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Facts – Understanding TKDN in Indonesia

Local Content Requirements Explained for Swedish Companies

A practical orientation to Indonesia's domestic content policy — what it is, which sectors it affects, how recent reforms have changed it, and what it means for Swedish companies entering or expanding in the market.

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Sweden Chamber of Commerce Indonesia
info@swedcham.id

Executive Summary

Indonesia's local content requirement — known by its Indonesian acronym TKDN (Tingkat Komponen Dalam Negeri) — is an increasingly important consideration for companies doing business in the country, and one that is often misunderstood.

Many foreign companies encounter TKDN as a regulatory hurdle, or assume it is a blanket requirement applied to every imported product. Neither is true. TKDN is an industrial policy tool, designed to encourage companies to create economic value within Indonesia and to move the country beyond its historical role as a market for imported goods toward becoming a stronger manufacturing and technology hub.

The practical impact varies by sector. Telecommunications, medical devices, automotive and renewable energy are already significantly affected. In other sectors, TKDN becomes relevant mainly through government procurement or strategic infrastructure projects. There is no single national TKDN percentage. Requirements differ by sector, product category and regulatory framework, and they continue to evolve.

The direction of travel is now clearer than the headlines suggest. A major reform in 2025 — set out in Ministry of Industry Regulation No. 35 of 2025 and the procurement rules under Presidential Regulation No. 46 of 2025 — has shifted the emphasis from rigid numerical compliance toward rewarding investment, technology transfer and long-term industrial partnerships.

For most Swedish companies, this does not mean relocating manufacturing from Sweden. Swedish production will remain central to many business models. The question is how local activities — assembly, engineering, technical support, training, software development, research and partnerships — can strengthen a company's position in the market. Swedish strengths in technology, quality, sustainability and long-term thinking align closely with Indonesia's own development ambitions.

TKDN is therefore better read as an invitation to participate in Indonesia's industrial development than as a barrier to entry. The central question for Swedish companies is not "How do we comply with TKDN?" but "How can we create value in Indonesia in a way that creates value for our business as well?"

1. What is TKDN?

At its simplest, TKDN measures how much of a product's value is created within Indonesia. Depending on the sector, this may include locally sourced materials, manufacturing and assembly, engineering work, labor, research and development, or services performed in the country. Products that reach a sufficient level of domestic content may qualify for government procurement, regulatory approval, fiscal incentives or preferential market access.

It exists to support a long-term shift up the value chain — from importing finished products toward producing higher-value goods and technologies at home. That is the essential backstory; the rest of this fact sheet focuses on how the policy actually works, where it applies, and what it means for Swedish companies.

One implication is worth stating early. TKDN is best read as a signal of Indonesia's industrial ambition rather than as a regulatory obstacle. Companies that treat the country solely as an export destination may find expectations gradually shift, while those that build a local presence and contribute capabilities tend to encounter a more favorable operating environment. Indonesia increasingly welcomes companies prepared to grow with it rather than simply sell into it.

Three concepts, not one rulebook

Throughout this fact sheet, TKDN is framed around three connected ideas rather than a list of obligations:

- Industrial policy — TKDN is a tool to develop Indonesia's industrial base, not a general import restriction.
- Local capability building — the policy rewards value created inside Indonesia, from materials and labor to engineering and research.
- Long-term partnerships — the most durable position is that of an industrial partner, not a one-off supplier.

This framing resonates particularly well with Swedish companies, whose competitive advantages tend to lie in technology, quality and collaboration rather than low-cost manufacturing.

2. How TKDN Works

The concept is straightforward — measure how much of a product is created in Indonesia and express it as a percentage — but the system is more nuanced in practice. There is no single formula for every industry. Different sectors use different methodologies, and the calculation depends on the type of product and the regulations that apply. The underlying principle is consistent: the greater the economic value generated within Indonesia, the higher the TKDN score.

The building blocks of TKDN

Materials

Locally sourced raw materials, components and intermediate goods contribute to the score. A product assembled in Indonesia but relying entirely on imported components will generally achieve a lower value than one that incorporates Indonesian suppliers. For many foreign companies, supplier development therefore becomes part of a long-term market strategy.

