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Tax Alert

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Indonesia Regulatory Update: Indonesia's New PFII Law: What Businesses Need to Know

Law No. 6 of 2026 establishes the framework for one or more Indonesian International Financial Centers (PFII), combining dedicated regulatory institutions, specialized arbitration and court-based dispute-resolution mechanisms, fiscal facilities and internationally oriented operating rules. The regime could create significant opportunities for financial institutions, investors, family offices and supporting professional-services firms.

Executive summary

On 19 August 2026, the government of Indonesia promulgated Law No. 6 of 2026 on the Indonesian International Financial Center (*Pusat Finansial Internasional Indonesia* or the PFII Law), which took effect on the same date. The PFII Law implements the mandate in Article 248A (7) of Law No. 4 of 2026, which amended Law No. 4 of 2023 on Financial Sector Development and Strengthening.

The new regime covers financial businesses, supporting professional services and selected non-financial activities. It establishes dedicated governance, regulatory, arbitration and court institutions, together with a framework for fiscal incentives and immigration, employment, licensing and residency facilities.

The framework is significant, but not yet fully operational on the face of the PFII Law alone. The location and establishment of each PFII, eligibility criteria, incentive periods, licensing mechanics and detailed institutional rules are largely reserved for implementing regulations. Those regulations must be issued no later than six months after promulgation.

Key takeaways

- **Purpose-built financial ecosystem** – The permitted activities extend from banking, insurance, capital markets and fintech to family offices, trusts, treasury activities and professional support services.
- **Distinct institutional architecture** – A PFII Board, operating authority, dedicated financial services regulator, arbitration institution and specialized court are contemplated under the law.
- **Material fiscal proposition** – The law provides a statutory basis for extensive income tax, VAT, luxury-goods sales tax and customs facilities, subject to eligibility requirements and implementing rules.
- **International operating features** – English may be used for PFII decisions, policies, contracts and proceedings, foreign currency is the default for business activities, subject to limited rupiah use for supporting and daily transactions.
- **Implementation remains critical** – Businesses should treat the law as an enabling framework and monitor the regulations needed to make establishment, licensing and incentives operational.

Background and regulatory context

Scope of activities and market access

The PFII Law permits a broad range of financial activities, supporting and related services and operating structures, subject to specific market-access and operational requirements.

Area	Scope and business relevance
Financial activities	Banking, insurance, Islamic finance, capital markets, derivatives, carbon exchanges, pension funds, financing, venture capital, fintech, guarantees, commodity trading, bullion, trusts, holding companies, money and foreign-exchange markets, family offices and investment management.
Supporting services	Public accounting, valuation, notarial, legal, financial, investment-management, tax, actuarial and sharia advisory services.
Permitted forms and structures	Business and legal entities, special purpose vehicles, trusts and other forms permitted under PFII Board regulations.
Market access	Internationally oriented activities within the permitted scope, with dealings outside the PFII subject to applicable approvals, conditions and exceptions. A PFII license does not itself authorize activities outside the PFII.
Operating currency	Foreign currency generally applies with limited use of rupiah for specified transactions.
Transfers and compliance	Transfer and repatriation rights apply, subject to AML, counter-terrorist financing, beneficial ownership and tax-information requirements.

Governance and regulatory architecture

The institutional framework comprises the PFII Advisory Council (*Dewan Pertimbangan PFII*), the PFII Board (*Dewan PFII*), the PFII Management Authority (*Lembaga Pengelola PFII* or LP PFII) and the PFII Financial Services Supervisory Authority (*Lembaga Pengawas Jasa Keuangan PFII* or LPJK PFII). The president delegates management authority to the PFII Governor, who chairs the PFII Board and reports to the president. The LP PFII manages PFII operations and regulates the selected non-financial activities. The LPJK PFII regulates and supervises financial-sector and support businesses and is responsible for maintaining financial-system stability within the PFII.

For businesses, the practical consequence is a separate regulatory perimeter with PFII-specific licensing, supervision, fees and sanctions. The detailed interfaces with the Ministry of Finance, Bank Indonesia, the Financial Services Authority and other authorities will be particularly important and are subject to further regulation and coordination mechanisms.

