

REGULATION OF THE REGENCY OF KENDAL
NUMBER 5 OF 2023
ON
PROVISION OF INCENTIVES AND/OR PROVISION OF EASE OF INVESTMENT
BY THE BLESSINGS OF ALMIGHTY GOD

THE REGENT OF KENDAL,

Considering : that in order to implement the provisions of Article 7 section (1) of Government Regulation Number 24 of 2019 on Provision of Incentives and Ease of Investment in Region, it is necessary to issue a Regional Regulation on Provision of Incentives and /or Provision of Ease of Investment;

Observing : 1. Article 18 section (6) of the 1945 Constitution of the Republic of Indonesia;

2. Law Number 13 of 1950 on Formation of Regency Areas in the Province of Central Java as amended by Law Number 9 of 1965 on Formation of the Level II Region of Batang by amending Law Number 13 of 1950 on Establishment of Regency Areas in the Province of Central Java (State Gazette of the Republic of Indonesia of 1965 Number 52, Supplement to the State Gazette of the Republic of Indonesia Number 2757);

3. Law Number 23 of 2014 on Local Governments (State Gazette of the Republic of Indonesia of 2014 Number 244, Supplement to the State Gazette of the Republic of Indonesia Number 5587) as amended several times, last by Law Number 6 of 2023 on Enactment of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation to become Law (State Gazette of the Republic of Indonesia Number 41 of 2023, Supplement to the State Gazette of the Republic of Indonesia Number 6856);

4. Government Regulation Number 32 of 1950 on Determination of the Entry into Force of Law of 1950 Number 12,13, 14, and 15 from

Establishment of Regency Areas in East/Central/West Java and the Special Region of Yogyakarta;

5. Government Regulation Number 16 of 1976 on Expansion of the Semarang Level II Regional Municipality (State Gazette of the Republic of Indonesia of 1976 Number 25, Supplement to the State Gazette of the Republic of Indonesia Number 3079);
6. Government Regulation Number 24 of 2019 on Provision of Incentives and Ease of Investment in Regions (State Gazette of the Republic of Indonesia of 2019 Number 63, Supplement to the State Gazette of the Republic of Indonesia Number 6330);

With the Joint Approval of
THE REGIONAL HOUSE OF REPRESENTATIVES OF THE REGENCY OF KENDAL
and
THE REGENT OF KENDAL

HAS DECIDED:

To Issue: REGIONAL REGULATION ON PROVISION OF INCENTIVES AND / OR
PROVISION OF EASE OF INVESTMENT.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Regional Regulation:

1. Region means the Regency of Kendal.
2. Regent means the Regent of Kendal.
3. Local Government means the Regent as an element of the Local Government administrator who leads the implementation of government affairs which are the authority of the autonomous region.
4. Community means a person or group of people who is a citizen of the Republic of Indonesia who has and/or carries out business activities in accordance with the provisions of legislation.
5. Capital means an asset in the form of money or other forms which is not money that has economic value, owned by investors.

6. Investment means all kinds of activities of investing the capital, by either local investors or foreign investors to conduct business in the territory of the Republic of Indonesia.
7. Investor means an individual investor or business entity that makes an Investment in the forms of a domestic investor and foreign investor.
8. Provision of Incentives means the support for fiscal policy from the Local Government to the Community and/or Investors to increase an investment in the Region.
9. Provision of Ease means provision of non-fiscal facilities from Local Government to the Community and/or Investors to give ease and to increase the investment activities in the Region.
10. Special Economic Zone means an area with certain boundaries within the legal territory of the Unitary State of the Republic of Indonesia which is designated to carry out economic functions and obtain certain facilities.
11. Local Tax means the compulsory contribution to the Region owed by an individual or agencies that is coercive based on Law by not getting the direct reward and is used for the Region needs to the profuse of prosperity of the people.
12. Local Levy means a Local levy as payment of services or provisions of the certain permit specifically served and/or given by Local Government to personal interests or agencies.

Article 2

This Regional Regulation is issued with the aims of:

- a. encouraging the increase of investment in the Region.
- b. contributing to the economy increase in the Region in realizing the prosperity of people; and
- c. providing support to the Community and/or Investors to ease every investment activity so as to create job opportunities as well as realize the increase of economic growth and equality in the Region.

Article 3

Provision of Incentives and/or Provision of Ease of Investment in the Region based on the principles of:

- a. legal certainty;
- b. equality;
- c. transparency;

- d. accountability;
- e. effectiveness and efficiency; and
- f. general principles of good governance.

