LAW OF THE REPUBLIC OF INDONESIA

NUMBER 8 OF 2017

REGARDING

AMENDMENT TO LAW NUMBER 18 OF 2016 REGARDING THE STATE BUDGET
FOR FISCAL YEAR 2017

BY THE GRACE OF GOD ALMIGHTY

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering : a. whereas the State Budget for Fiscal Year 2017 is prepared in accordance with the need of state administration and the capability of collecting state revenues for the realization of an economic democracy-based national economy with the principles of togetherness, justice, efficiency, sustainable, environmental approach, and independence, in order to achieve the safe and peaceful, just and democratic Indonesia, to improve the welfare of the people, as well as to safeguard the balance of progress and the unity of national economy;

b. whereas since the enactment of Law Number 18 of 2016 regarding the State Budget for Fiscal Year 2017, there have been Macroeconomic Basic Assumptions development and changes in the principles of fiscal policies which have had significant impact on the State Budget for Fiscal Year 2017;

c. whereas...
c. whereas in order to safeguard the implementation of the State Budget for Fiscal Year 2017, it is necessary to adjust the target of state revenue, state expenditure, budget deficit, and the need and source of state budget financing, in order to be more realistic and able to support the achievement of the 2017 and mid-term economic development goals, either for supporting the national economy activities to stimulate growth, creating and expanding the employment, as well as improving the service quality for the community and decreasing the poverty, while keeping on maintaining the national stability in accordance with the national development program;

d. whereas based on the considerations as set forth in letters a, b, and c, it is necessary to stipulate a Law regarding the Amendment to Law Number 18 of 2016 regarding the State Budget for Fiscal Year 2017;

In view of:
1. Article 5 paragraph (1), Article 20, Article 23 paragraphs (1) and (2), Article 31 paragraph (4), and Article 33 paragraphs (1), (2), (3), and (4) of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 17 of 2003 regarding State Finances (Supplement Number 4286 to State Gazette of the Republic of Indonesia Number 47 of 2003);
3. Law Number 25 of 2004 regarding National Development Planning System (Supplement Number 4421 to State Gazette of the Republic of Indonesia Number 104 of 2004);
4. Law Number 17 of 2014 regarding People’s Consultative Assembly, House of Representatives, Regional Representative Council, and Regional House of Representatives (Supplement Number 5568 to State Gazette of the Republic of Indonesia Number 182 of 2014) as amended by Law Number 42 of 2014 regarding Amendment to Law Number 17 of 2014 regarding People’s Consultative Assembly, House of Representatives, Regional Representative Council, and Regional House of Representatives (Supplement Number 5650 to State Gazette of the Republic of Indonesia Number 383 of 2014);

5. Law Number 18 of 2016 regarding the State Budget for Fiscal Year 2017 (Supplement Number 5948 to State Gazette of the Republic of Indonesia Number 240 of 2016);

With the Joint Approval of

THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA

and

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

BE IT HEREBY RESOLVED:

To stipulate : LAW REGARDING AMENDMENT TO THE LAW NUMBER 18 OF 2016 REGARDING STATE BUDGET FOR FISCAL YEAR 2017.
Article I

Several provisions in Law Number 18 of 2016 regarding the State Budget for Fiscal Year 2017 (Supplement Number 5948 to State Gazette of the Republic of Indonesia Number 240 of 2016) shall be amended as follows:

1. Provision of Article 3 shall be amended so as to read as follows:

Article 3

The State Revenue Budget for Fiscal Year 2017 is estimated at Rp1,736,060,149,915,000.00 (one quadrillion seven hundred thirty-six trillion sixty billion one hundred forty-nine million nine hundred and fifteen thousand rupiah), which shall be sourced from the followings:

a. Tax Revenue;
b. Non-Tax State Revenue (PNBP); and
c. Grant Revenue.

2. Provisions contained in paragraphs (1) to (10) of Article 4 shall be amended so as to read as follows:

Article 4

(1) Tax Revenue as referred to in Article 3 letter a is estimated at Rp1,472,709,861,675,000.00 (one quadrillion four hundred seventy-two trillion seven hundred nine billion eight hundred sixty-one million six hundred and seventy-five thousand rupiah), which consists of:

a. Domestic Tax Revenue; and
b. International Trade Tax Revenue.

(2) Domestic Tax Revenue as referred to in paragraph (1) letter a is estimated at Rp1,436,730,861,675,000.00 (one quadrillion four hundred thirty-six trillion seven hundred thirty billion eight hundred sixty-one million six hundred and seventy-five thousand rupiah), which consists of:
a. income tax revenue;
b. value added tax on goods and services and sales tax on luxury goods revenue;
c. land and building tax revenue;
d. excise revenue; and
e. other tax revenues.

(3) Income tax revenue as referred to in paragraph (2) letter a is estimated at Rp7,839,970,270,000,000.00 (seven hundred eighty-three trillion nine hundred seventy billion two hundred seventy million rupiah), including the Government-borne income tax (PPh DTP) for:

a. geothermal commodity, amounting to Rp1,646,361,470,000.00 (one trillion six hundred forty-six billion three hundred sixty-one million four hundred and seventy thousand rupiah) including any shortage for previous fiscal year in accordance with the audit result of the State Audit Board, to be implemented as governed by the Regulation of the Minister of Finance;

b. interest, yields, and third party’s income upon the service(s) provided to the Government in issuance and/or buy-back/exchange of Government Securities (SBN) in the international market, excluding local legal consultant services, amounting to Rp7,230,485,435,000.00 (seven trillion two hundred thirty billion four hundred eighty-five million four hundred and thirty-five thousand rupiah), to be implemented as governed by the Regulation of the Minister of Finance;
c. income from absolute write-off of non-principal account receivables sourced from Subsidiary Loan, Investment Fund Account, and Regional Development Account received by the Municipal Waterworks (PDAM), amounting to Rp59,269,019,000.00 (fifty-nine billion two hundred sixty-nine million nineteen thousand rupiah) including any shortage for previous fiscal year in accordance with the audit result of the State Audit Board, to be implemented as governed by the Regulation of the Minister of Finance; and

d. payment of Recurrent Cost of SPAN from pure rupiah financing, amounting to Rp614,786,000.00 (six hundred fourteen million seven hundred and eighty-six thousand rupiah), to be implemented as governed by the Regulation of the Minister of Finance.

(4) Value added tax on goods and services and sales tax on luxury goods revenue as referred to in paragraph (2) letter b is estimated at Rp475,483,491,675,000.00 (four hundred seventy-five trillion four hundred eighty-three billion four hundred ninety-one million six hundred seventy-five thousand rupiah).

(5) Land and Building tax revenue as referred to in paragraph (2) letter c is estimated at Rp15,412,100,000,000.00 (fifteen trillion four hundred twelve billion one hundred million rupiah).

(6) Excise revenue as referred to in paragraph (2) letter d is estimated at Rp153,165,000,000,000.00 (one hundred fifty-three trillion one hundred sixty-five billion rupiah).

(7) Other tax revenue as referred to in paragraph (2) letter e is estimated at Rp8,700,000,000,000.00 (eight trillion seven hundred billion rupiah).
(8) International Trade Tax Revenue as referred to in paragraph (1) letter b is estimated at Rp35,979,000,000,000.00 (thirty-five trillion nine hundred seventy-nine billion rupiah), which consists of:
   a. import duty(ies) revenue; and
   b. export duty(ies) revenue.

(9) Import duty(ies) revenue as referred to in paragraph (8) letter a is estimated at Rp33,279,000,000,000.00 (thirty-three trillion two hundred seventy-nine billion rupiah), which includes Government-borne import duty(ies) (BM DTP), amounting to Rp500,000,000,000.00 (five hundred billion rupiah), to be implemented as governed by the Regulation of the Minister of Finance.

(10) Export duty(ies) revenue as referred to in paragraph (8) letter b is estimated at Rp2,700,000,000,000.00 (two trillion seven hundred billion rupiah).

(11) Further provision regarding the detail of Tax Revenue of Fiscal Year 2017 as referred to in paragraphs (2) and (8) shall be governed by Presidential Regulation.

3. Provisions contained in paragraphs (1), (2), (5), and (6) of Article 5 shall be amended so as to read as follows:

   Article 5

(1) PNBP as referred to in Article 3 letter b is estimated at Rp260,242,149,353,000.00 (two hundred sixty trillion two hundred forty-two billion one hundred forty-nine million three hundred fifty-three thousand rupiah), which consists of:
   a. Natural Resources (SDA) revenue;
   b. portion of State-Owned Enterprises (BUMN) profit revenue;
   c. other Non-Tax State Revenue (PNBP); and
   d. Public Service Agency (BLU) revenue.
SDA revenue as referred to in paragraph (1) letter a is estimated at Rp95,643,149,163,000.00 (ninety-five trillion six hundred forty-three billion one hundred forty-nine million one hundred sixty-three thousand rupiah), which consists of:

a. oil and gas natural resources revenue (SDA Migas); and
b. non-oil and gas natural resources revenue of (SDA Non-Migas).