Fiscal facilities

The PFII Law provides fiscal facilities for qualifying businesses, financial-sector experts, foreign ad hoc judges, non-resident taxpayers and PFII authorities. Eligibility, qualifying income, applicable periods and other conditions remain subject to the Law and implementing regulations. The principal facilities include:

- Income tax facilities, including a 100% corporate income tax reduction for qualifying activities. Specified core PFII financial activities and qualifying investment activities undertaken by non-resident taxpayers may receive facilities for up to fifty years, subject to the applicable eligibility rules and international tax commitments.
- Income tax exemptions for qualifying foreign-source income earned by PFII business participants and eligible foreign financial-sector experts, and from Indonesian withholding or collection on qualifying PFII investment income earned by non-resident taxpayers.
- Preferential income tax treatment for qualifying financial-sector experts and foreign ad hoc judges, as well as specific tax-residence and inheritance-tax treatment for eligible foreign nationals registered with a PFII family office.
- VAT not collected, luxury goods sales tax exemptions and customs facilities for qualifying goods, services, property and imports connected with PFII construction and development.

The availability and effective value of the income tax facilities remain subject to applicable international tax commitments, including the Global Minimum Tax rules. Implementing regulations will prescribe further eligibility criteria, qualifying income, facility periods and administrative requirements.

Fiscal compliance obligations continue even where a facility applies. Facility recipients must maintain the required tax identification, books and records, withholding and collection processes, returns, facility-utilization reports and other applicable administration. Improperly claimed facilities may be withdrawn and recovered, with applicable sanctions.

Family offices and private wealth

Family offices are expressly included within the permitted financial-sector activities and are a stated target of the PFII regime. The law also permits qualifying foreign nationals registered with a PFII family office and holding a PFII golden visa to be excluded from Indonesian tax-resident status, provided they do not earn active business or employment income from a PFII or other Indonesian business. In addition, the law states that tax on inheritance does not apply in the PFII where the inherited assets and the foreign deceased are registered with a PFII family office.

These provisions create a potentially significant platform for private wealth structuring. However, the qualifying investment, registration, substance, reporting and operational conditions will need to be assessed against the implementing regulations before any structure is adopted or migrated.

Dispute resolution and applicable law

The PFII Board must establish a PFII Arbitration Institution that may administer arbitration, mediation, conciliation, expert determination and other alternative dispute-resolution processes by party agreement. The PFII Court is established as a specialized court within the general court system and has exclusive jurisdiction over specified PFII-related commercial, contractual, tax-facility, insolvency, regulatory and other civil matters.

The law also provides that PFII regulations may adopt, incorporate, apply or adapt international legal principles, jurisprudence, international commercial law, international financial-center practices and international standards. Elucidation identifies common-law principles as an example. English is the language used in the PFII, including for decisions, policies, contracts and proceedings.

Outstanding implementation matters

The PFII Law requires its implementing regulations to be issued within six months after promulgation. The operational framework will involve Government Regulations, Presidential Regulations, Minister of Finance Regulations, PFII Board Regulations, LP PFII Regulations, LPJK PFII Regulations and PFII Court Regulations. Key matters include PFII location and transition, institutional appointments, business licensing, incentive eligibility and duration, financial-product rules, court procedure and immigration and employment facilities.

Insights and practical implications

The PFII could enhance Indonesia's position as a regional hub for internationally oriented financial activities. However, its commercial appeal will ultimately depend on clear implementing rules, credible institutions and predictable outcomes. Businesses should therefore consider the following practical implications as the framework develops.

Area	Practical implication
Strategic assessment	Financial institutions, investment managers, family offices, treasury centers and professional service firms should identify which activities could sit within the PFII perimeter and whether the model aligns with their regional operating strategy.
Tax and substance modelling	Potential benefits should be modelled together with anticipated qualification, investment, personnel and annual-spend requirements, as well as the application of international tax agreements, including the Global Minimum Tax rules.
Operating-model review	Businesses should map customer location, product distribution, currency, funding and domestic-market touchpoints to the applicable requirements on activities outside the PFII.
Legal architecture	Prospective participants should consider governing law, forum, arbitration and enforcement provisions in transaction documents once the relevant PFII rules and institutions are operational.
Regulatory watch	Implementation should be monitored across all relevant instruments. Decisions should not rely solely on the indicative post-incentive tax rates or incentive periods set out in the PFII Law.

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