CHAPTER II
RIGHTS, OBLIGATIONS AND RESPONSIBILITIES OF COMMUNITY
AND INVESTORS

Article 4

- (1) In the context of Provision of Incentives and/or Provision of Ease of Investment, the Community and Investors have the rights to:
 - a. obtain information and services for Provision of Incentives and/or Provision of Ease of Investment;
 - b. obtain incentives and/or ease of investment according to the established mechanism;
 - c. obtain services related to the process of providing, implementing, supervising and coaching investments in the Region;
 - d. obtain information on evaluation results regarding developments in receiving incentives and/or ease of investment; and
 - e. obtain various forms of convenience facilities in accordance with the provisions of legislation.
- (2) In the context of Provision of Incentives and/or Provision of Ease of Investment, the Community and Investors are obligated to:
 - a. comply with the provisions of legislation regarding guidelines for Provision of Incentives and/or Ease of Investment;
 - b. carry out corporate social responsibility;
 - c. make reports on investment activities and submit them to the regional apparatus who handle government affairs in the field of investment;
 - d. respect traditional cultural traditions around the location of Investment business activities; and
 - e. have an office and/or representative office in the Region.
- (3) In the context of Provision of Incentives and/or Provision of Ease of Investment, the Community and Investors are responsible for:
 - a. guaranteeing the availability of capital originating from sources that do not conflict with the provisions of legislation;

- b. bearing and settling all obligations and losses if the Community and/or Investors unilaterally stop, leave or abandon their business activities in accordance with the provisions of legislation in the field of investment;
- c. creating a healthy competitive business climate, preventing monopolistic practices and other things that could harm the country;
- d. maintaining environmental, social and cultural sustainability of local communities;
- e. creating safety, health, comfort and welfare of workers; and
- f. participating in improving the welfare of communities in the Region, especially local communities.

Article 5

- (1) Every Community and/or Investor who is provided incentives and/or investment ease and does not carry out the obligations and responsibilities as referred to in Article 4 section (2) and/or section (3) is subject to administrative sanctions in the forms of:
 - a. written warning; and/or
 - b. termination on Provision of Incentives and/or Provision of Ease of Investment.
- (2) Further provisions regarding the imposition of administrative sanctions as referred to in section (1) are further regulated in a Regent Regulation.

CHAPTER III

CRITERIA FOR PROVISION OF INCENTIVES AND/OR PROVISION OF EASE OF INVESTMENT

Article 6

Incentives and/or Ease of Investment are provided to the Community and/or Investors who meet the following criteria of:

- a. giving the contribution to increase the Community income;
- b. absorbing workers;
- c. using mostly local resources;
- d. giving contribution to increase of public services;
- e. giving contribution to increase regional gross domestic product;
- f. having environmental and sustainable awareness;
- g. infrastructure development;

- h. transferring technology;
- i. doing pioneer industry;
- j. carrying out research, development and innovation activities;
- k. having partnership with micro, small enterprises or cooperatives;
- l. industries that use the capital goods, machinery or equipment produced domestically;
- m. doing business activities in accordance to the national and/or local priority programs;
- n. being exports oriented; and/or
- o. being located in a Special Economic Zone.

Article 7

- (1) Local Government may prioritize Provision of Incentives and/or Provision of Ease of Investment for certain types of business or certain activities.
- (2) Certain types of business or certain activities as referred to in section (1) consist of:
 - a. micro, small enterprises and/or cooperatives;
 - b. business required with partnership;
 - c. business required with capital ownership;
 - d. business required with certain location;
 - e. business required with the specific licensing;
 - f. open businesses in investment that prioritize the eminence in the Region;
 - g. businesses that have obtained the investment facility from the Central Government; and/or
 - h. other businesses in accordance to the provisions of legislation.

CHAPTER IV

FORMS OF INCENTIVES AND/OR EASE OF PROVIDED INVESTMENT

Article 8

- (1) Provision of Incentives may in the forms of:
 - a. reduction, relief, and exemption or elimination of principal Local Tax and/or sanctions;
 - b. reduction, relief, and exemption or elimination of principal Local Levies and/or sanctions;