Portion of BUMN profit revenue as referred to in paragraph (1) letter b is estimated at Rp41,000,000,000,000.00 (forty-one trillion rupiah).

To optimize the portion of BUMN profit revenue in banking industry, settlement of non-performing receivables in BUMN engaged in banking industry shall be carried out:

a. in compliance with the provision of legislation on Limited Liability Company (PT), BUMN, and Banking industries;
b. by considering the principle of good corporate governance; and
c. by way of performance by the Government of supervision on the settlement of non-performing loans in BUMN engaged in banking industry.

Other PNBP as referred to in paragraph (1) letter c is estimated at Rp85,057,560,000,000.00 (eighty-five trillion fifty-seven billion five hundred and sixty million rupiah).

Public Service Agency (BLU) revenue as referred to in paragraph (1) letter d is estimated at Rp38,541,440,190,000.00 (thirty-eight trillion five hundred forty-one billion four hundred forty million one hundred and ninety thousand rupiah).

Further provision regarding detail of PNBP for Fiscal Year 2017 as referred to in paragraphs (2), (3), (5), and (6) shall be governed by Presidential Regulation.
4. Provision of Article 6 shall be amended so as to read as follows:

   Article 6

   Grant Revenue as referred to in Article 3 letter c is estimated at Rp3,108,138,887,000.00 (three trillion one hundred eight billion one hundred thirty-eight million eight hundred and eighty-seven thousand rupiah).

5. Provision of Article 7 shall be amended so as to read as follows:

   Article 7

   State Expenditure Budget for Fiscal Year 2017 is estimated at Rp2,133,295,900,020,000.00 (two quadrillion one hundred thirty-three trillion two hundred ninety-five billion nine hundred million and twenty thousand rupiah), which consists of:

   a. Central Government Expenditure budget; and
   b. Transfer to Regions and Village Fund budget.

6. Provisions contained in paragraphs (1) and (2) of Article 8 shall be amended so as to read as follows:

   Article 8

   (1) Central Government Expenditure Budget as referred to in Article 7 letter a is estimated at Rp1,366,956,572,312,000.00 (one quadrillion three hundred sixty-six trillion nine hundred fifty-six billion five hundred seventy-two million three hundred and twelve thousand rupiah).

   (2) Central Government Expenditure Budget as referred to in paragraph (1) shall include state grant management program, amounting to Rp5,509,342,531,000.00 (five trillion five hundred nine billion three hundred forty-two million five hundred thirty-one thousand rupiah), which is then granted and/or on-granting to the local government.
(3) Central Government Expenditure Budget as referred to in paragraph (1) shall be categorized into:
   a. Central Government Expenditure by Function;
   b. Central Government Expenditure by Organization; and
   c. Central Government Expenditure by Program.

(4) Further provision regarding detail of Central Government Expenditure Budget by Function, Organization, and Program as referred to in paragraph (3), shall be governed by Presidential Regulation.

7. Provisions contained in paragraphs (1) and (2) of Article 9 shall be amended so as to read as follows:

   Article 9

(1) Transfer to Regions and Village Fund budget as referred to in Article 7 letter b is estimated at Rp766,339,327,708,000.00 (seven hundred sixty-six trillion three hundred thirty-nine billion three hundred twenty-seven million seven hundred and eight thousand rupiah), which consists of:
   a. Transfer to Regions; and
   b. Village Fund.

(2) Transfer to Regions as referred to in paragraph (1) letter a is estimated at Rp706,339,327,708,000.00 (seven hundred six trillion three hundred thirty-nine billion three hundred twenty-seven million seven hundred eight thousand rupiah), which consists of:
   a. Balance Fund;
   b. Local Incentive Fund (DID); and
   c. Special Autonomy Fund and Privileges Fund of the Special Region of Yogyakarta.

(3) Village Fund as referred to in paragraph (1) letter b is estimated at Rp60,000,000,000,000.00 (sixty trillion rupiah).
(4) Village Fund as referred to in paragraph (3) shall be allocated to every regency/municipality with provisions as follows:
   a. 90% (ninety percent) is equally allocated to all villages; and
   b. 10% (ten percent) is allocated based on the village’s population, poverty rate, area, and geographical accessibility.

8. Provision of Article 10 shall be amended so as to read as follows:

   Article 10

Balance Fund as referred to in Article 9 paragraph (2) letter a is estimated at Rp678,596,035,118,000.00 (six hundred seventy-eight trillion five hundred ninety-six billion thirty-five million one hundred eighteen thousand rupiah), which consists of:

   a. General Transfer Fund; and
   b. Specific Transfer Fund.

9. Provisions contained in paragraphs (1), (2), (5), point 7 letter c of paragraph (6), and paragraph (8) of Article 11 are amended, paragraphs (7) and (13) of Article 11 are deleted, between paragraphs (4) and (5) there are 3 (three) new paragraphs inserted, namely paragraphs (4A), (4B), and (4C), between paragraphs (5) and (6) there is 1 (one) new paragraph inserted, namely paragraph (5A), between paragraphs (12) and (13) there are 2 (two) new paragraphs inserted, namely paragraphs (12A) and (12B), and between paragraphs (13) and (14) there are 3 (three) new paragraphs inserted, namely paragraphs (13A), (13B), and (13C) and, therefore, Article 11 shall read as follows:

   Article 11

(1) General Transfer Fund as referred to in Article 10 letter a is estimated at Rp493,959,535,082,000.00 (four hundred ninety-three trillion nine hundred fifty-nine billion five hundred thirty-five million and eighty-two thousand rupiah), which consists of:
a. DBH (Revenue Sharing Fund); and
b. DAU (General Allocation Fund).

(2) DBH as referred to in paragraph (1) letter a is estimated at Rp95,377,220,334,000.00 (ninety-five trillion three hundred seventy-seven billion two hundred twenty million three hundred thirty-four thousand rupiah), which consists of:

a. Tax DBH amounting to Rp58,091,244,137,000.00 (fifty-eight trillion ninety-one billion two hundred forty-four million and one hundred thirty-seven thousand rupiah), with details as follows:
   1) Tax DBH of current fiscal year amounting to Rp51,003,606,587,000.00 (fifty-one trillion three billion six hundred six million five hundred eighty-seven thousand rupiah); and
   2) Underpayment Tax DBH amounting to Rp7,087,637,550,000.00 (seven trillion eighty-seven billion six hundred thirty-seven million five hundred fifty thousand rupiah).

b. SDA DBH amounting to Rp37,285,976,197,000.00 (thirty-seven trillion two hundred eighty-five billion nine hundred seventy-six million and one hundred ninety-seven thousand rupiah), with details as follows:
   1) SDA DBH of current fiscal year amounting to Rp30,552,435,128,000.00 (thirty trillion five hundred fifty-two billion four hundred thirty-five million one hundred twenty-eight thousand rupiah); and
   2) Underpayment SDA DBH amounting to Rp6,763,541,069,000.00 (six trillion seven hundred sixty-three billion five hundred forty-one million sixty-nine thousand rupiah).

(3) Tax DBH as referred to in paragraph (2) letter a consists of:

a. Land and building Tax (PBB);
b. Income Tax (PPh) of Articles 21, 25 and 29 of Domestic Individual Taxpayer (WPOPDN); and

c. Tobacco Product Excise (CHT).

(4) SDA DBH as referred to in paragraph (2) letter b consists of:

a. Oil and Gas;

b. Mineral and Coal;

c. Forestry;

d. Fishery; and

e. Geothermal.

(4A) The priority of distribution of DBH as referred to in paragraph (2) letter a point 1) and letter b point 1) for the 4th quarter is given to the settlement of Underpayment DBH of Fiscal Year 2016 and/or DBH of current year.

(4B) The distribution of DBH for the 4th quarter to make settlement of Underpayment DBH of Fiscal Year 2016 as referred to in paragraph (4A) shall consider the prognosis of realization of DBH of Fiscal Year 2016 and/or the policy on the implementation control of State Budget for Fiscal Year 2017.

(4C) Further provisions regarding procedure for settlement of Underpayment DBH of Fiscal Year 2016 as referred to in paragraph (4A) shall be stipulated under a Regulation of the Minister of Finance.

(5) Forestry DBH as referred to in paragraph (4) letter c, specifically with regard to Reforestation Fund previously distributed to producer regencies/municipalities, shall be as of Fiscal Year 2017 distributed to producer provinces to finance forest and land rehabilitation activities, which shall include:

a. Planning;

b. Implementation;

c. Monitoring;

d. Evaluation; and
Supporting activities of forest and land rehabilitation as referred to in paragraph (5) shall include:

a. Forest protection and security;
b. Forest and land rehabilitation technology;
c. Forest and land fire prevention and control;
d. Area demarcation;
e. Nursery development;
f. Research and development, education and training, counseling and empowerment of the local communities regarding forest rehabilitation activities;
g. Fostering; and/or
h. Supervision and control.

