NOT JUST A
LAW FIRM

BUILDING INDONESIA’S INTERNATIONAL FINANCIAL CENTRE: LESSONS FROM DUBAI

Comparing Indonesia’s IFC with Dubai’s IFC

WHAT IS INDONESIA'S INTERNATIONAL FINANCIAL CENTRE?

An International Financial Centre (IFC) is an area that serves as a global hub for cross-border financial services. This area is characterized by high foreign capital mobility, investor-friendly regulations, clear legal certainty, and competitive tax incentives to support cross-border financial transactions.

The Indonesian government is developing the concept of the Indonesia International Financial Centre ("**IIFC**"), a special economic zone designed to become a financial centre on par with the **Dubai International Financial Centre** (**DIFC**). The goal is to attract global capital flows, deepen the domestic financial market, and strengthen Indonesia's position within the global financial ecosystem.

The initial legal basis for this concept was established under Article 248A of Law No. 4 of 2026 on the Amendment of Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector ("**Law No. 4 of 2023**")

UNDERSTANDING INDONESIA'S INTERNATIONAL FINANCIAL CENTRE

Support **sustainable national economic growth,** while also deepening and diversifying Indonesia's economy through **tangible contributions in the financial sector**. IIFC is not merely an ordinary economic zone project, but rather part of a broader strategy to strengthen and deepen Indonesia's financial markets as a whole.

Purpose

IIFC has the flexibility to **adopt, incorporate, implement, and/or adapt** international legal standards. These four options can be used together or separately, giving policymakers room to choose the best approach for each situation

Characteristic

The government has the authority to establish **more than one** Indonesian International Financial Centre. Based on the recent news, the government has currently chosen to focus its initial efforts on developing Jakarta and then followed by Bali.

Location

Main focus of IIFC's business activities encompasses three categories: (a) business activities in **the financial sector;** (b) business activities **supporting the financial sector**; and (c) business activities **in other sectors that support the development of the area**

Business Activities

IFC is managed by the Central Board of the Indonesian International Financial Association.

Authority

Business activities within the IIFC are subject to **special tax treatment, special tax incentives, and other special benefits.**

Taxation

LESSON LEARNED FROM DUBAI INTERNATIONAL FINANCIAL CENTRE

DISPUTES RESOLUTION

- Independent, but complimentary to the UAE's Arab language, civil law system, the DIFC Courts administer a **unique common law, English language jurisdiction,** which governs commercial and civil disputes, national, regionally, and worldwide.
- DIFC laws allow parties to choose any legal jurisdiction for their contracts. If they do not choose one, DIFC law applies by default, and disputes can be brought before the **DIFC Courts.**
- The DIFC Courts has jurisdiction over civil and commercial matters only. The DIFC Courts **does not have jurisdiction** over **criminal matters**. All criminal matters are referred to the **appropriate external authority.**

FISCAL INCENTIVES

- **Zero Percent Tax,** based on Article 24 of Dubai Law No. 5 of 2021, DIFC Bodies, DIFC Establishments, and their respective employees are subject to a **zero percent (0%) tax rate for 50 years** from the effective dates of the law, including **the income tax**, in relation to their operations in the DIFC and **the tax imposed on the transfers of assets, profits, or salaries** in any cash currency to any party outside of the DIFC for the same period.
- **Custom Exemption**, based on Article 25 of Dubai Law No. 5 of 2021, DIFC provides customs duty exemptions for goods imported into, manufactured, produced, or developed within the DIFC are exempt from customs duties, and no customs duties are charged when such goods are exported outside the UAE.

DATA PROTECTION

- **The DIFC Commissioner of Data Protection** is responsible for supervision and enforcement of the Data Protection Law, DIFC Law No. 5 of 2020. The law sets rules for **collecting, handling, and using personal data,** while protecting individuals' privacy rights. It balances businesses' need to use personal information with individuals' right to privacy.
- In 2007, the independent Office of the Commissioner of Data Protection was established. The current Data Protection Law (DIFC Law No. 5 of 2020) was enacted in May 2020 and follows international standards, including **EU, UK, and OECD data protection principles.**

THE IMPACT OF
INDONESIA'S INTERNATIONAL FINANCIAL CENTRE

DISPUTES RESOLUTION

Under Article 248A (2) of Law No. 4 of 2023, the IIFC has financial and administrative independence as well as **certain legal specificities that adopt, incorporate, apply, and/or adjust to international principles and/or standards.** Following international benchmarks such as the DIFC, which has its **own court** for resolving disputes, this provision opens the possibility for the IIFC to eventually have its own dispute resolution forum along similar lines.

FISCAL INCENTIVES

Under Article 248A (6) of Law No. 4 of 2023, the business activities within the IIFC are subject **to special tax treatment** and may receive **special tax and other incentives**. However, in the implementation of the above there are risks that need to be considered, such as:

Capital round-tripping *is when Indonesian funds are sent abroad and then brought back into Indonesia as if they were new foreign investment. This can be used to obtain tax benefits intended for genuine foreign capital, even though the funds originally came from Indonesia.*

Money Laundering, *there are concerns that tax regulations, without strict oversight, could turn IIFCs into a means of concealing the origins of illicit assets or serving as a vehicle for money laundering.*

DATA PROTECTION

- Indonesia has a data protection framework under Law No. 27 of 2022 (“**PDP Law”**), which requires the establishment of a Personal Data Protection Agency. However, as of this insight, the agency has not yet been established.
- Article 248(A)(2) of Law No. 4 of 2023 may allow the IIFC to have **its own data protection agency, in line with international practice.** If so, its coordination with the agency under the PDP Law would need to be considered.
- If the IIFC uses the same agency under the PDP Law, the agency would need to consider the **IIFC’s specific regulatory framework** under Law No. 4 of 2023.

NOT JUST A
LAW FIRM

We’re here to support you with reliable legal **advice and services.**
Don’t hesitate to reach out, **we’re ready to help!**

Citylofts Sudirman 10th Floor
Jl. K.H. Mas Mansyur No. 121
Tanah Abang - Jakarta 10220
Indonesia

T : (021) 255 585 23
E : info@adikaralaw.com
www.adikaralaw.com