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# Facts – Special Economic Zones in Indonesia

*A practical introduction for Swedish companies considering market entry*

Special Economic Zones (SEZs), known in Indonesia as Kawasan Ekonomi Khusus (KEK), are designated locations offering targeted fiscal and administrative facilities. They can be attractive for the right project, but they are not a shortcut around normal investment, licensing, or compliance rules.

## What is a Special Economic Zone?

A KEK is a legally defined area inside Indonesia's customs and administrative territory that receives a distinct regulatory regime for a specific economic function — export processing, logistics, industry, technology development, tourism, energy, or another activity named in the zone's establishing regulation. The designation applies only within the mapped boundary; outside it, standard Indonesian rules continue to apply.

Each zone is proposed by a regional government or private developer, assessed against national criteria — location, economic potential, land certainty, environmental feasibility — and established individually by government regulation. Once designated, a National SEZ Council sets national policy, a provincial Zone Council supports implementation, and a zone Administrator handles day-to-day licensing inside the boundary alongside a separate operator responsible for infrastructure and tenant relations.

## Special Economic Zones: Background and purpose

The program rests on Law No. 39/2009, which created the KEK as a distinct instrument, separate from the narrower models that preceded it — bonded zones, industrial estates, and the free trade zones of Batam, Bintan, and Karimun.

The law's stated purpose is to accelerate regional economic development by fostering investment, exports, and trade, and by acting as a catalyst for broader economic reform. A National SEZ Council was established in 2010, and the first zones — including Sei Mangkei and Tanjung Lesung — were designated from 2012.

The program has since scaled to 25 operating zones by Q1 2026, with a government target of 31 by the end of 2026, and six more in the designation pipeline; cumulative realized investment across all zones reached IDR (Indonesian rupiah) 353.3 trillion.

The policy sits inside a wider transformation agenda: Golden Indonesia 2045 – “Indonesia Emas 2045”, the government's long-term national development vision, targets high-income

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status by the country's centennial, which requires shifting the economy from resource extraction toward higher value-added, export-oriented, and regionally distributed production.

SEZs concentrate infrastructure, streamlined licensing, and fiscal incentives in locations chosen to support that shift, rather than spreading incentives uniformly across the country.

## Why this can matter for a Swedish company

An SEZ is not a market-entry format in itself — the underlying vehicle is still a PT PMA (Perseroan Terbatas Penanaman Modal Asing, a foreign-owned limited liability company), subject to the same foreign-ownership and licensing rules as anywhere else in Indonesia.

What changes inside a zone is the operating environment around that vehicle: import duty treatment on capital goods and inputs, in some zones a corporate tax holiday or allowance, streamlined licensing through OSS (Online Single Submission, Indonesia's risk-based business licensing system), and, for staff housing, the ability for foreign individuals to own apartment units — a right not generally available outside SEZs and similar zones.

That combination tends to matter most for projects that are capital-intensive, export-oriented, or tied to a specific location: manufacturing and assembly, processing linked to a port or industrial cluster, or digital and health-services activity anchored to a zone built for that purpose. A services or distribution entry aimed primarily at the domestic market usually has less to gain from zone status and can be served just as well by a standard PT PMA outside a zone.

The sections that follow set out the facilities, conditions, and screening process for evaluating whether a specific project fits that profile.

## The core point

> An SEZ is relevant when a company's planned activity matches the zone's approved main activities and the location works operationally.
>
> Incentives should improve an already sound location decision, not compensate for weak logistics, utilities, labor access, suppliers, or customer proximity.

## What makes an SEZ different?

| SEZ / KEK | INDUSTRIAL ESTATE | FREE-TRADE ZONE |
|---|---|---|
| A defined area established by government regulation, with approved activities, an estate developer/operator, an SEZ Administrator, and a package of possible fiscal and non-fiscal facilities. | A serviced industrial location. It may offer land, buildings, utilities, and estate management, but it does not automatically carry the national SEZ incentive framework. | A separate customs and tax regime, notably used in parts of Batam, Bintan, and Karimun. An FTZ (Free Trade Zone) and an SEZ are legally distinct, even when located in the same broader region. |

## Who can use the facilities?

A Swedish investor will typically establish an Indonesian foreign-investment company (PT PMA). To access SEZ facilities, the entity and activity must be registered in the zone, align with the zone's approved activities and the current Indonesian Business Classification (KBLI 2025), and obtain the required business licenses through the risk-based OSS system.