Utilization of CHT DBH as referred to in paragraph (3) letter c, Oil and Gas DBH as referred to in paragraph (4) letter a and Forestry DBH as referred to in paragraph (4) letter c shall be regulated as follows:

a. Revenue of CHT DBH, either for provinces’ or for regencies’/municipalities’ portion, shall be allocated with conditions as follows:

1. At least 50% (fifty percent) to fund the improvement of raw material quality, industrial development, social environmental fostering, dissemination of regulations on excise, and/or eradication of illegal excisable goods; and
2. At most 50% (fifty percent) to fund activities in accordance with the needs and priority of the region.

b. Revenue of Oil and Gas DBH, either for provinces’ or for regencies’/municipalities’ portion, shall be utilized in accordance with the needs and priority of the region, except...
additional Oil and Gas DBH for West Papua Province and Aceh Province, which shall be utilized in compliance with the statutory regulations.

c. Forestry DBH from Reforestation Fund for regencies/municipalities portion, distributed in 2016 or the previous years and still remaining in the regional treasury, may be used by regional government organization appointed by the regent/mayor for:

1. grand forest park management;
2. forest fire prevention and control;
3. area demarcation;
4. supervision and protection;
5. tree planting in critical river basin area (DAS), bamboo-tree planting on the left and right riverbanks, and provision of land and water conservation structures;
6. nursery development; and/or
7. research and development.

(7) Deleted.

(8) DAU as referred to in paragraph (l) letter b is estimated at Rp398,582,314,748,000.00 (three hundred ninety-eight trillion five hundred eighty-two billion three hundred fourteen million and seven hundred forty-eight thousand rupiah), which consists of:

a. pure DAU amounting to Rp375,276,936,242,000.00 (three hundred seventy-five trillion two hundred seventy-six billion nine hundred thirty-six million and two hundred forty-two thousand rupiah) or equal to 28.7% (twenty-eight point seven percent) of Net Domestic Revenue (PDN);
b. Additional DAU for provinces due to delegation of authorities from regencies/municipalities to provinces amounting to Rp18,468,933,728,000.00 (eighteen trillion four hundred sixty-eight billion nine hundred thirty-three million seven hundred twenty-eight thousand rupiah); and

c. Additional DAU for prevention of decrease in the allocation of DAU for regencies/municipalities amounting to Rp4,836,444,778,000.00 (four trillion eight hundred thirty-six billion four hundred forty-four million and seven hundred seventy-eight thousand rupiah).

(9) Net PDN shall be calculated based on the sum of Tax Revenue and Non-Tax State Revenue (PNBP), less the State Revenue Shared to the Region.

(10) The ceiling of National DAU in the State Budget is not final and may be subject to change in case of changes in the net PDN stated in the Revised State Budget.

(11) In case of change in net PDN lowering the ceiling of National DAU and allocation of DAU per region, a specific treatment (attention) shall be given to regions that have very limited capacity and fiscal space in order to maintain their respective regional allocation ceiling, so that they are able to finance their respective employee expenditures and operating needs (with no decrease).

(12) Allocation of DAU to provinces shall consider any budget expense which may arise from delegation of affairs/authorities from regencies/municipalities to provinces in accordance with the prevailing statutory regulations.

(12A) For any province whose regencies/municipalities have not delegated their affairs/authorities to any such province as referred to in paragraph (12), DAU for such delegation of affairs/authorities shall be allocated to the relevant regencies/municipalities of any such province.

(12B) Further provision regarding transfer of DAU allocation as referred to in paragraph (12A) and the procedure for its distribution shall be stipulated under a Regulation of the Minister of Finance.
(13) Deleted.
(13A) Allocation of DAU to regencies/municipalities is adjusted by taking into account:
a. regencies/municipalities with very limited fiscal space;
b. regencies/municipalities undergoing significant decrease in DBH; and
c. limit of decrease in DAU allocated to regencies/municipalities as mutually agreed between the Central Government and the House of Representatives of the Republic of Indonesia.

(13B) For any regency/municipality that meets the criteria of very limited fiscal space and significant decrease in DBH as referred to in paragraph (13A) letters a and b, the amount of DAU to be allocated to any such regency/municipality is determined to be equal to the amount of DAU allocated to regencies/municipalities specified in the State Budget for Fiscal Year 2017.

(13C) The capping of decrease in DAU allocated to regencies/municipalities as referred to in paragraph (13A) letter c shall range from 0.8% (zero point eight percent) to 1.8% (one point eight percent) if compared to the amount of DAU allocated to regencies/municipalities specified in the State Budget for Fiscal Year 2017.

(14) The allocated General Transfer Fund as referred to in paragraph (1) shall be used in accordance with the needs and priorities of the region.

(15) Use of the General Transfer Fund shall be stipulated, namely at least 25% (twenty five percent) thereof to cover regional infrastructure expenditure directly related to accelerated construction of public and economic service facilities in order to increase the number of job opportunities, reduce the poverty rate, and cut down the gap in availability of public services between regions.

10. Provisions contained in paragraphs (1) and (3) of Article 12 are amended, between paragraphs (6) and (7) of Article 12 there are 3 (three) new paragraphs inserted, namely paragraphs (6A), (6B), and (6C) and, therefore, Article 12 shall read as follows:
Article 12

(1) Specific Transfer Fund as referred to in Article 10 letter b is estimated at Rp184,636,500,036,000.00 (one hundred eighty-four trillion six hundred thirty-six billion five hundred million and thirty-six thousand rupiah), which consists of:
   a. Physical Special Allocation Fund (Physical DAK); and
   b. Non-Physical Special Allocation Fund (Non-Physical DAK).

(2) Allocation of Physical DAK as referred to in paragraph (1) letter a shall be specified based on the recommendation of the regions by taking into account the national priority and the financial capacity of the state.

(3) Physical DAK as referred to in paragraph (1) letter a is estimated at Rp69,531,500,436,000.00 (sixty-nine trillion five hundred thirty-one billion five hundred million four hundred thirty-six thousand rupiah), which consists of:
   a. Regular DAK, amounting to Rp20,396,248,563,000.00 (twenty trillion three hundred ninety-six billion two hundred forty-eight million and five hundred sixty-three thousand rupiah);
   b. Assigned DAK, amounting to Rp34,466,762,990,000.00 (thirty-four trillion four hundred sixty-six billion seven hundred sixty-two million and nine hundred ninety thousand rupiah);
   c. Affirmative DAK, amounting to Rp3,479,198,883,000.00 (three trillion four hundred seventy-nine billion one hundred ninety-eight million eight hundred eighty-three thousand rupiah); and
   d. Additional Physical DAK, amounting to Rp11,189,290,000,000.00 (eleven trillion one hundred eighty-nine billion two hundred ninety million rupiah).

(4) Regular DAK as referred to in paragraph (3) letter a shall be utilized to fund activities in the following sectors:
a. Education, amounting to Rp6,107,100,000,000.00 (six trillion one hundred seven billion one hundred million rupiah);
b. Health, amounting to Rp10,021,820,000,000.00 (ten trillion twenty-one billion eight hundred twenty million rupiah);
c. Housing and Settlement, amounting to Rp654,890,000,000.00 (six hundred fifty-four billion eight hundred ninety million rupiah);
d. Agriculture, amounting to Rp1,650,038,563,000.00 (one trillion six hundred fifty billion thirty-eight million and five hundred sixty-three thousand rupiah);
e. Marine and Fishery, amounting to Rp926,500,000,000.00 (nine hundred twenty-six billion and five hundred million rupiah);
f. Small and Medium Scale Industrial Center, amounting to Rp531,500,000,000.00 (five hundred thirty-one billion and five hundred million rupiah); and
g. Tourism, amounting to Rp504,400,000,000.00 (five hundred four billion and four hundred million rupiah).

(5) Assigned DAK as referred to in paragraph (3) letter b shall be utilized to fund activities in the following sectors:
a. Education of Vocational Secondary Schools amounting to Rp1,951,802,990,000.00 (one trillion nine hundred fifty-one billion eight hundred two million and nine hundred ninety thousand rupiah);
b. Health (Referral/Primary Hospitals) amounting to Rp4,831,260,000,000.00 (four trillion eight hundred thirty-one billion two hundred sixty million rupiah);
c. Drinking Water amounting to Rp1,200,300,000,000.00 (one trillion two hundred billion and three hundred million rupiah);
d. Sanitation amounting to Rp1,250,200,000,000.00 (one trillion two hundred fifty billion and two hundred million rupiah);
e. Roads amounting to Rp19,690,100,000,000.00 (nineteen trillion six hundred ninety billion and one hundred million rupiah);
f. Marketplace...
f. Marketplace amounting to Rp1,035,700,000,000.00 (one trillion thirty-five billion and seven hundred million rupiah);
g. Irrigation amounting to Rp4,005,100,000,000.00 (four trillion five billion and one hundred million rupiah); and
h. Small and Medium Scale Energy amounting to Rp502,300,000,000.00 (five hundred two billion and three hundred million rupiah).