Labor

The use of Indonesian labor contributes to the calculation, including personnel in production, operations and, in some cases, specialized technical functions. The objective is not simply job creation but the transfer and development of skills.

Manufacturing and assembly

Manufacturing carried out within Indonesia contributes significantly, and the degree of value creation matters. Simple assembly generates some domestic content; more advanced processes are recognized more fully. This encourages companies to deepen their local presence over time.

Engineering and technical services

Engineering, design and technical services performed in Indonesia may also contribute, depending on the sector. The government increasingly seeks to promote knowledge-intensive activity rather than only physical production.

Research and development

Indonesia has placed greater emphasis on research and development. Companies that establish local R&D capabilities may receive additional recognition — reflecting an ambition to position the country as a center for innovation, not only manufacturing.

Beyond production: the Company Benefit Weight (BMP)

TKDN does not stand alone. It is paired with the Company Benefit Weight, or BMP (Bobot Manfaat Perusahaan), which credits a company's contribution to the economy beyond production itself.

Where TKDN measures local content in a product, BMP recognizes wider commitments — investment in Indonesia, partnerships with small and medium enterprises, after-sales service infrastructure, community development, and work-safety and environmental certification. The two are assessed together, and in government procurement it is the combined TKDN-and-BMP figure that counts.

For Swedish companies, BMP is the most strategically useful part of the framework. A company that cannot reach a high manufacturing-content score on its own can still build a competitive position through investment, local partnerships and service capabilities. BMP is, in effect, where the shift “from compliance to contribution” is written into the rules.

Certification is a formal process

TKDN is not self-declared for most companies. Certification documents the origin of materials, production activities, labor inputs and engineering work, supported by evidence of how value is created in Indonesia. The information is reviewed and verified before a certificate is issued.

Verification is carried out by independent agencies appointed by the Ministry of Industry. Under the current rules, certificates are valid for five years across all sectors, and the standard processing time has been shortened to roughly ten working days where documentation is complete, with a faster track for small enterprises. The process now runs digitally through the National Industrial Information System (SIINas).

Documentation and traceability are often the biggest practical challenges, particularly for companies with complex international supply chains. A degree of administrative preparation should be expected, especially for the initial application.

The authorities involved

The central actor is the Ministry of Industry (Kementerian Perindustrian), which develops policy, oversees implementation and administers much of the certification framework. Verification is delegated to the accredited independent agencies noted above. Depending on the sector, other ministries and agencies — covering energy, telecommunications, healthcare, public procurement and state-owned enterprises — may also be involved. This multi-agency environment is one reason TKDN can appear complex to newcomers: the applicable rules are often tied to sector-specific regulations rather than a single overarching law.

A moving framework, not a fixed rule

TKDN is not static. Thresholds may rise, methodologies may be adjusted, and new incentives may be introduced to encourage investment and technology transfer. Companies should therefore treat TKDN not as a one-time certification exercise but as an ongoing industrial policy framework that rewards a deeper and more enduring presence in Indonesia. For many Swedish companies, the question is not whether local content will become relevant, but at what stage of their Indonesian journey it will become strategically important.

3. Which Sectors Are Affected?

One of the most common misconceptions about TKDN is that it applies to everything sold in Indonesia. It does not. TKDN is a targeted instrument, applied selectively to sectors considered strategically important for the country's economic development, technological advancement, energy transition, public services and industrial self-sufficiency.

The impact varies. In some sectors TKDN is decisive for market access; in others it mainly affects participation in government projects and public procurement. For a company entering Indonesia, the first question is therefore not "What is the TKDN requirement?" but "Does my sector fall within the scope of TKDN at all?" The table below summarizes where it currently bites most for Swedish companies.