Licensing is governed by Government Regulation No. 28/2025, which replaced the previous risk-based licensing framework, and each zone's list of approved activities is amended periodically; the current list was last updated in 2025.

Since October 2025, the minimum paid-up capital for a PT PMA has also been reduced from IDR 10 billion to IDR 2.5 billion under BKPM (Indonesia's Ministry of Investment, formerly the Investment Coordinating Board) Regulation No. 5/2025, though the total investment plan per business activity must still exceed IDR 10 billion, excluding land and buildings; this materially lowers the entry threshold for smaller and mid-sized Swedish entrants. Foreign-ownership rules and sector-specific requirements still apply.

## Land tenure and expatriate housing

A PT PMA typically secures land through Hak Guna Bangunan (HGB), the right to build: an initial 30-year term, extendable by 20 years, and renewable for a further 30, giving up to 80 years of tenure in total.

This applies nationally and is not an SEZ-specific benefit, but it is the standard basis for long-term site planning inside a zone. One benefit that is tied to zone status: under Government Regulation No. 18/2021, foreign individuals may hold apartment-unit ownership (HMSRS, Hak Milik Atas Satuan Rumah Susun, a strata title) specifically within SEZs, free trade zones, industrial estates, and tourism zones, a right not generally available elsewhere in Indonesia. This can simplify housing for expatriate staff posted to a zone such as Nongsa, Sanur, or Kura-Kura Bali.

## Potential facilities, and the conditions behind them

The package is project-specific. Eligibility depends on the investor, activity, investment value, timing, goods flows, and the particular SEZ. Approval should be confirmed before commercial production or other applicable deadlines.

| **FACILITY**<br>*What it can mean* | **INDICATIVE TREATMENT**<br>*The exact scope can vary.* | **KEY CONDITIONS**<br>*Not automatic* |
|---|---|---|
| **Corporate income tax holiday** | For qualifying main activities, the official guidance states a 100% reduction for:<br>– 10 years: IDR 100 bn to < IDR 500 bn<br>– 15 years: IDR 500 bn to < IDR 1 tn<br>– 20 years: at least IDR 1 tn<br>A two-year transition at a 50% reduction may follow. | Indonesian corporate taxpayer; qualifying main activity; minimum investment; application generally required before commercial production, submitted with NIB (Nomor Induk Berusaha, Indonesia's Business Identification Number) registration or within one year of the SEZ business license via OSS; regulatory calculation of investment value. |
| **Tax allowance** | An alternative for qualifying activities: net-income reduction of 30% over six years, accelerated depreciation/amortization, reduced dividend withholding for nonresidents (or a lower treaty rate), and loss carry-forward for up to 10 years. | Activity and facility criteria apply. It generally cannot be combined with the tax holiday for the same investment. |
| **Customs and indirect tax** | Possible import-duty exemption and noncollection of import income tax, VAT, and luxury-goods sales tax for qualifying capital goods, production goods, or transactions. Excise treatment may also apply. | Depends on the goods, source and destination, development or production stage, approved quantities, customs controls, and SEZ documentation. |
| **Administrative facilities** | An SEZ Administrator can coordinate business licensing and services. The framework also provides possible facilities concerning immigration, employment, land and spatial planning, and movement of goods. | The relevant national and local standards, technical approvals, environmental requirements, and reporting duties remain in force. |

## What SEZ incentives do not cover

An SEZ remains inside Indonesia's customs territory. During construction, qualifying capital-goods imports may receive duty exemption and import-tax relief; during production, duties on machinery, raw materials, and auxiliary goods are generally suspended, not permanently eliminated.

When products leave the SEZ for sale elsewhere in Indonesia, customs duties, VAT, and other import-related taxes may become payable, and companies must maintain an IT-based inventory system integrated with Indonesian customs. Product standards, environmental permits, and employment rules are unaffected by SEZ status.