Affirmative DAK as referred to in paragraph (3) letter c shall be utilized to fund activities in the following sectors:

a. Housing and Settlement amounting to Rp383,300,000,000.00 (three hundred eighty-three billion and three hundred million rupiah);
b. Transportation amounting to Rp844,100,000,000.00 (eight hundred forty-four billion and one hundred million rupiah); and
c. Health amounting to Rp2,251,798,883,000.00 (two trillion two hundred fifty-one billion seven hundred ninety-eight million eight hundred and eighty-three thousand rupiah).

Additional Physical DAK as referred to in paragraph (3) letter d shall be utilized to complete activities funded by Physical DAK of Fiscal Year 2016 of which output has been 100% (one hundred percent) completed, but has not been distributed by the Central Government because the requirements for its distribution have not been satisfied by the Local Government, and for accelerated provision of regional public infrastructures.

In order to achieve the specified output of Physical DAK as referred to in paragraph (3) letters a, b, and c, the Local Governments shall submit the budget activity plan in accordance with the Physical DAK proposal agreed upon between the Government and the House of Representatives and in compliance with the technical guidelines specified in the statutory regulations.

Further provision regarding procedure for distribution of Physical DAK as referred to in paragraph (3) and submission of budget activity plan as
referred to in paragraph (6B) shall be stipulated under a Regulation of the Minister of Finance.

(7) Non-Physical DAK as referred to in paragraph (1) letter b is estimated at Rp115,104,999,600,000.00 (one hundred fifteen trillion one hundred four billion nine hundred ninety-nine million and six hundred thousand rupiah), which consists of:

a. School Operational Assistance (BOS) fund, amounting to Rp45,119,999,600,000.00 (forty-five trillion one hundred nineteen billion nine hundred ninety-nine million and six hundred thousand rupiah);

b. Early Childhood Education Operational Assistance (BOP PAUD) fund, amounting to Rp3,581,700,000,000.00 (three trillion five hundred eighty-one billion and seven hundred million rupiah);

c. Professional Allowance for Regional Civil Servant Teachers, amounting to Rp55,573,400,000,000.00 (fifty-five trillion five hundred seventy-three billion and four hundred million rupiah);

d. Income Supplement for Regional Civil Servant Teachers, amounting to Rp1,400,000,000,000.00 (one trillion and four hundred billion rupiah);

e. Health Operational Assistance (BOK) fund and Family Planning Operational Assistance (BOKB) fund, amounting to Rp6,910,000,000,000.00 (six trillion nine hundred and ten billion rupiah);

f. Capacity Building of Cooperative, Small and Medium Business (PK2 UKM) fund, amounting to Rp100,000,000,000.00 (one hundred billion rupiah);

g. Special Allowance for Regional Civil Servant Teachers in Special Region amounting to Rp1,669,900,000,000.00 (one trillion six hundred sixty-nine billion nine hundred million rupiah); and

h. Population Administrative Service fund, amounting to Rp750,000,000,000.00 (seven hundred fifty billion rupiah).
DAK recipient regions do not provide associate fund.

11. Provisions contained in paragraphs (1) and (2) of Article 14 are amended so as to read as follows:

**Article 14**

(1) Special Autonomy Fund and Privileges Fund of the Special Region of Yogyakarta as referred to in Article 9 paragraph (2) letter c is estimated at Rp20,243,292,590,000.00 (twenty trillion two hundred forty-three billion two hundred ninety-two million and five hundred ninety thousand rupiah), which consists of:
   a. Special Autonomy Fund; and
   b. Privileges Fund of the Special Region of Yogyakarta.

(2) Special Autonomy Fund as referred to in paragraph (1) letter a is estimated at Rp19,443,292,590,000.00 (nineteen trillion four hundred forty-three billion two hundred ninety-two million five hundred ninety thousand rupiah), which consists of:
   a. allocation of Special Autonomy Fund of Papua Province and West Papua Province, amounting to Rp7,971,646,295,000.00 (seven trillion nine hundred seventy-one billion six hundred forty-six million and two hundred ninety-five thousand rupiah), to be distributed to Papua Province and West Papua Province with proportion of 70% (seventy percent) and 30% (thirty percent), respectively with the detail as follows:
      1. Special Autonomy Fund of Papua Province, amounting to Rp5,580,152,407,000.00 (five trillion five hundred eighty billion one hundred fifty-two million and four hundred seven thousand rupiah); and
      2. Special Autonomy Fund of West Papua Province, amounting to Rp2,391,493,888,000.00 (two trillion three
hundred ninety-one billion four hundred ninety-three million eight hundred and eighty-eight thousand rupiah).  

b. Allocation of Special Autonomy Fund of Aceh Province, amounting to Rp7,971,646,295,000.00 (seven trillion nine hundred seventy-one billion six hundred forty-six million two hundred and ninety-five thousand rupiah); and  
c. Supplement Fund of Infrastructure in the framework of Special Autonomy of Papua Province and West Papua Province, amounting to Rp3,500,000,000,000.00 (three trillion five hundred billion rupiah) with detail as follows:

1. Supplement Fund of Infrastructure for Papua Province, amounting to Rp2,625,000,000,000.00 (two trillion six hundred twenty-five billion rupiah); and  
2. Supplement Fund of Infrastructure for West Papua Province, amounting to Rp875,000,000,000.00 (eight hundred seventy-five billion rupiah).  

(3) Privileges Fund of the Special Region of Yogyakarta as referred to in paragraph (l) letter b is estimated at Rp800,000,000,000.00 (eight hundred billion rupiah).  

12. Provision of paragraph (1) of Article 16 is amended so as to read as follows:

Article 16  
(1) Subsidy Management Program in Fiscal Year 2017 is estimated at Rp168,876,783,743,000.00 (one hundred sixty-eight trillion eight hundred seventy-six billion seven hundred eighty-three million seven hundred and forty-three thousand rupiah).  
(2) Budget for Subsidy Management Program as referred to in paragraph (l) shall be utilized on target effectively.
Budget for Subsidy Management Program as referred to in paragraph (1) may be adjusted to the need of realization in the current fiscal year based on the changes in parameter, the realization of Indonesia crude price, and/or the exchange rate of rupiah.

Further provision regarding detail of Subsidy Management Program for Fiscal Year 2017 as referred to in paragraph (1) shall be governed by Presidential Regulation.

Between paragraphs (3) and (4) of Article 18 there is 1 (one) new paragraph, namely paragraph (3A), and the provision of paragraph 4 of Article 18 is amended and, therefore, Article 18 shall read as follows:

Article 18

The changes in Central Government Expenditure budget, in the form of:

a. changes in the expenditure budget sourced from PNBP;

b. changes in the expenditure budget sourced from foreign and domestic loans and grants, including those subsequently on-granting;

c. shift of Budget Section 999.08 (State General Treasurer Managing Other Expenditures) to the Budget Section of the state ministries/agencies, or between the budget subsections in the Budget Section 999 (BA BUN);

d. changes in the expenditure budget sourced from the SBSN to finance the activity/project of the state ministry/institution;

e. inter-program budget shift in 1 (one) Budget Section sourced from pure rupiah to meet the needs of operational cost;

f. inter-program budget shift in 1 (one) Budget Section to meet the needs of ineligible expenditure for activities funded by foreign loan and/or grant;
g. budget shift from existing program to new program in order to complete the administration of Budget Execution (Allotment) Document subject to approval of the House of Representatives; and/or

h. budget shift for allocation of fund to settle the restructuring of state ministry/institution,

shall be stipulated by the Government.

(2) Further changes in Budget Financing in the form of changes of the ceiling for foreign Subsidiary Loan resulting from continued and accelerated drawdown of Subsidiary Loan, and validation of Subsidiary Loan at its closing date, shall be stipulated by the Government.

(3) Changes in Central Government Expenditure budget in the form of change in the ceiling for validation of expenditure and financing revenue and/or grant revenue sourced from loan/grant including those on-granting which has reached closing date, shall be stipulated by the Government.

(3A) The Government may make the changes as referred to in paragraphs (1), (2), and (3) which result in the ceiling for Central Government expenditure budget and Budget Financing specified in the Presidential Regulation regarding Detail of Revised State Budget for Fiscal Year 2017 exceeding the ceiling as stipulated in this Law.

(4) Changes as referred to in paragraphs (1), (2), (3), and (3A) shall be reported by the Government to the House of Representatives in the Revised State Budget for Fiscal Year 2017 and/or the 2017 Central Government Financial Statements (LKPP).

14. Provisions contained in paragraphs (1) and (2) of Article 21 are amended so as to read as follows:

Article 21
(1) Education Budget is estimated at Rp\(426,702,412,309,000\) (four hundred twenty-six trillion seven hundred two billion four hundred twelve million three hundred and nine thousand rupiah).

(2) The percentage of the Education Budget shall be 20.0% (twenty point zero percent), which is the ratio of Education Budget allotment as referred to in paragraph (1) to the total State Expenditure Budget, amounting to Rp\(2,133,295,900,020,000\) (two quadrillion one hundred thirty-three trillion two hundred ninety-five billion nine hundred million and twenty thousand rupiah).