- c. provision of Capital support to micro, small enterprises and/or cooperatives in the Region;
 - d. assistance to research and development of micro, small enterprises and/or cooperatives in the Region;
 - e. assistance to facilitate the vocational training for micro, small enterprises and/or cooperatives in the Region; and/or
 - f. low loan interest.
- (2) Provision of Ease of Investment may in the forms of:
- a. availability data and information on investment opportunities;
 - b. availability of means and infrastructure;
 - c. facilitation the provision of land or location;
 - d. provision of technical support;
 - e. simplification and acceleration of provision of licensing in one-stop service;
 - f. ease of marketing access for production products;
 - g. ease of direct investment in construction;
 - h. ease of investment in strategic areas stipulated in legislation that have the potential for regional development;
 - i. provision of comfort and security for investing in the Region;
 - j. ease of certification and standardization processes in accordance with the provisions of legislation;
 - k. easy access to ready-to-work and skilled workers;
 - l. easy access to raw material supplies; and/or
 - m. facilitation on promotions in accordance with regional authority.
- (3) Provision of Incentives and/or Provision of Ease of Investment as referred to in section (1) and section (2) is given in accordance with financial capability of the Region and legislation.
- (4) Further provisions regarding the forms of Provision of Incentives and/or Provision of Ease of Investment as referred to in section (1) and section (2) are regulated in a Regent Regulation.

Article 9

In the event that Community and/or Investors carrying out its business in a Special Economic Zone is provided an incentive in the

form of a reduction in Local Taxes and/or Local Levies by 50% (fifty percent).

CHAPTER V
PROCEDURES FOR PROVISION OF INCENTIVES AND/OR
PROVISION OF EASE OF INVESTMENT

Part One

General

Article 10

Procedures for the Provision of Incentives and/or Provision of Ease of Investment to Community and/or Investors are carried out through stages:

- a. application submission;
- b. verification; and
- c. implementation of Provision of Incentives and/or Provision of Ease of Investment.

Part Two

Application Submission

Article 11

Community and/or Investors who are willing to receive incentives and/or the ease of investment submit an application to the Regent through the head of regional apparatus administering government affairs in the field of investment.

Part Three

Verification

Article 12

- (1) The head of regional apparatus as referred to in Article 11 verifies applications submitted by the Community and/or Investors by conducting assessment based on:
 - a. criteria as referred to in Article 6; and
 - b. types of business as referred to in Article 7.
- (2) In carrying out the verification as referred to in section (1), scoring and weighting are carried out to determine the form of incentives and/or ease of investment that will be provided.

- (3) The implementation of verification as referred to in section (1) involves relevant regional apparatus.

Part Four

Implementation of Provision of Incentives and/or Provision of Ease of Investment

Article 13

- (1) Implementation of Provision of Incentives and/or Provision of Ease of Investment to the Community and/or Investors is carried out by considering the results of the verification as referred to in Article 12.
- (2) The implementation of Provision of Incentives and/or Provision of Ease of Investment as referred to in section (1) is determined by a Regent Decision.
- (3) The Regent Decision as referred to in section (2) contains at least:
 - a. name;
 - b. address of applicant;
 - c. type of business or investment activity;
 - d. forms of incentives and/or ease of investment;
 - e. incentive period and/or ease of investment; and
 - f. rights and obligations of recipients of the incentives and/or ease of investment.

Article 14

Further provisions regarding procedures for submitting applications, verification, and implementation of Provision of Incentives and/or Provision of Ease of Investment are referred to in Article 11 to Article 13 are further regulated in a Regent Regulation.

CHAPTER VI

TIME PERIOD AND FREQUENCY OF PROVISION OF INCENTIVE AND/OR PROVISION OF EASE OF INVESTMENT

Article 15

- (1) The Local Government provides incentives and/or ease of investment with a maximum period of 2 (two) years during the operation of business activities with a frequency of at least 1 (one) time.

- (2) Specifically, incentives in the form of reductions in Local Taxes and/or Local Levies for Communities and/or Investors who run their businesses in Special Economic Zones, they are given for a maximum period of 3 (three) years.

Article 16

Further provisions regarding the time period and frequency of implementation of Provision of Incentives and/or Provisions of Ease of Investment are regulated in a Regent Regulation.

CHAPTER VII REPORTING AND EVALUATION

Article 17

- (1) Community and/or Investors who receive incentives and/or ease of investment must submit periodic reports to the Regent through the Regional Apparatus administering government affairs in the field of investment.
- (2) The report as referred to in section (1), contains at least:
 - a. name of business entity;
 - b. business fields;
 - c. number of permanent workers;
 - d. type of incentives obtained;
 - e. type of ease obtained;
 - f. sales turnover value before and after receiving incentives;
and
 - g. use of incentives.
- (3) The obligation to the report for the Community and/or Investors as referred to in section (1) at least once a year.