EU market-access obligations also continue to apply regardless of SEZ status. Furniture, wood, palm-oil, or rubber activities may fall under the EU Deforestation Regulation (EUDR) and require geolocation and traceability, and products in scope of the EU's definitive Carbon Border Adjustment Mechanism (CBAM), in effect since 1 January 2026, remain subject to it. The EU-Indonesia Comprehensive Economic Partnership Agreement has concluded negotiations but was not yet in force as of July 2026; tariff reductions under it should not be built into a base-case financial model.

## Representative zones for an initial screen

Indonesia's 25 SEZs cover industry, tourism, digital activities, healthcare, education, and specialist services. The examples below are a starting point, not a complete recommendation.

| ZONE | LOCATION | INITIAL RELEVANCE |
|---|---|---|
| **Kendal** | Central Java | Export-oriented and general manufacturing, with access to the Semarang industrial and logistics ecosystem. |
| **Industropolis Batang** | Central Java | Large-scale production, processing, and logistics on the Trans-Java corridor; a newer SEZ whose tenant ecosystem is still developing. |
| **Gresik / JIIPE (Java Integrated Industrial and Ports Estate)** | East Java | Port-integrated heavy and process industries, metals, chemicals, energy, and industrial logistics. |
| **Nongsa** | Batam | Data centers, digital services, creative industries, and Singapore-linked digital infrastructure. |
| **Batam Aero Technic** | Batam | Aircraft maintenance, repair, and overhaul (MRO) and related aerospace services. |

| | | |
|---|---|---|
| **Sanur** | Bali | Healthcare and health-tourism services in an integrated medical and hospitality ecosystem. |
| **Arun Lhokseumawe** | Aceh | Energy, petrochemicals, logistics, and processing linked to existing industrial and port infrastructure. |
| **Sei Mangkei** | North Sumatra | Agro-processing and downstream palm-oil, rubber, oleochemical, and supporting industries. |

## Zone maturity: what the table above does not show

Zones at similar development stages can still differ in infrastructure readiness, cost, and connectivity. A few notes relevant to Swedish projects:

- Investment across the 25 zones is uneven: a handful of zones, historically led by Gresik, have accounted for a disproportionate share of total realized investment. A zone's place on the national list is not evidence that it is equally investment-ready.
- Kendal: the original estate is at capacity; a 1,000-hectare expansion was announced in July 2026, and expansion parcels may have different infrastructure readiness than the established area.
- Industropolis Batang: newer ecosystem with more growth capacity, but some multimodal logistics assets, including a proposed rail-linked dry port, were still in planning as of April 2026.
- Gresik/JIIPE: a strong integrated deep-sea port and utility proposition, offset by higher labor costs and potentially greater carbon exposure than other zones.
- Nongsa: the new Nongsa-Changi submarine cable offers very high capacity and sub-two-millisecond latency to Singapore; power capacity, renewable sourcing, water, and redundancy still require project-level verification.
- Sanur and the Batam health SEZ: opportunities extend beyond hospital operation into medtech, pharmaceuticals, and health R&D, but professional licensing and credentialing still apply to foreign healthcare personnel.

## Indicative labor costs by zone (2026)

Minimum wage is not the same as total labor cost: skilled-worker premiums, THR (Tunjangan Hari Raya, a mandatory religious holiday bonus), BPJS (Badan Penyelenggara Jaminan Sosial, Indonesia's mandatory social security and health-insurance scheme), overtime, shift allowances, productivity, turnover, and sectoral wage scales must also be factored in. The figures below are monthly municipal minimum wages and illustrate the spread between zones.

| LOCATION | MONTHLY MINIMUM WAGE (2026) |
|---|---|
| **Batang** | IDR 2 708 520 |
| **Kendal** | IDR 2 992 994 |
| **Denpasar / Sanur** | IDR 3 499 879 |
| **Gresik** | IDR 5 195 401 |
| **Batam** | IDR 5 357 982 |

*The Batang and Kendal wage floors are approximately 42-49% below Gresik and Batam. Sources: provincial and municipal manpower offices.*