(3) Further provision regarding details of the Education Budget as referred to in paragraph (1), shall be governed by Presidential Regulation.

15. Provision of paragraph (1) of Article 22 is amended so as to read as follows:

Article 22

(l) Total amount of the State Budget Revenue for Fiscal Year 2017, as referred to in Article 3, is lower than the State Budget Expenditure as referred to in Article 7 and, therefore, in Fiscal Year 2017 there is budget deficit amounting to Rp\(397,235,750,105,000\) (three hundred ninety-seven trillion two hundred thirty-five billion seven hundred fifty million one hundred five thousand rupiah) which will be financed from the Budget Financing.

(2) Provision regarding the allocation of Budget Financing as referred to in paragraph (1) shall be as set out in Appendix I which forms an integral part of this Law.

(3) Further provision regarding the detail of allocation of Budget Financing as set out in Appendix I hereto shall be governed by Presidential Regulation.
16. Provisions of Article 31 are amended so as to read as follows:

Article 31

(1) State Owned Assets (BMN) as stated in the Activity Checklist (DIK)/Project Checklist (DIP)/Budget Execution (Allotment) Document (DIPA) of state ministries/institutions which are used and/or operated by State-Owned Enterprises (BUMN)/Limited Liability Company in which the state holds shares and has been recorded in the balance sheet of BUMN/Limited Liability Company in which the state holds shares as Undetermined Status of Government Assistance Settlement (BPYBDS) or other similar account shall be considered as State Equity Participation (PMN) in the said BUMN/Limited Liability Company in which the state holds shares at the budget realization value as reviewed by the Agency for Finance and Development Supervision (BPKP).

(2) Any BMN acquired using capital expenditure through DIPA of a state ministry/institution and which will be used by a BUMN/Limited Liability Company in which the state holds shares upon the acquisition of such BMN, shall be considered as PMN in such BUMN/Limited Liability Company in which the state holds shares that uses such BMN at the budget realization value as reviewed by the Agency for Finance and Development Supervision (BPKP).

(2A) The Government’s assistance sourced from DIK/DIP of the Department of Information, the National Information and Communication Agency (BIKN) and National Information Institution (LIN) from 1991 to 2002 for investment in the State Film Production Company (PPFN) as reviewed by the Agency for Finance and Development Supervision (BPKP) and recorded in the audited Central Government Financial Statements (LKPP) for Fiscal Year 2016 shall be designated to be PMN in the State Film Production Company.

(3) Implementation...
(3) Implementation of PMN in BUMN/Limited Liability Company in which the state holds shares as referred to in paragraphs (1), (2), and (2A) shall be governed by Government Regulation.

17. Provision of Article 40 is amended so as to read as follows:

   Article 40

   The Posture of the State Budget for Fiscal Year 2017, containing the detailed amounts of State Revenue, State Expenditure, Budget Surplus/Deficit, and Budget Financing shall be as set out in Appendix II which forms an integral part of this Law.

18. Provision of Article 41 is amended so as to read as follows:

   Article 41

   A Presidential Regulation regarding Detail of the State Budget for Fiscal Year 2017 shall be enacted as subordinate legislation of this Law no later than August 31, 2017.

   Article II

   This Law shall come into effect as of the date of its promulgation.
For public cognizance, this Law shall be announced by publishing it in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta

on August 21, 2017

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Signed.

JOKO WIDODO

Promulgated in Jakarta

On August 21, 2017

MINISTER OF LAW AND HUMAN RIGHTS OF

THE REPUBLIC OF INDONESIA,

Signed.

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 186 OF 2017

Certified true copy

MINISTRY OF STATE SECRETARY OF

THE REPUBLIC OF INDONESIA

Assistant Deputy of Economic Affairs

Deputy of Law and Legislation

[Signed and sealed]

Lydia Silvanna Djaman
ELUCIDATION
ON
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 8 OF 2017
REGARDING
AMENDMENT TO LAW NUMBER 18 OF 2016 REGARDING THE STATE BUDGET
FOR FISCAL YEAR 2017

I. GENERAL

The State Budget (APBN) for Fiscal Year 2017 as stipulated in Law Number 18 of 2016 regarding the State Budget for Fiscal Year 2017 is implemented with reference to the provisions stipulated in Law Number 17 of 2003 regarding the State Finance, the Government Working Plan (RKP) of 2017, as well as the Macroeconomic Framework and the Principles of Fiscal Policy for Fiscal Year 2017.

Since the enactment of Law Number 18 of 2016 regarding the State Budget for Fiscal Year 2017, there has been fairly dynamic development of Basic Macroeconomic Assumptions, which have relatively significant impact on the figures stated in the State Budget for Fiscal Year 2017. The continuing instability of global economy due to monetary policies of developed countries, moderation of the Chinese economic structure, and geopolitical situations have put pressure on the domestic economy. However, it is predicted that the recovering momentum of the economic growth of Indonesia in 2016 can be maintained in 2017. Indonesia’s economic growth in 2017 is targeted to reach 5.2% (five point two percent). In order to achieve the target, the Government shall improve the credibility of fiscal policies and maintain the macroeconomic stability and investment climate in order to gain more positive perception from economic actors.

The inflation...
The inflation rate throughout 2017 is estimated to reach 4.3% (four point three percent) or higher than the assumptions stated in the 2017 State Budget, namely 4.0% (four point zero percent). The increase in such inflation rate results from, among others, the price movement of global commodities, in particular oil. The Government and Bank Indonesia will continue to improve their coordination with respect to inflation control policies at the central and regional levels. In addition, the mix of fiscal, monetary, and real sector policies is intended to maintain the availability of primary goods of the people and, therefore, the inflation rate in 2017 may remain at the target range of 4.0% ± 1.0% (four point zero percent plus or minus one point zero percent).

Meanwhile, the average exchange rate of Rupiah to the United States Dollar in 2017 is expected to reach the balance point of approximately Rp13,400.00 (thirteen thousand and four hundred rupiah) per one United States dollar or relatively weaken compared to the assumption in the State Budget for Fiscal Year 2017 namely at Rp13,300.00 (thirteen thousand and three hundred rupiah) per one United States dollar. The strengthening of US Dollar against Rupiah is due to the risk related to the Federal Reserve’s plan to raise its interest rate in line with the recovery of the United States’ economy, as well as the United States’ trade protective policy. Meanwhile, it is predicted that the interest rate of the 3 (three)-month Treasury Bill (SPN) in 2016 will be 5.2% (five point two percent) or lower than the assumption in the State Budget for Fiscal Year 2017, namely 5.3% (five point three percent). The movement of the interest rate of 3 (three)-month SPN is influenced by positive sentiment toward the implementation of the Government’s policy package for improved investment and controlled inflation.

Furthermore, the Indonesia Crude Price in 2017 is expected to increase, though in a limited scale, to reach an average of USD48.0 (forty-eight United States dollar) per barrel or higher than the ICP assumed in the State Budget for 2017 namely USD45.0 (forty-five United States of America dollar).
dollar) per barrel. This situation results from the trend of increase in the world oil price due to the oil production cut by OPEC countries.

The realization of oil lifting in 2017 is expected to reach 815.0 (eight hundred and fifteen) thousand barrels per day, which meet the assumption stated in the State Budget for Fiscal Year 2017. Meanwhile, the natural gas lifting is expected to reach 1,150 (one thousand one hundred and fifty) thousand barrels of oil equivalent per day, which meet the assumption stated in the State Budget for Fiscal Year 2017. The achievement of the target of oil and gas lifting as mentioned above will be made through optimization of production and operation of new fields.

Changes in the basic macroeconomic assumptions will in turn effect the posture of the State Budget and the Government’s response in its fiscal policies with a view to maintaining the sustainability and credibility of the State Budget through, among others, maintaining the budget deficit at a safe level.

Based on empirical data of the previous years, the utilization rate of several State Expenditure components, such as expenditure of State Ministries/Institutions, DAK, and Village Funds are expected to range from 95%-97% of the specified ceiling. Therefore, the realization of budget deficit for 2017 is estimated at 2.67% (two point six-seven percent) to GDP or lower than the specified deficit estimation.

It is expected that a favorable situation of domestic economy can facilitate the achievement of national development goals in 2017 as indicated by, among others, the Human Development Index to reach the expected figure of 70.1 (seventy point one) and Gini Ratio of 0.39 (zero point three-nine).

The Bill regarding the Amendment to Law Number 18 of 2016 regarding the State Budget for Fiscal Year 2017 was discussed by the House of Representatives and the Government with reference to the considerations of the Regional Representative Council as contemplated in Decree of the

Pursuant to the provision of Article 27 of Law Number 17 of 2003 regarding State Finances in conjunction with Article 36 of Law Number 18 of 2016 regarding the State Budget for Fiscal Year 2017, it is necessary to stipulate the amendment to the State Budget for Fiscal Year 2017 in a Law. The discussion regarding this matter was carried out by the Government and the House of Representatives with reference to Ruling of the Constitutional Court Number 35/PUU-XI/2013 dated May 22, 2014.