Sector	How TKDN applies	Primary trigger
Automotive	Long-established local content rules; central to the shift toward electric vehicles and battery production.	Market access and manufacturing policy
Medical devices	Encouragement of local assembly and technology transfer, especially for products bought by public hospitals.	Public procurement
Telecommunications	Network and communications equipment frequently subject to local content rules tied to critical infrastructure.	Market access
Renewable energy	Solar, storage and grid equipment increasingly linked to domestic industrial development.	Project and procurement rules
Public procurement	A general driver across sectors; public buyers must prioritize products meeting verified thresholds.	Tenders and public projects
Industrial equipment	Applied selectively; most relevant where state-owned enterprises or strategic projects are involved.	Project-specific

Where TKDN does not apply

It is as useful to know where TKDN does not bind as where it does. As a general rule, the requirement becomes binding in only two situations: where a sector-specific regulation requires it, or where the goods or services are destined for government procurement. Its legal foundation is Law No. 3 of 2014 on Industry and Government Regulation No. 29 of 2018 on Industrial Empowerment, from which the sector-specific rules and procurement requirements then flow. Outside the two conditions above, TKDN usually does not apply. Several points follow.

- Foreign investment companies (PT PMA) are not automatically subject to TKDN. The obligation arises only if a product enters public procurement, falls within a regulated sector, or is used to claim an incentive that carries a minimum local content threshold.
- Ordinary private-sector sales are largely outside scope. A company selling to private buyers, in a sector without a specific TKDN rule and without public funding involved, does not generally need certification. Procurement financed by the state or regional budget — or carried out under government cooperation — is treated as public procurement even where a private entity is the buyer.
- Where no domestic equivalent exists, the requirement yields. Products that depend on materials or components not available in Indonesia may still be certified or procured; and in procurement, where no product meets the threshold, lower-content or imported products are permitted.
- Specific sectoral exemptions exist. In the energy sector, for example, electricity infrastructure projects funded substantially — at least half — by foreign development banks or financial institutions may be fully exempt from local content obligations.
- Outside the mandatory cases, certification is voluntary. A company may still choose to certify for commercial advantage, but is not obliged to.

In practical terms, TKDN is least intrusive for companies selling ordinary commercial goods and services to private buyers. Areas such as general consumer products, food and beverage, retail, hospitality and most business-to-business services tend to sit outside it, provided the sector carries no specific TKDN rule and no public funding is involved. The qualifier matters: a supplier can still be drawn in the moment it sells into government procurement, so this is best read as a default rather than a guarantee.

The practical consequence is that the first step is often not to estimate a TKDN percentage, but to establish whether TKDN applies to the product at all.

The sector-specific rules

For companies that do fall within scope, the obligation comes from a sector regulation rather than from one national rule. The general method now sits in MOI Regulation No. 35 of 2025, but several sectors keep their own regimes, which continue to apply alongside it. The principal ones are set out below.

Sector	Principal regulation
All goods and industrial services (general method)	MOI Regulation No. 35 of 2025
Medical devices and in-vitro diagnostics	MOI Regulation No. 31 of 2022
Electronics and telematics, including mobile phones, handheld computers and tablets	Sector rules for electronic and telematics products (e.g. MOI Regulation No. 65 of 2016 for phones, handheld computers and tablets)
Battery electric vehicles	Presidential Regulation No. 55 of 2019, with Ministry of Industry implementing rules (e.g. MOI Regulation No. 27 of 2020)
Pharmaceuticals	Sector-specific rules; public e-catalogue listing generally requires a TKDN above 52 %
Electricity infrastructure	MEMR Regulation No. 11 of 2024, with separate Ministry of Industry rules for solar modules
Upstream oil and gas	MEMR Regulation No. 15 of 2013

Thresholds and calculation methods differ markedly between these regimes, and the references are indicative: regulations are amended as priorities change, so the current version should be checked before relying on a specific figure.

Indonesia's industrial priorities continue to evolve, and new sectors may be drawn into the framework as technologies mature. The more useful question is not whether TKDN affects a business today, but whether the sector is likely to become strategically important for Indonesia over the next five to ten years. For many Swedish companies, the answer is increasingly yes — not necessarily a signal to build a factory immediately, but a sign that Indonesia is becoming more selective about the investment it seeks to attract.

4. Recent Reforms, 2025–2026

If one area of TKDN creates confusion, it is the recent reforms. Headlines have suggested in turn that Indonesia is lowering, raising or abolishing local content requirements. None of these is quite right. Indonesia is not abandoning TKDN; it is changing how the system works.

The reform is concrete and can be named. On 11 September 2025 the Ministry of Industry issued Regulation No. 35 of 2025, which took effect on 11 December 2025 and replaced the foundational 2011 framework. It consolidates previously fragmented sectoral provisions and brings the quantitative measure (TKDN) and the qualitative measure (BMP) into a single, verifiable system. Government procurement is governed in parallel by Presidential Regulation No. 46 of 2025.

