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Transparency and Shareholder Protection: New Regulations

by Galih Adi Prasetya

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On 21 April 2020, the Financial Services Authority of the Republic Indonesia (**OJK**) enacted new regulations relating to the way public companies do business (**Regulations**).* The Regulations are an expression of the government's commitment to transparency and shareholder protection.

The Regulations will help to provide clarity to shareholders in relation to material transactions carried out by public companies including by:

- expanding the definition of the term Material Transaction to include any transaction whose value is at least 10% of the company's total assets, if the company in question is in negative equity. The expanded definition will ensure that even those companies in negative equity will need to comply with transparency regulations relating to Material Transactions;
- allowing public companies to calculate a transaction value to determine if it is a Material Transaction (and thus triggering transparency obligations) by using quarterly finance reports instead of mid- year finance reports;
- requiring any public company in negative equity to have a general shareholders' meeting prior to carrying out a Material Transaction that exceeds 25% of the company's total assets;
- requiring public companies to have independent shareholder approval, in accordance with a general shareholders' meeting, if the proposed Material Transaction fulfils certain criteria including if it may result in a conflict of interest or may disrupt business continuity; and
- setting out stricter regulations relating to transparency with regards to the public announcements of materials transactions and/or changes in business activities including that such announcements may be done:
  - for a publicly listed company, on the company's website and the relevant stock exhchange's website; and
  - for a non-listed public company, on the company's website, in an Indonesian daily magazine and on the OJK's website.

Breach of the Regulations may lead to administrative sanctions. The Regulations came into force on 21 October 2020.

*Financial Services Authority of the Republic Indonesia Regulation No. 17/POJK.04/2020 of 2020 on Material Transactions and Changes in Business Sector.

New Certification: Indonesian Palm Oil Gets Sustainability Boost

by Pratiwi Widyastuti

The President of the Republic of Indonesia has enacted new regulations to boost the sustainability credentials of Indonesian palm oil (the Regulations).* The Regulations introduce a new Indonesian Sustainable Palm Oil (ISPO) certification system, which aims to ensure palm oil products and plantations are managed in accordance with sustainable principles set out as part of the ISPO system. The ISPO system applies to all businesses in the palm oil sector and requires all businesses to comply with ISPO criteria. An ISPO certificate is proof that the business has met ISPO criteria based on the certification agency assessment. Certification is valid for 5 years and must be renewed prior to expiry.

Image source: https://cdn-a.william-reed.com/var/wrbm_gb_food_pharma/storage/images/publications/feed/feednavigator.com/news/regulation/trading-company-wins-cautious-praise-for-palm-oil-production-shift/10778581-1-eng-GB/Trading-company-wins-cautious-praise-for-palm-oil-production-shift_wrbm_large.jpg

Administrative sanctions apply if the certification agency finds that the business does not comply with ISPO criteria.

The following three new administrative bodies have been created to administer the new ISPO system, the:

- ISPO committee, to set out regulatory requirements;
- ISPO directing board, to provide policy direction to the ISPO committee; and
- ISPO certification agency, to carry out certifications.

*President Regulation Number 44 of 2020 on the Indonesian Sustainable Palm Oil Certification System.

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Business Incentives During COVID-19

by Woro Nastiti

On 13 April 2020, the Minister for Finance issued new regulations to help businesses in bonded zones (areas designated for industrial activities) during the Covid-19 pandemic (the Regulations).*

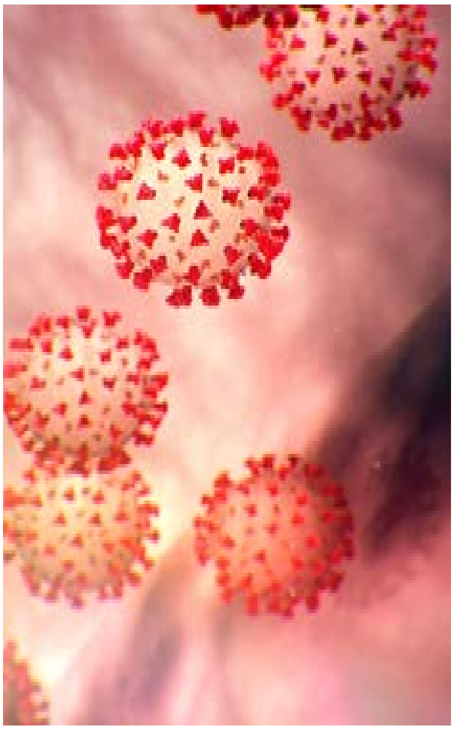

Image source https://www.coastmountainnews.com/wp-content/uploads/2020/03/20912711_web1_Virus-Tsr-1024x683.jpg

The Regulations provide relief from import duties for any items imported for the diagnosis, treatment and/or containment of Covid-19, such as disinfectants, masks, personal protective equipment, thermometer guns, etc. Import duty exemptions are also given for 12 months for goods imported to create products for export, so long as the accompanying tax invoice states "VAT Not Collected".

*Regulation No. 31/PMK.04/2020.

Tax Incentives: Covid-19 Economic Cure

by Fiaruska Raynaldo Vikorefial

https://www.soas.ac.uk/blogs/study/wp-content/uploads/2020/03/Coronavirus-economy-WP-1038x656.png

The Indonesian government considers the threat of the coronavirus a danger, not only to public health, but also to economic stability. Consequently, the Minister for Finance has enacted a new tax incentive scheme to underpin the economy and stimulate business productivity and consumer purchasing power (the **Regulations**).*

The Regulations offer tax incentives for tax payers in certain classes including those that import goods to create goods for export and those that are in certain business classes. Incentives include tax relief including for VAT, tax exemptions and tax reductions.

* Regulations of the Minister for Finance of the Republic of Indonesia Number 23/PMK.03/2020 on The Tax Incentives For Taxpayers Affected By Coronavirus Disease.

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