Article 18

- (1) The Regent evaluates the effectiveness of the implementation of Provision of Incentives and/or Provision of Ease of Investment that have been provided to the Community and/or Investors.
- (2) In carrying out the evaluation as referred to in section (1), the Regent delegates to the head of regional apparatus administering government affairs in the field of investment.
- (3) The evaluation as referred to in section (1) is carried out at least once (1) in a year.

- (4) In the event that the evaluation results as referred to in section (1) state that the criteria are still fulfilled and the period for Provision of Incentives and/or Provision of Ease of Investment has not ended, then Provision of Incentives and/or Provision of Ease of Investment remains to be continued.
- (5) In the event that the evaluation results as referred to in section (1) state that the criteria are no longer fulfilled and the period for Provision of Incentives and/or Provision of Ease of Investment has not expired, then the Provision of Incentives and/or Provision of Ease of Investment is revoked.
- (6) In the event that the evaluation results as referred to in section (1) state that the criteria are still fulfilled and the period for Provision of Incentives and/or Provision of Ease of Investment ends immediately, then Community and/or Investors can apply for an extension of the Provision of Incentives and/or Provision of Ease of Investment up to 1 (one) time.
- (7) The revocation and extension of Provision of Incentives and/or Provision of Ease of Investment as referred to in section (5) and section (6) is determined by a Regent Decision.

Article 19

The Regent submits a report on the implementation of Provision of Incentives and/or Provision of Ease of Investment in the Region to the Governor once every 1 (one) year.

CHAPTER VIII

PARTICIPATION OF THE COMMUNITY/LEGAL ENTITIES

Article 20

- (1) Public/legal entities can report to the Local Government any violation of this Regional Regulation by investors who have received incentives and/or ease of investment.
- (2) Local Government must follow up on reports received from the public/legal entities as referred to in section (1) in accordance with the provisions of legislation.

CHAPTER IX

SYNERGITY/REGIONAL COOPERATION

Article 21

- (1) Local Government may build synergy/cooperation in the Provision of Incentives and/or Provision of Ease of Investment.
- (2) The synergy as referred to in section (1) is a form of central government support in Provision of Incentives and/or Provision of Ease of Investment in accordance with the provisions of legislation.
- (3) The cooperation as referred to in section (1) is a form of regional cooperation in the Provision of Incentives and/or Provision of Ease of Investment in accordance with the provisions of legislation.

CHAPTER X

FINANCING

Article 22

The cost required for the implementation of Provision of Incentives and/or Provision of Ease of Investment to the Community and/or Investors are borne by:

- a. Local Budget; and/or
- b. Other sources that are legal and non-binding based on the provisions of legislation.

CHAPTER XI

CLOSING PROVISIONS

Article 23

The implementing regulations of this Regional Regulation are issued not later than 1 (one) year after this Regional Regulation is promulgated.

Article 24

At the time this Regional Regulation comes into force, Regional Regulation Number 26 of 2011 on Provision of Incentives and/or Provision of Ease of Investment in the Regency of Kendal (Regional Gazette of the Regency of Kendal Number 90) is repealed and declared ineffective.

Article 25

This Regional Regulation comes into force on the date of its promulgation.

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In order that every person may know hereof, it is ordered to promulgate this Regional Regulation by its placement in the Regional Gazette of the Regency of Kendal.

Issued in Kendal
on 10 July 2023
REGENT OF KENDAL

signed

DICO M GANINDUTO

Promulgated in Kendal
on 10 July 2023
REGIONAL SECRETARY OF
THE REGENCY OF KENDAL

signed
SUGIONO

REGIONAL GAZETTE OF THE REGENCY OF KENDAL OF 2023 NUMBER 5

Jakarta, 4 November 2024
Has been translated as an Official Translation
on behalf of the Minister of Law and Human Rights
of the Republic of Indonesia
DIRECTOR GENERAL OF LEGISLATION AD INTERIM,



ELUCIDATION
OF
REGULATION OF THE REGENCY OF KENDAL
NUMBER 5 OF 2023

ON

PROVISION OF INCENTIVES AND / OR PROVISION OF EASE OF INVESTMENT

I. GENERAL.

Investment activities are essentially part of the implementation of the national economy and are placed as an effort to increase the growth of the economy of nation and the economy of Region.

The Development of investment in the Region, apart from increasing Regional economic capacity which will directly improve the welfare of society in general, will also have a positive impact on increasing Regional fiscal capacity. To support this large production capacity, of course a workforce is needed so that job opportunities will automatically open up, so the conclusion is that the higher the government investment, the level of employment opportunities will increase. Apart from that, investment growth in the Region is also closely related to development in the Region.