Simpler, faster, and oriented toward investment

The previous system was criticized for administrative complexity: slow certification, extensive documentation and calculations that were hard to interpret. The 2025 reform streamlines these. The calculation shifts from a purely cost-based model to a weighted-factor system; certificate validity is extended to five years; and certification is faster and now runs through SIINas. For small enterprises, certification has been simplified further, with a self-declaration route and a shift from pre-audit toward post-audit supervision.

A more fundamental change sits beneath the procedural one. Historically TKDN was perceived as a way to discourage imports; increasingly it is framed as a way to encourage investment. Rather than asking companies only to meet numerical thresholds, the rules now reward establishing a meaningful presence — manufacturing, assembly, supplier development, engineering, training and research. Notably, a company that produces goods in its own Indonesian factory and employs Indonesian citizens for at least half its workforce is granted an automatic baseline TKDN, and research and development activity can add further recognition. The emphasis is shifting from what a company imports to what it contributes.

Why people talk about 25%, 40% and 60%

Few topics generate more confusion than the percentages, and the reason is simple: there is no single national TKDN number. Different mechanisms produce different figures, and they are often reported together as though they were competing national thresholds. They are not.

The 40% figure comes mainly from government procurement. Under the procurement rules, public buyers must give priority to products whose combined TKDN-and-BMP score is above 40%. Where no such product exists, products above 25% TKDN may be procured; where none meets 25%, lower-content products are permitted; and failing that, any domestic product registered in SIINas may be bought. The 25% in this hierarchy is therefore a procurement floor, not a national minimum.

A second, different 25% comes from the investment incentives: the automatic baseline TKDN granted to companies that produce in their own Indonesian facility with a majority-Indonesian workforce. The two figures are easily confused because they share a number, but one is a procurement threshold and the other an investment reward. The 60% figure, where it appears, refers to higher targets in specific maturing sectors — not an economy-wide rule.

The practical conclusion is that there is no universal TKDN percentage. The applicable figure depends on the sector, the product category and whether government procurement is involved.

The wider context

The reform also has an external dimension. Indonesia's trading partners, including the United States, have at times described TKDN as a trade barrier, and the government's recalibration reflects a wish to keep the country integrated into global value chains while still supporting domestic industry. The result is a more flexible, incentive-led framework that resembles industrial policies seen elsewhere, where governments compete for strategic industries through a mix of incentives and regulation.

A parallel signal comes from the Indonesia–EU Comprehensive Economic Partnership Agreement (I-EU CEPA), signed in 2025 with application targeted for 2027, subject to ratification by EU member states. The agreement eases tariffs, simplifies customs and rules of origin, and liberalizes services and investment — but it does not remove TKDN. Local content remains among the requirements EU companies must navigate; the agreement improves the surrounding trade and investment terms rather than exempting European goods from domestic content rules. For Swedish companies this reinforces, rather than replaces, the approach this chapter describes: easier market access on one side, and a TKDN regime that increasingly rewards local investment on the other.

Three things to remember

- There is no single TKDN percentage — the figure depends on sector, product and whether government procurement is involved.
- Indonesia is not abolishing TKDN — the 2025 reform changes how it works rather than removing it.
- The system is moving from compliance toward investment and long-term industrial partnerships.

5. What TKDN Means for Swedish Companies

Chapter 3 asked whether a sector falls within scope. This chapter turns to what to do about it. For most Swedish companies, TKDN does not mean relocating production from Sweden; it means rethinking how Indonesia fits into a long-term business model. Many companies have served the market successfully through exports supported by local distributors or representative offices, and in many sectors that model will continue to work. But Indonesia is signaling that a significant market presence may eventually call for a deeper local footprint — the extent of which varies considerably by sector.

