

Tax Newsletter

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Introducing the Indonesia International Financial Centre

forvis mazars

The Indonesian government officially released Law No. 6 of 2026 recently[1], introducing the Indonesia International Financial Centre (IIFC). It establishes a new legal framework for financial activities conducted within the IIFC including types of activities, restrictions, governance and regulatory bodies, possibility of implementing international law, dispute resolution, tax and other facilities exclusively provided in the IIFC including territorial income system, family office, repatriation and control of foreign exchange.

Key highlights of the IIFC rule

The establishment of IIFC is to enhance Indonesia's competitiveness as an international financial hub, thereby strengthening national economic sovereignty. It will develop capital markets, financial technology, digital finance, and financial market infrastructure that are internationally competitive. In addition, it intends to attract international financial institutions, investment funds, family offices, regional headquarters, treasury centers, and professional service providers, while positioning itself as a hub for the resolution of commercial disputes in accordance with international standards.

Under Law No. 6 of 2026 ("Law 6/2026"), IIFC is defined as a territory in Indonesia that possesses financial and administrative autonomy, as well as specific legal characteristics which adopts, incorporates, implements, and/or aligns with international principles and/or standards.

Scope of activities and form of operation

There are three types of financial activities in the IIFC comprises:

- **Financial-sector activities** – banking, insurance, Islamic finance, capital markets, derivatives, carbon exchanges, pension funds, financing, venture capital, fintech, guarantees, international commodity trading, bullion, trusts, financial holding companies, money markets including foreign-exchange and derivatives, family offices, investment management and other financial sector activities.
- **Financial-sector supporting activities -** public accounting, valuation, notarial, legal, financial. Investment management, tax, actuarial, sharia advisory services and other supporting activities.
- **Other-sector activities** – transportation, accommodation, healthcare, tourism, food and beverage, and waste management services.

Governance and regulatory bodies – the IIFC comprises IIFC Advisory Council, IIFC Board, IIFC Management Authority and the IIFC Financial Services Supervisory Authority.

Form of operation in the IIFC – business actors are largely divided into i) corporates, ii) legal corporates, iii) special purpose vehicles, iv) trusts, and v) other form of operations authorized by the IIFC Board regulations.

[1] Law No. 6 of 2026 on the Indonesia International Financial Center was enacted on August 19, 2026. The law is made available to public on 30 October 2026.

Tax and other special facilities

Type of tax facility	Description
Income tax	
Territorial income system	granted to i) the business actors and ii) foreign financial experts in the IIFC, on their income sourced from outside Indonesia are exempted from income tax.
100% CIT reduction	granted to the business actors in the IIFC subject to Pillar 2 rule
0% final income tax	granted to i) foreign financial experts working for the business actors in the IIFC, and ii) foreign ad-hoc judges, for certain periods which will be determined by the Minister of Finance regulation.
Exempted from being Indonesia tax resident	foreigners are exempted from being Indonesian tax residents to the extent of holding valid golden visa and the requirements below: • registered under family office in the IIFC, and • do not generate income from activities, or work for the business actors inside and outside the IIFC.
WHT exemption	granted to foreign tax residents on their investment income comprising interest, dividend, discount, capital gain and branch profit tax, and for the purchase of luxury houses located in the IIFC by individuals or corporates who conduct activities, domicile or reside in the IIFC.
VAT	granted to certain strategic goods and services related to the construction and development activities including import of capital goods in the IIFC
Luxury goods sales tax	granted on sales of luxury houses to individuals, corporates and/or ministries who conduct activities, domicile, or reside in the IIFC.
Customs	granted on import of goods related to the construction and development activities in the IIFC.
Family office	inheritance is not subject to tax to the extent both the inherited assets and the foreign heirs are registered under the family office in the IIFC.
Other special facilities	immigration, employment, license, residential, golden visa, stay permit and others.

Parties eligible for tax facilities – comprises: i) business actors, ii) qualified financial experts, iii) foreign ad-hoc judges, iv) foreign tax residents undertake investments in the IIFC, v) the IIFC Management Authority and the IIFC Financial Services Supervisory Authority.

Duration of the income tax facilities - The income tax facilities are granted for a duration of 50 (fifty) years to: i) the business actors that involve in the financial-sector activities in the IIFC, and ii) foreign tax residents undertaking investment activities in the IIFC including

interest, dividend, discount, capital gain and branch profit tax. Whilst shorter duration of income tax facilities is granted to financial-sector supporting and other-sector activities.