II. ARTICLE BY ARTICLE

Article I

Number 1

Article 3

Self-explanatory.

Number 2

Article 4

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Letter a

Self-explanatory.

Letter b

The third party whose income tax is borne by the Government constitutes any third party rendering service(s) to the Government for issuance and/or buy-back/exchange of SBN (Government Securities) in the international market, such as marketing agent service and international...
international legal consultant service and exchange/buyer agent service.

Letter c
Self-explanatory.

Letter d
Self-explanatory.

Paragraph (4)
Self-explanatory.

Paragraph (5)
Self-explanatory.

Paragraph (6)
Self-explanatory.

Paragraph (7)
Self-explanatory.

Paragraph (8)
Self-explanatory.

Paragraph (9)
Self-explanatory.

Paragraph (10)
Self-explanatory.

Paragraph (11)
Self-explanatory.

Number 3

Article 5

Paragraph (1)
Self-explanatory.

Paragraph (2)
Letter a
Self-explanatory.

Letter b
Non-Oil & Gas SDA (Natural Resources)
Revenue from the forestry sector shall not be designated only as the target of the state revenue, but also a means to maintain forest sustainability.

Paragraph (3)
Self-explanatory.

Paragraph (4)
Pending the amendment to Law Number 49 Prp. of 1960 regarding the State Receivables Management Committee, and in order to accelerate the settlement of non-performing loans of BUMN (State-Owned Enterprises) engaged in banking industry, the account receivables may be processed through the management mechanism as specified under the regulations regarding limited liability company and banking industry.
The granting of authority to the General Meeting of Shareholders for and the supervision by the Government of the settlement of non-performing receivables of BUMN engaged in banking industry shall be in compliance with the provisions of laws regarding BUMN.

Paragraph (5)
Self-explanatory.

Paragraph (6)
Self-explanatory.

Paragraph (7)
Self-explanatory.

Number 4
Article 6
Self-explanatory.
Number 5
Art. 7
Self-explanatory.

Number 6
Art. 8
Self-explanatory.

Number 7
Art. 9
Paragraph (1)
Self-explanatory.
Paragraph (2)
Self-explanatory.
Paragraph (3)
Self-explanatory.
Paragraph (4)
Data of the number of villages, village’s population, poverty rate, area, and geographical accessibility shall be obtained from the relevant ministries and/or institutions in charge of the government’s statistical affairs.
For any village whose data of its population, poverty rate, and area are unavailable, the data of main village may be used proportionally at 50% (fifty percent), while, with regard to data of village’s geographical accessibility, the same data as the main village or the data obtained from the Local Government shall be used.

Number 8
Art. 10
Self-explanatory.

Number 9
Article 11

Paragraph (1)
  Self-explanatory.

Paragraph (2)
  Letter a
    Point 1
    Self-explanatory.
    Point 2
    It is the amount of the Underpayment Tax DBH until Fiscal Year 2015.

  Letter b
    Point 1
    Self-explanatory.
    Point 2
    It is the amount of the Underpayment SDA DBH until Fiscal Year 2015.

Paragraph (3)
  Letter a
    Central Government’s portion of PBB revenue at 10% (ten percent) shall be equally distributed to all regencies/municipalities. Local government’s portion sourced from the collection cost shall be utilized to finance activities in accordance with the regional needs and priority.

  Letter b
    This DBH shall include DBH from Income Tax of Article 25 and Article 29 of Domestic Personal Tax Payers (WPOPDN) eligible for final income tax under the Government Regulation...
Regulation Number 46 of 2013 regarding Income Tax on Business Revenue of Taxpayers with Certain Gross Income.

In order to control the implementation of the State Budget, DBH may not be fully distributed up to the allocated ceiling and, then, it shall be treated as underpayment DBH.

Letter c

Self-explanatory.

Paragraph (4)

Self-explanatory.

Paragraph (4A)

Self-explanatory.

Paragraph (4B)

Self-explanatory.

Paragraph (4C)

Self-explanatory.

Paragraph (5)

This policy is the consequence from policy amendment in the form of delegation of authorities in forestry sector from regencies/municipalities government to provincial government as stipulated in Law Number 23 of 2014 regarding Local Government as amended for several times and the latest by Law Number 9 of 2015 regarding the Second Amendment to Law Number 23 of 2014 regarding Local Government.

Paragraph (5A)

Self-explanatory.

Paragraph (6)
Letter a
Self-explanatory.

Letter b
Under this provision, local governments shall no longer be required to allocate Oil and Gas DBH at 0.5% (zero point five percent) for basic education supplementary budget.

Policy regarding the utilization of Oil and Gas DBH for West Papua Province and Aceh Province shall be implemented pursuant to Law Number 35 of 2008 regarding the Stipulation of the Government Regulation in Lieu of Law Number 1 of 2008 regarding the Amendment to Law Number 21 of 2001 regarding the Special Autonomy for Papua Province to become Law and Law Number 11 of 2006 regarding the Aceh Government.

Letter c
The term “research and development” shall mean among others the utilization of area, plantation of local superior forest trees, and implementation of the selective cutting and line planting system.

This policy is the consequence from policy amendment in the form of delegation of authorities in forestry sector from regencies/municipalities governments to provincial government as stipulated in Law...
- 11 -

Number 23 of 2014 regarding Local Government as amended for several times and the latest by Law Number 9 of 2015 regarding the Second Amendment to Law Number 23 of 2014 regarding Local Government.

Paragraph (7)
Deleted.

Paragraph (8)
Self-explanatory.

Paragraph (9)

Net Domestic Revenue (Net PDN) amounting to Rp1,307,585,143,700,000.00 (one quadrillion three hundred seven trillion five hundred eighty-five billion one hundred forty-three million seven hundred thousand rupiah) shall be calculated based on the sum of Tax Revenue amounting to Rp1,472,709,861,675,000.00 (one quadrillion four hundred seventy-two trillion seven hundred nine billion eight hundred sixty-one million six hundred and seventy-five thousand rupiah) and Non-Tax State Revenue (PNBP) amounting to Rp260,242,149,353,000.00 (two hundred sixty trillion two hundred forty-two billion one hundred forty-nine million three hundred and fifty-three thousand rupiah), reduced by the State Revenue shared to the Region, which consists of:

a. Income Tax Article 25 and Article 29 of Domestic Individual Taxpayer and Income (WPOPDN) Tax Article 21 amounting to Rp167,991,322,376,000.00 (one hundred
sixty-seven trillion nine hundred ninety-one billion three hundred twenty-two million three hundred and seventy-six thousand rupiah);

b. Land and Building Tax (PBB) Revenue amounting to Rp15,412,100,000,000.00 (fifteen trillion four hundred twelve billion and one hundred million rupiah);

c. Tobacco Product Excise Revenue amounting to Rp147,487,222,498,000.00 (one hundred forty-seven trillion four hundred eighty-seven billion two hundred twenty-two million four hundred and ninety-eight thousand rupiah);

d. Oil and Gas Natural Resources (SDA) Revenue amounting to Rp72,207,890,000,000.00 (seventy-two trillion two hundred seven billion eight hundred ninety million rupiah);

e. Mineral and Coal SDA Revenue amounting to Rp17,858,519,157,000.00 (seventeen trillion eight hundred fifty-eight billion five hundred nineteen million one hundred and fifty-seven thousand rupiah);

f. Forestry SDA Revenue amounting to Rp2,788,557,914,000.00 (two trillion seven hundred eighty-eight billion five hundred fifty-seven million nine hundred and fourteen thousand rupiah);
- 13 -

g. Fishery SDA Revenue amounting to Rp950,000,000,000.00 (nine hundred and fifty billion rupiah); and

h. Geothermal SDA Revenue amounting to Rp671,255,383,000.00 (six hundred seventy-one billion two hundred fifty-five million three hundred and eighty-three thousand rupiah).

Paragraph (10)
Self-explanatory.

Paragraph (11)
Self-explanatory.

Paragraph (12)
Self-explanatory.

Paragraph (12A)
Self-explanatory.

Paragraph (12B)
Self-explanatory.

Paragraph (13)
Deleted.

Paragraph (13A)
Letter a
The term “regencies/municipalities with very limited fiscal space” shall mean any regency/municipality that has fiscal space of less than 15% (fifteen percent) of its total regional revenue for general use.

Letter b
The term “regencies/municipalities undergoing significant decrease in DBH” shall mean any regencies/municipalities
with decrease in DBH of more than Rp1,000,000,000,000.00 (one trillion rupiah).

Letter c
Self-explanatory.

Paragraph (13B)
Self-explanatory.