The pull toward local content is rising across each of these sectors, but its shape differs from one to the next:

- **Commercial vehicles (trucks, buses and heavy-duty) —** driven by electrification and public-fleet procurement, with implications reaching suppliers of batteries, charging infrastructure, drivetrains, software and specialised components.
- **Drilling, mining and industrial machinery —** local content matters most where state-owned enterprises and strategic projects are involved; the expectation is shifting toward local maintenance, training and after-sales support rather than equipment sales alone.
- **Medical devices —** attention centres on public-hospital procurement and on local assembly, calibration and servicing, even as advanced technologies continue to rely on international suppliers.
- **Telecommunications and digital infrastructure —** the most established TKDN sector, where network equipment and connected devices face rules shaping procurement and market access, and local engineering and software development grow in importance.
- **Energy-transition technologies —** solar, storage, electrification and smart grids, where policymakers want investment to build domestic industry and jobs alongside environmental benefit.
- **Industrial automation and manufacturing technologies —** many products may still be imported from Sweden, but value is increasingly measured by the engineering, integration, training and after-sales ecosystem around the equipment.
- **Renewable energy technologies —** generation equipment such as solar modules and wind turbines carries its own, often higher, local-content thresholds, frequently tied to project financing and procurement.
- **Electrical equipment and power systems —** transformers, switchgear, cabling and other grid components are common in utility and public-sector procurement, where domestic content is prioritised.
- **Digital infrastructure and connected technologies —** data centres, cloud and connected systems are an expanding frontier as Indonesia extends its push for digital self-sufficiency beyond telecom networks.

Specific requirements depend on the applicable regulations, the product category and whether government procurement is involved. Because rules are often tied to product classifications and sector-specific provisions, companies should verify the requirements that apply to their own products before entering the market.

From exporter to industrial partner

The larger shift is strategic rather than operational. Indonesia is not necessarily asking companies to stop manufacturing in Sweden; in many cases Swedish production will remain central. What it increasingly expects is that companies complement that production with local activities that create value within Indonesia — assembly, servicing, engineering, training, software development, supplier partnerships or research. The companies likely to succeed are those that move beyond a simple exporter–customer relationship and position themselves as long-term industrial partners. For Swedish companies, this should feel familiar: a reputation built on technology, quality, long-term thinking and collaboration matches what Indonesia increasingly seeks from foreign investors.

Attribution

This fact sheet was developed by the Sweden Chamber of Commerce Indonesia (SwedCham) with input from member companies and external specialists.

Expert contributors have been Strategic Advisor to SwedCham Ridwan Zachrie, Bright Indonesia, and the team at the European Chamber of Commerce in Indonesia.

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The Swedish Chamber of Commerce Indonesia is a member-driven, non-profit organization strengthening business, trade and professional relations between Sweden and Indonesia. SwedCham serves as a connector for Swedish companies operating in or entering the Indonesian market — linking members to relevant networks, insights and partners across sectors.

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Web: www.swedcham.id

Email: info@swedcham.id

WhatsApp: +46 73 641 08 84

Appendix 1: Strategic Questions to Ask Before Entering Indonesia

Companies often ask at what point they should start thinking about TKDN. The answer is earlier than most expect. TKDN should not be the final item on a market-entry checklist; by the time a company is preparing to bid for a major project, many strategic decisions have already been made. The better approach is to assess TKDN at the same time as evaluating the market itself. The following questions provide a starting point.

Does my product fall under TKDN?

This is the first and most important question. Not every product is affected. The assessment should be made at product level rather than company level, since different products within the same company may be subject to different rules.

Is my sector regulated?

Indonesia treats strategic sectors differently. Companies in healthcare, telecommunications, energy, transport, industrial equipment or government-related projects are more likely to encounter requirements. Regulations also evolve, so it is worth monitoring not only current rules but Indonesia's longer-term industrial priorities.

Is government procurement relevant?

Many companies first encounter TKDN when supplying ministries, public hospitals, state-owned enterprises or publicly funded infrastructure. If government customers are an important part of the opportunity, TKDN should be assessed early, since procurement is where local content has the greatest practical effect.

Can local assembly improve competitiveness?

Establishing a factory is not the only option. In some sectors, local assembly offers a commercially attractive middle ground between pure imports and full-scale manufacturing — shortening lead times, improving responsiveness and contributing to local value. The right approach depends on volumes, logistics costs and market potential.

Can a local partner help?

Partnerships often accelerate entry. Distributors, engineering firms, system integrators, service providers or manufacturing partners can help navigate regulations and identify opportunities for local value creation. Choosing the right partner may be one of the most important decisions a company makes in Indonesia.