The income tax facilities are applicable to i) the income generated in the IIFC, and ii) the business actors, professionals and foreign tax residents who qualify certain criteria inter-alia the minimum number of employees, certain value of investment, and the minimum spend requirement per annum.

The Minister of Finance is expected to issue the implementing regulations no later than six months upon the enactment of Law No. 6 of 2026.

Failing to comply with the tax requirements enumerated above would result in i) revocation of tax facilities granted, and/or ii) obligation to repay the tax benefits enjoyed plus the penalties.

The following activities are restricted in the IIFC:

• Raising funds from the public outside the IIFC by way of deposits or similar instruments, in Rupiah or foreign currency.

• Offering financial products to the public outside the IIFC within Indonesia territory without approval from Indonesian respective authorities.

• Opening Rupiah-denominated accounts, unless otherwise specified in the IIFC Board regulations,

• Extending loans outside the IIFC within Indonesia territory, unless foreign currency denominated loans provided to corporates that satisfy the minimum criteria and a minimum loan threshold, as stipulated in the IIFC Board regulations, following coordination with the relevant ministries and/or institutions, and

• Undertaking other activities as determined by the IIFC Board.

Funds sourced from the IIFC and invested outside the IIFC within Indonesia territory can be transferred back to the IIFC to the extent such funds are in foreign currency.

Failing to comply with the permitted activities would result in administrative sanctions, from written warnings to revocation of business license.

Administrative requirements

Business actors, financial experts and other parties (individuals, corporates, the IIFC Management Authority and the IIFC Financial Services Supervisory Authority) have obligations to file and document tax as well as customs in accordance with the prevailing regulations, including:

• possess tax identification number or NPWP.
• maintain bookkeeping or records.
• perform tax withholding and/or collection.
• submit tax returns.
• submit reports due to the utilization of tax facilities and customs, and
• fulfill other tax and customs obligations in accordance with the prevailing regulations.

Exclusivity granted to IIFC

The use of English in legal documents and foreign currency in transactions within the IIFC.

Repatriation and control of foreign exchange

Business operators within the IIFC are guaranteed the right to transfer and repatriate foreign exchange, capital, funds, profits, dividends, interest, profit-sharing, investment returns, assets, and other payments without delay.

Foreign exchange controls, capital controls, restrictions on the transfer of funds, requirements for approval, delivery, conversion, or other similar restrictions (which are imposed under laws and regulations applicable outside the IIFC) shall not apply to business activities conducted within, from, and/or through the IIFC, unless otherwise stipulated by the IIFC Board regulations.

Nonetheless the activities in the IIFC are subject to provisions governing anti-money laundering, counter-terrorism financing, the financing of the proliferation of weapons of mass destruction, the transparency of beneficial ownership, and access to financial information for tax purposes, as well as the exchange of information pursuant to international agreements.

Dispute resolutions and the applicable law

The IIFC and all its activities are conducted in accordance with Indonesia laws unless for particular areas which regulations, guidance and provisions are determined by the IIFC Board on certain conditions.

The laws and regulations applicable within the IIFC may adopt, incorporate, implement, or adapt the legal principles, jurisprudence, international commercial law, practices of international financial centers, and international standards taking into account propriety and fairness.

In doing its duties, the IIFC Financial Services Supervisory Authority shall coordinate with the relevant ministries, institutions, agencies, and/or other competent authorities, both within and outside Indonesia, including the Ministry of Finance, Bank of Indonesia, the Financial Services Authority, the Indonesia Deposit Insurance Corporation, the Indonesia Stock Exchange, the Indonesian Financial Transaction Reports and Analysis Center, as well as the International Organization of Securities Commissions (IOSCO) and the Financial Action Task Force (FATF).

The IIFC Arbitration Institution is established as an alternative of dispute resolution, which is authorized to conduct arbitration, mediation, conciliation, expert determination, and other forms of alternative dispute resolutions.

The IIFC Court is not authorized to adjudicate cases involving parties who are bound by an arbitration agreement or who have agreed to resolve their disputes through the IIFC Arbitration Institution.

Implementing rules

The implementing rules are expected to be issued within six months upon the enactment of Law No. 6 of 2026.

The content of this newsletter is for the purpose of general guidance on matters of interest and is not meant as advice. The implementation and impact of laws/regulations can vary widely based on the specific facts involved. Readers are advised to consult their tax advisors before making any business decisions.

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