Paragraph (13C)
The capping of decrease in DAU allocated to regencies/municipalities within a range from 0.8% (zero point eight percent) to 1.8% (one point eight percent) will be made by:

1. Capping the range of decrease in DAU as follows:
   a. any regencies/municipalities whose DAU is adjusted by more than minus 1% (one percent) is considered to have decrease of 1% (one percent);
   b. any regencies/municipalities whose DAU decreases by 1% (one percent) to 2% (two percent) is considered to have decrease in proportion to the percentage of decrease in its DAU; and
   c. any regency/municipality whose DAU decreases by more than 2% (two percent) is considered to have decrease of 2% (two percent).

2. Allocating the remaining/excess DAU after proportional adjustment to regencies/
municipalities other than those whose DAU allocation remains the same.

Paragraph (14)
Self-explanatory.

Paragraph (15)
Self-explanatory.

Number 10
Article 12
Paragraph (l)
Self-explanatory.

Paragraph (2)
Allocation of Physical DAK is intended to assist certain regions, to finance basic service facilities and infrastructures required by the people, as well as to accelerate regional development and to achieve national priority targets.

Paragraph (3)
Letter a
Regular DAK is intended to finance activities for fulfillment of public services. The amount of the allocated Regular DAK for each region shall be calculated with reference to proposal and technical data of the relevant region, by taking into account the national priority, regional needs, and state’s finance capacity.

Letter b
Assigned DAK is intended to finance specific activities with limited features and in specified locations for the achievement of national priority targets.
The amount of the allocated Assigned DAK for each region shall be calculated with reference to proposal and technical data of the relevant region, by taking into account the national priority and state's finance capacity.

Letter c

Affirmative DAK is intended to finance activities that accelerate the procurement of infrastructures/facilities in regions categorized as regions bordering on other country, disadvantaged regions, islands, and/or transmigration destinations. Regencies/municipalities bordering on another country, underdeveloped regions, islands, and/or transmigration areas shall be determined pursuant to the provision in statutory regulations.

The amount of the allocated Affirmative DAK for each region shall be calculated with reference to proposal and technical data of the relevant region, by taking into account the regional characteristics and the state’s finance capacity.

Letter d

Self-explanatory.

Paragraph (4)

 Determination of Regular DAK ceiling per sector shall be based on regional needs and achievement of national priority.

Paragraph (5)

Self-explanatory.
Paragraph (6)
Self-explanatory.

Paragraph (6A)
Self-explanatory.

Paragraph (6B)
Self-explanatory.

Paragraph (6C)
Self-explanatory.

Paragraph (7)
Self-explanatory.

Paragraph (8)
Self-explanatory.

Number 11
Article 14

Paragraph (1)
Self-explanatory.

Paragraph (2)
Letter a
Self-explanatory.

Letter b
Self-explanatory.

Letter c
The Additional Infrastructure Fund is allocated with a proportion of 75% (seventy five percent) for Papua Province and 25% (twenty five percent) for West Papua Province, with reference to certain indicators such as population, area and number of villages/kampons and sub-districts.

Paragraph (3)
Self-explanatory.
Number 12

Article 16

Budget for subsidy program shall include allocation for the 2017 House Loan Interest Subsidy to be used as payment of debt conversion proceeds under the 2015 Housing Loan Liquidity Facility, the amount of which shall be determined based on the result of audit conducted by the Agency for Finance and Development Supervision.

Number 13

Article 18

Paragraph (1)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Letter e

Self-explanatory.

Letter f

The term “ineligible expenditure” shall mean expenditures which are not allowed to be financed by foreign loan/grant because such expenditures are not in accordance with the terms of the Foreign Loan and/or Grant Agreement.

Letter g

Self-explanatory.

Letter h

Self-explanatory.
Paragraph (2)
The term “changes of the ceiling for Subsidiary Loan” shall mean the increase of the ceiling for Subsidiary Loan due to the extension of multi-years Subsidiary Loan, accelerated drawdown of Subsidiary Loan which has been approved to optimize the utilization of Subsidiary Loan, and/or the increase of the ceiling for Subsidiary Loan for the purpose of issuing Endorsement Letter (SP3) for transaction of notice of disbursement (NOD) of Loan and/or Grant issued by the Lender and/or Grantor. Such changes of ceiling for Subsidiary Loan shall not include new Subsidiary Loan which has not been allocated in the State Budget for Fiscal Year 2017.

The term “closing date” shall mean the final date of the drawdown of foreign loan/grant through issuance of Disbursement Order (SP2D) by the State Treasury Service Office.

Paragraph (3)
Such changes of ceiling shall be used for issuance of SP3 for transaction of Notice of Disbursement (NOD) of Loan and/or Grant issued by the Lender and/or Grantor.

Paragraph (3A)
Self-explanatory.

Paragraph (4)
The term “reported by the Government to the House of Representatives in the Revised State Budget for Fiscal Year 2017” shall mean that the changes in
details/shifts of Central Government Expenditure budget which are made prior to the Revised State Budget for Fiscal Year 2017 shall be reported to the House of Representatives.

The term “reported by the Government to the House of Representatives in the 2017 Central Government Financial Statements (LKPP)” shall mean that the changes in details/shifts of Central Government Expenditure budget which are made throughout 2017 following the Revised State Budget for Fiscal Year 2017 shall be reported to the House of Representatives.

Number 14
Article 21

Paragraph (1)
The allocated education budget including the National Education Development Fund (DPPN) constitutes part of the accumulated educational budget allocation of the previous years as endowment fund which is managed by the Indonesia Endowment Fund for Education (LPDP) as Education Sovereign Wealth Fund.
It is intended that the proceeds from such endowment fund is utilized to ensure the continuity of education program for the next generation as the form of inter-generations accountability by way of, among others, scholarship and research funding.

Paragraph (2)
Self-explanatory.

Paragraph (3)
Self-explanatory.
Number 15
Article 22
Self-explanatory.

Number 16
Article 31
Paragraph (1)
The term “State Owned Assets” shall mean land and/or buildings and properties other than land and/or buildings.
Determination of Undetermined Status of Government Assistance Settlement (BPYBDS) as State Equity Participation (PMN) in State-Owned Enterprises (BUMN) shall include among others BPYBDS as recorded in the financial statements of PT PLN (Persero) that have been submitted by the Ministry of Energy and Mineral Resources (ESDM) to become additional PMN in PT PLN (Persero).

Paragraph (2)
Self-explanatory.

Paragraph (2A)
Self-explanatory.

Paragraph (3)
Self-explanatory.

Number 17
Article 40
Self-explanatory.

Number 18
Article 41
Self-explanatory.