## Is an SEZ likely to fit your project?

| STRONGER FIT SIGNALS | REASONS TO COMPARE ALTERNATIVES |
|---|---|
| – A substantial fixed investment with a long operating horizon.<br>– The activity is expressly included among a zone's approved main activities.<br>– Imported capital equipment or cross-border goods flows are material to the business case.<br>– The zone offers a genuine operating advantage: port access, utilities, workforce, suppliers, customers, or a specialist ecosystem. | – The Indonesian presence is initially a sales office, representative office, distributor arrangement, or small service team.<br>– Customers, suppliers, or talent are concentrated far from the zone.<br>– The investment is below facility thresholds or the activity is not a zone priority.<br>– The business case works only if the maximum incentive is assumed from day one. |

## A practical screening process

The five steps below move from defining the activity to completing due diligence. In practice, location shortlisting and eligibility mapping often run in parallel rather than strictly in sequence.

1. **Define the Indonesian activity.** Confirm the KBLI classification, intended products or services, foreign-ownership position, investment size, import profile, and customer geography.
2. **Shortlist two or three locations.** Compare land or lease terms, utilities, power quality, water, waste treatment, port and airport access, labor availability, suppliers, housing, and disaster or climate exposure.

3. **Map eligibility in writing.** Ask the SEZ operator and Administrator to map the activity and investment to the exact facility, application route, deadline, and reporting obligation. Validate the result with BKPM and qualified tax/customs counsel.
4. **Model both cases.** Build a base case without the incentive and an approved-incentive case. Include estate charges, logistics, utilities, labor, environmental compliance, and any transition period.
5. **Complete site and regulatory due diligence.** Verify land rights, estate permits, technical approvals, environmental obligations, construction readiness, utility capacity, customs procedures, and the contractual allocation of infrastructure risk.

## Pre-investment checklist

Before committing to a parcel or signing a land or lease agreement, confirm each of the following in writing:

- KBLI 2025 eligibility: the exact product and activity codes match the zone's current approved main activities.
- Incentive timing: applications are lodged before commercial production, with NIB registration or within one year of the SEZ business license via OSS.
- Customs flows: a modeled comparison of export-oriented versus domestic-market sales, including the IT-based inventory system requirement.
- Infrastructure capacity: contracted (not planned) power, water, and renewable-energy supply, with reserved MW, generation source, and REC (renewable energy certificate) ownership specified.
- Land rights: for Batam sites in particular, written confirmation of whether the exact parcel sits within the SEZ or the wider Free Trade Zone, the responsible administrator, and applicable customs treatment.
- EU compliance exposure: any EUDR traceability or CBAM obligations that apply to the product regardless of SEZ status.
- Labor cost realism: total labor cost modeled against sectoral wage scales, not the municipal minimum wage alone.

## Questions to put to an SEZ operator

Is our exact KBLI and product scope an approved main activity? Which facilities are already operational in practice? What must be applied for, and by when? What are the all-in land or lease, utility, service, and logistics costs? Which permits sit with the Administrator and which remain with other agencies? Can the zone provide current tenant references for comparable operations?

For Batam sites specifically: is the exact parcel legally within the SEZ or the Free Trade Zone, and which authority administers it? For power and water: what MW is reserved rather than merely available, what is the generation source and emissions factor, who owns any renewable energy certificates, and what is the grid's outage history?

## Legal framework and official starting points

Core framework: Law No. 39/2009 on SEZs, as amended; Government Regulation No. 40/2021 on SEZ administration; Ministry of Finance Regulation No. 237/2020, as amended by No. 33/2021; and the regulation establishing each individual SEZ.

Business licensing generally is now governed by Government Regulation No. 28/2025 on risk-based licensing, which replaced Government Regulation No. 5/2021, together with BKPM Regulation No. 5/2025 (which also sets the reduced minimum paid-up capital) and the KBLI 2025 business classification.

Land tenure for a PT PMA is governed by Government Regulation No. 18/2021 on land rights, which also permits foreign apartment ownership within SEZs and similar zones.