To encourage investment growth and development in the Region, the Local Government needs to provide incentives and/or ease of investment to the Community and/or Investors in accordance with the potential investment that exists in the Region.

This is in line with the provisions of Article 278 section (1) of Law Number 23 of 2014 on Local Government as amended several times, last by Law Number 6 of 2023 on Enactment of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation to Become law, which states that the Implementation of Local Government involves the participation of the community and the private sector in development in the Region.

Furthermore, the provisions of Article 278 section (2) of the Law as mentioned that to encourage the participation of the community and the private sector in the development of Region, Local Government administrators can provide incentives and/or ease of investment to the Community and/or Investors as regulated in a Regional Regulation based on the guidelines to the provisions of legislation.

Based on the considerations as referred above, it is necessary to form a Regional Regulation on Provision of Incentives and/or Provision of Ease of Investment.

II. ARTICLE BY ARTICLE.

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Article 3

Point a

The term "legal certainty" means the principle set down law and the provisions of legislation as the basis for the Local Government in taking any policies and action in the Provision of Incentives and/or Provision of Ease of Investment.

Point b

The term "equality" means equal treatment of Investors without impartiality and benefit to a particular class, group or business scale.

Point c

The term "transparency" means the information of disclosure in the Provision of Incentives and/or Provision of Ease of Investment to the Community and/or Investors.

Point d

The term "accountability" means a form of accountability for the Provision of Incentives and/or Provision of Ease of Investment.

Point e

The term "effective and efficient" means rational and economic considerations as well as guarantees that have an impact on increase productivity and public services.

Article 4

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Point i

Sufficiently clear.

Point j

Sufficiently clear.

Point k

The term "micro and small enterprises" means individuals or business entities that have the business criteria as referred to in the law regarding micro, small and medium enterprises.

Point l

Sufficiently clear.

Point m

Sufficiently clear.

Point n

Sufficiently clear.

Point o

Sufficiently clear.

Article 7

Section (1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point a

Sufficiently clear.

Point a

Sufficiently clear.

Point d

The term "certain location" includes businesses located in remote areas, underdeveloped areas, border areas, and/or located in certain strategic areas in accordance with the provisions of legislation.

Point e

The term "special licensing" includes such as businesses that require a permit from a particular certain ministry/institution in accordance with the provisions of legislation.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Article 8

Section (1)

Point a

Reduction, relief or exemption from Local Tax include:

- a. adjustment of the Sales Value of Taxable Objects Not Subject to Tax (NJOPTKP) and the Sales Value of Taxable Objects (NJOP) of land and buildings;
- b. reductions, relief or exemption in certain cases of Local Tax base and/or sanctions;
- c. providing reductions, relief or exemption from Land Title Acquisition Fees and Building Rights Acquisition Fees (BPHTB); and
- d. gradual payments of local tax.

Point b

Reductions, relief, and exemption or elimination of the principal Local Retributions and/or sanctions, among others, in the form of levies for Building Approvals for public houses for low-income people.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

The term "provision of facilities and infrastructure" means a form of ease of obtaining supporting facilities and infrastructure, including public infrastructure, provision of drinking water and sanitation facilities, firefighting, health services, waste management, and provision of industrial and supporting infrastructure.

Point c

The term "facilitating the provision of land or location" includes, forms of ease in processing land ownership, provision of data and information related to land and location, and mediation of dispute resolution.

Point d

Sufficiently clear.

Point e

The simplification and acceleration of giving permit through a one-stop integrated service is carried out in stages using an integrated business licensing system electronically.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Point i

Sufficiently clear.

Point j

Sufficiently clear.

Point k

Sufficiently clear.

Point l

Sufficiently clear.

Point m

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 9

Sufficiently clear.

Article 10

Sufficiently clear.

Article 11

Sufficiently clear.

Article 12

Sufficiently clear.

Article 13

Sufficiently clear.

Article 14

Sufficiently clear.

Article 15

Sufficiently clear.

Article 16

Sufficiently clear.

Article 17

Sufficiently clear.

Article 18

Sufficiently clear.

Article 19

Sufficiently clear.

Article 20

Sufficiently clear.

Article 21

Sufficiently clear.

Article 22

Sufficiently clear.

Article 23

Sufficiently clear.

Article 24

Sufficiently clear.

Article 25

Sufficiently clear.