

USE OF RUPIAH CURRENCY FOR LEASE OF MODERN STORES AND SHOPPING CENTERS

Mar 24, 2014

To strengthen the competitiveness of retail trading businesses carried out by modern stores and shopping centers, the Minister of Trade issued Regulation Number 70/M-DAG/PER/12/2013 on 12 December 2013 concerning Guidelines on Administrating and Fostering Traditional Markets, Shopping Centers, and Modern Shops (**Reg. 70**). Reg. 70 requires, among other things, that charges specified in lease or purchase agreements for Shopping Centers by owners or tenants of space in those shopping centers must be denominated in Rupiah currency. Lease or purchase agreements signed before Reg. 70 comes into force will remain valid until those agreements expire. Reg. 70 will come into force on 12 June 2014.

Reg. 70 also regulates, inter alia, the issuance of the various businesses licenses available for traditional markets, shopping centers and modern shops, creates guidelines for the creation of retail outlets (including compliance with Regional Government requirements) and also governs certain aspects of the contractual arrangements between suppliers and modern stores. Importantly, modern stores must now ensure that at least 80% of the products they sell are produced domestically. Businesses must adjust to comply with the new requirements within 2 years from 12 June 2014 when Reg. 70 comes into force.