Article II
Self-explanatory.
### APPENDIX I

**LAW OF THE REPUBLIC OF INDONESIA**

**NUMBER 8 OF 2017**

**REGARDING AMENDMENT TO LAW NUMBER 18 OF 2016 REGARDING THE STATE BUDGET FOR FISCAL YEAR 2017**

**DETAILS OF BUDGET FINANCING IN THE REVISED STATE BUDGET FOR FISCAL YEAR 2017**

<table>
<thead>
<tr>
<th>ALLOCATION OF BUDGET FINANCING</th>
<th>Before (In thousands of Rupiah)</th>
<th>After (In thousands of Rupiah)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debt Financing</strong></td>
<td><strong>330,167,788,571</strong></td>
<td><strong>397,235,750,105</strong></td>
</tr>
<tr>
<td>1.1 Government Securities (net)</td>
<td>399,992,586,000</td>
<td>467,314,304,000</td>
</tr>
<tr>
<td>1.2 Loan (net)</td>
<td>-15,302,093,225</td>
<td>-5,970,681,125</td>
</tr>
<tr>
<td>1.2.1 Domestic Loan (gross)</td>
<td>1,486,800,000</td>
<td>1,733,027,719</td>
</tr>
<tr>
<td>1.2.1.1 Drawdown of Domestic Loan (gross)</td>
<td>2,500,000,000</td>
<td>2,500,000,000</td>
</tr>
<tr>
<td>1.2.1.2 Payment of Domestic Loan Principal Installment</td>
<td>-1,013,200,000</td>
<td>-766,972,281</td>
</tr>
<tr>
<td>1.2.2 Foreign Loan (net)</td>
<td>-16,788,933,225</td>
<td>-7,703,708,844</td>
</tr>
<tr>
<td>1.2.2.1 Drawdown of Foreign Loan (gross)</td>
<td>48,293,174,075</td>
<td>57,500,276,256</td>
</tr>
<tr>
<td>1.2.2.1.1 Cash Loan</td>
<td>13,300,000,000</td>
<td>20,100,000,000</td>
</tr>
<tr>
<td>1.2.2.1.2 Project Loan</td>
<td>34,993,174,075</td>
<td>37,400,276,256</td>
</tr>
<tr>
<td>1.2.2.1.2.1 Central Government Project Loan</td>
<td>24,921,745,787</td>
<td>29,684,178,989</td>
</tr>
<tr>
<td>1.2.2.1.2.2 State Ministries/Institutions Project Loan</td>
<td>23,905,481,787</td>
<td>27,208,548,900</td>
</tr>
<tr>
<td>1.2.2.1.2.3 Project Loan On-Granting</td>
<td>1,016,264,000</td>
<td>2,475,630,809</td>
</tr>
<tr>
<td>1.2.2.2 Project Loan to BUMN/Local Government</td>
<td>10,071,428,288</td>
<td>7,716,097,267</td>
</tr>
<tr>
<td>1.2.2.2.1 Payment of Foreign Loan Principal Installment</td>
<td>-65,082,067,300</td>
<td>-65,203,985,100</td>
</tr>
<tr>
<td><strong>Investment Financing</strong></td>
<td><strong>-47,488,928,936</strong></td>
<td><strong>-59,733,761,381</strong></td>
</tr>
<tr>
<td>2.1 Investment in BUMN</td>
<td>-4,000,000,000</td>
<td>-6,379,318,092</td>
</tr>
<tr>
<td>2.1.1 PMN in PT Penjaminan Infrastruktur Indonesia (Persero)</td>
<td>-1,000,000,000</td>
<td>-1,000,000,000</td>
</tr>
<tr>
<td>2.1.2 PMN in PT Sarana Multigriya Finansial (Persero)</td>
<td>-1,000,000,000</td>
<td>-1,000,000,000</td>
</tr>
<tr>
<td>2.1.3 PMN in PT Sarana Multi Infrastruktur (Persero)</td>
<td>-2,000,000,000</td>
<td>-2,000,000,000</td>
</tr>
<tr>
<td>2.1.4 PMN in PT Kereta Api Indonesia (Persero)</td>
<td>0</td>
<td>-2,000,000,000</td>
</tr>
<tr>
<td>2.1.5 PMN in PT Jakarta Lloyd (Persero)</td>
<td>0</td>
<td>-379,318,092</td>
</tr>
<tr>
<td>2.2 Investment in Other Institutions/Organizations</td>
<td>-6,800,000,000</td>
<td>-3,200,000,000</td>
</tr>
<tr>
<td>2.2.1 PMN in Indonesia Export Financing Institution</td>
<td>-3,200,000,000</td>
<td>-3,200,000,000</td>
</tr>
<tr>
<td>2.2.2 PMN in BPJS Kesehatan for Health Insurance Fund Program</td>
<td>-3,600,000,000</td>
<td>0</td>
</tr>
<tr>
<td>2.3 Investment in BLU</td>
<td>-34,700,000,000</td>
<td>-48,150,560,000</td>
</tr>
<tr>
<td>2.3.1 Revolving Fund</td>
<td>-10,700,000,000</td>
<td>-5,600,000,000</td>
</tr>
<tr>
<td>2.3.1.1 Housing Financing Fund Management Center (PPDPP)</td>
<td>-9,700,000,000</td>
<td>-3,100,000,000</td>
</tr>
<tr>
<td>2.3.1.2</td>
<td>Marine and Fishery Business Capital Management (LPMUKP)</td>
<td>-500,000,000</td>
</tr>
<tr>
<td>2.3.1.3</td>
<td>Revolving Fund Management Agency (LPDB) of KUMKM</td>
<td>-500,000,000</td>
</tr>
<tr>
<td>2.3.1.4</td>
<td>Government Investment Center</td>
<td>0</td>
</tr>
<tr>
<td>2.3.2</td>
<td>National Education Development Fund (DPPN)</td>
<td>-2,500,000,000</td>
</tr>
<tr>
<td>2.3.3</td>
<td>State Assets Management Agency (LMAN)</td>
<td>-20,000,000,000</td>
</tr>
<tr>
<td>2.3.4</td>
<td>Government Investment Center</td>
<td>-1,500,000,000</td>
</tr>
<tr>
<td>2.4</td>
<td>Investment in International Financial Organizations/Institutions/International Business Entities</td>
<td>-1,988,928,936</td>
</tr>
</tbody>
</table>

| 2.4.1 | Islamic Development Bank (IDB) | -75,923,436 | -76,494,289 |
| 2.4.2 | The Islamic Corporation for the Development of the Private Sector (ICD) | -41,030,500 | -41,339,000 |
| 2.4.3 | International Fund for Agricultural Development (IFAD) | -39,900,000 | -40,200,000 |
| 2.4.4 | International Development Association (IDA) | -44,289,000 | -44,622,000 |
| 2.4.5 | Asian Infrastructure Investment Bank (AIIB) | -1,787,786,000 | -1,801,228,000 |

| 3 | **Subsidiary Loan** |
| 3.1 | Loan to BUMN/Local Governments/Institutions/Other Agencies | -6,409,651,268 | -3,668,737,389 |

| 3.1.1 | Loan to BUMN/Local Governments (net) | -6,409,651,268 | -3,668,737,389 |
| 3.1.1.1 | Loan to BUMN/Local Governments (gross) | -10,071,428,288 | -7,716,097,267 |
| 3.1.1.2 | Proceeds from payment of loan installment from BUMN/Local Governments | 3,661,777,020 | 4,047,359,878 |

| 4 | **Guarantee Liabilities** | -924,124,000 | -1,005,374,000 |
| 5 | **Other Financing** | 300,000,000 | 300,000,000 |
| 5.1 | Proceeds from Assets Management | 300,000,000 | 300,000,000 |

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Signed.

JOKO WIDODO

Certified true copy

MINISTRY OF STATE SECRETARY OF THE REPUBLIC OF INDONESIA

Assistant Deputy of Economic Affairs
Deputy of Law and Legislation

Signed and sealed
Lydia Silvanna Djaman
APPENDIX II

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 8 OF 2017
REGARDING AMENDMENT TO LAW
NUMBER 18 of 2016 REGARDING THE
STATE BUDGET FOR FISCAL YEAR 2017

POSTURE OF THE REVISED STATE BUDGET FOR FISCAL YEAR 2017

<table>
<thead>
<tr>
<th></th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In thousands of Rupiah)</td>
<td>(In thousands of Rupiah)</td>
</tr>
<tr>
<td>A. STATE REVENUE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. DOMESTIC REVENUE</td>
<td>1,750,283,380,176</td>
<td>1,736,060,149,915</td>
</tr>
<tr>
<td>1. TAX REVENUE</td>
<td>1,748,910,718,574</td>
<td>1,732,952,011,028</td>
</tr>
<tr>
<td>2. NON-TAX REVENUE</td>
<td>1,498,871,646,935</td>
<td>1,472,709,861,675</td>
</tr>
<tr>
<td>II. GRANT REVENUE</td>
<td>250,039,071,639</td>
<td>260,242,149,353</td>
</tr>
<tr>
<td></td>
<td>1,372,661,602</td>
<td>3,108,138,887</td>
</tr>
<tr>
<td>B. STATE EXPENDITURE</td>
<td>2,080,451,168,747</td>
<td>2,133,295,900,020</td>
</tr>
<tr>
<td>I. CENTRAL GOVERNMENT EXPENDITURE</td>
<td>1,315,526,103,976</td>
<td>1,366,956,572,312</td>
</tr>
<tr>
<td>II. TRANSFER TO REGIONS AND VILLAGE FUND</td>
<td>764,925,064,771</td>
<td>766,339,327,708</td>
</tr>
<tr>
<td>C. PRIMARY BALANCE</td>
<td>-108,973,200,901</td>
<td>-178,039,407,167</td>
</tr>
<tr>
<td>D. BUDGET SURPLUS/(DEFICIT) (A – B)</td>
<td>-330,167,788,571</td>
<td>-397,235,750,105</td>
</tr>
<tr>
<td></td>
<td>-2.41</td>
<td>-2.92</td>
</tr>
<tr>
<td>E. BUDGET FINANCING (I + II + III + IV + V)</td>
<td>330,167,788,571</td>
<td>397,235,750,105</td>
</tr>
<tr>
<td>I. DEBT FINANCING</td>
<td>384,690,492,775</td>
<td>461,343,622,875</td>
</tr>
<tr>
<td>II. INVESTMENT FINANCING</td>
<td>-47,488,928,936</td>
<td>-59,733,761,381</td>
</tr>
<tr>
<td>III. LOAN EXTENSION PROVISION</td>
<td>-6,409,651,268</td>
<td>-3,668,737,389</td>
</tr>
<tr>
<td>IV. GUARANTEE LIABILITIES</td>
<td>-924,124,000</td>
<td>-1,005,374,000</td>
</tr>
<tr>
<td>V. OTHER FINANCING</td>
<td>300,000,000</td>
<td>300,000,000</td>
</tr>
</tbody>
</table>

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Signed.
JOKO WIDODO

Certified true copy
MINISTRY OF STATE SECRETARY OF
THE REPUBLIC OF INDONESIA
Assistant Deputy of Economic Affairs
Deputy of Law and Legislation

Signed and sealed
Lydia Silvanna Djaman

I, Fatchurozak, a sworn and authorized translator, by the virtue of Jakarta Capital Territory Governor’s Decree No. 1690/2007, practicing in Jakarta, do solemnly and sincerely declare that the foregoing document is a true and faithful translation from Indonesian into English of the original version.