Each zone's approved-activity list is amended periodically by the National SEZ Council Secretariat, most recently in 2025. The Batam Free Trade Zone was expanded under Government Regulation No. 47/2025, which increases the importance of confirming SEZ-versus-FTZ status at parcel level.

**National SEZ Council:** kek.go.id/en

**Ministry of Investment/BKPM:** investindonesia.go.id

Source note. Prepared from the official National SEZ Council, Coordinating Ministry for Economic Affairs, Ministry of Investment/BKPM, Indonesian Customs, provincial manpower offices, and the European Commission. Statistical figures are current through Q1 2026; regulatory citations are current to 29 July 2026. Regulations and implementation practices can change.

Disclaimer. This fact sheet provides general market-entry information and is not legal, tax, customs, investment, or site-selection advice. Confirm eligibility and implementation with the relevant SEZ Administrator, BKPM, the tax and customs authorities, and qualified professional advisers before making an investment decision.

# SwedCham Indonesia

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**How SwedCham Indonesia can help.** SwedCham can support initial market orientation, identify relevant local stakeholders and advisers, and connect Swedish companies with established businesses and institutional counterparts in Indonesia.

All are welcome to share information from SwedCham publications; a reference to SwedCham Indonesia is appreciated.

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# Appendix: The complete list of Indonesia's 25 SEZs

Current designations as of Q1 2026, with each zone's main business as designated. Of the 25, 14 are designated for industrial activity, 8 for tourism, and 3 for digital or education activities; seven sit in Java and eighteen elsewhere.

| NO. | SEZ / KEK | PROVINCE | MAIN BUSINESS |
|---|---|---|---|
| 1 | Sei Mangkei | North Sumatra | Palm oil and rubber processing, tourism, logistics |
| 2 | Arun Lhokseumawe | Aceh | Energy, petrochemicals, palm oil and wood processing, logistics |
| 3 | Galang Batang | Riau Islands | Bauxite and alumina processing, logistics |
| 4 | Nongsa | Riau Islands | Digital economy, tourism, creative industries |
| 5 | Batam Aero Technic | Riau Islands | Aircraft maintenance, repair, and overhaul (MRO) |
| 6 | Tanjung Sauh | Riau Islands | Electronics manufacturing, port logistics, energy development |
| 7 | Pariwisata Kesehatan Internasional Batam | Riau Islands | Health tourism, international hospital services |
| 8 | Tanjung Kelayang | Bangka Belitung | Tourism |
| 9 | Tanjung Lesung | Banten | Tourism |
| 10 | Edukasi, Teknologi, dan Kesehatan Internasional Banten | Banten | Education, digital technology, healthcare |
| 11 | Lido | West Java | Tourism, creative industries |
| 12 | Kendal | Central Java | Textiles, furniture, food and beverage, automotive, electronics, logistics |

| | | | |
|---|---|---|---|
| 13 | Industropolis Batang | Central Java | Manufacturing, logistics, distribution and property |
| 14 | Gresik / JIIPE | East Java | Metals, electronics, chemicals, energy, logistics |
| 15 | Singhasari | East Java | Tourism, technology development |
| 16 | Sanur | Bali | Healthcare, health tourism |
| 17 | Kura-Kura Bali | Bali | Tourism, creative industries |
| 18 | Mandalika | West Nusa Tenggara | Tourism |
| 19 | Likupang | North Sulawesi | Tourism |
| 20 | Bitung | North Sulawesi | Fisheries and coconut processing, logistics |
| 21 | Palu | Central Sulawesi | Base metal processing, logistics |
| 22 | Maloy Batuta Trans Kalimantan (MBTK) | East Kalimantan | Palm oil processing, energy, logistics |
| 23 | Setangga | South Kalimantan | Nickel and iron smelting, biodiesel, rubber and wood processing |
| 24 | Sorong | West Papua | Nickel and palm oil processing, forestry products, logistics |
| 25 | Morotai | North Maluku | Fisheries processing, marine tourism, logistics |

*Source: National SEZ Council and Coordinating Ministry for Economic Affairs. A further six SEZs are in the designation pipeline and are not yet included above.*