

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