Can engineering, training or R&D activities contribute?

Many companies underestimate knowledge-based activities. Local engineering teams, technical training, software development, testing facilities and research may increasingly count toward a company's local footprint — particularly relevant for Swedish companies whose advantages lie in technology and expertise rather than low-cost manufacturing.

Are we thinking too narrowly?

Perhaps the simplest and most useful question: are we viewing Indonesia merely as an export destination, or as a long-term industrial partner? Companies that consider only product sales may overlook opportunities to build stronger customer relationships, local capability and new business models.

A practical rule of thumb

If Indonesia is expected to become a significant market over the next five to ten years, it is worth discussing TKDN early. That does not mean making immediate investments; it means understanding the direction of travel. The question is no longer whether local value creation will matter, but how to incorporate it into a strategy that benefits both the company and Indonesia.

Appendix B — Common Misconceptions

TKDN is one of Indonesia's most discussed industrial policies and, perhaps for that reason, one of its most misunderstood. Announcements, changing regulations and sector-specific rules are easy to oversimplify, and foreign companies sometimes decide on the basis of assumptions rather than how the system actually works. Several misconceptions recur.

"Indonesia is lowering TKDN from 40% to 25%"

No. There is no single national TKDN percentage. The 40% figure comes from a government-procurement priority for products with a combined TKDN-and-BMP score above that level; the 25% is a procurement floor that applies when no higher-content product is available. A separate 25% exists as an investment incentive for local production. These are different mechanisms that happen to share numbers — not the replacement of one national threshold by another.

"TKDN applies to every imported product"

No. TKDN is not a universal import regulation. Many products can still be imported without any local content requirement. The policy targets sectors Indonesia considers strategically important — telecommunications, healthcare, energy, transport — and government procurement. The first question is whether a product falls within scope at all.

"We must build a factory immediately"

No. For many companies a factory would be unnecessary and commercially unjustified. Local value creation can take many forms — assembly, technical support, engineering, training, software development, supplier partnerships, maintenance or research. Many companies begin with exports from Sweden and expand their local presence as the market grows. TKDN is a long-term strategic consideration, not an immediate investment obligation.

"TKDN is identical across sectors"

No. Each sector has its own regulatory environment, and different ministries may oversee implementation. Requirements for medical devices differ from those for telecommunications, which differ again from heavy vehicles or renewable energy. Lessons from one industry should not be applied directly to another.

"TKDN is simply a trade barrier"

Not entirely. Although it can add complexity for exporters, its primary purpose is industrial development rather than import restriction — attracting investment, developing suppliers, creating skilled jobs and building technological capability. This is not unique to Indonesia; governments worldwide increasingly use industrial policy to build resilience.

"Once certified, the job is done"

No. TKDN is not a one-time exercise. Requirements evolve as priorities change: new sectors may be brought in, methodologies updated and thresholds raised. It is best treated as an ongoing business consideration rather than a single compliance project.

The most important misconception

The largest misunderstanding is that TKDN is purely a regulatory issue. It is an expression of Indonesia’s long-term economic strategy. Companies that see only an administrative burden tend to react to rules as they emerge; companies that read TKDN as a signal of industrial ambition are better placed to anticipate change and find opportunity. The central question is not “How do we avoid TKDN?” but “How can we participate in Indonesia’s industrial development in a way that creates mutual value over the long term?”

Appendix C — Product Categories Commonly Relevant for Swedish Companies

The Harmonized System (HS) codes below indicate the broad product groups in which Swedish companies most often encounter local content considerations. They are indicative only; the precise treatment of a product depends on its specific classification and the sector-specific rules that apply.

- **HS 84 —** Machinery and mechanical appliances
- **HS 85 —** Electrical machinery and equipment
- **HS 87 —** Vehicles, other than railway vehicles
- **HS 90 —** Medical, optical and precision instruments
- **HS 73 —** Articles of iron and steel (selected categories)
- **HS 38 —** Certain advanced chemical products
- **HS 94 —** Selected technical lighting and infrastructure equipment

Companies should confirm the applicable classification and requirements with a qualified adviser before relying on them for market-entry decisions.