

News

New Investment Regulation by BKPM in force on January 2nd 2018

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Indonesia Investment Coordinating Board (BKPM) enacted Regulation No 13 of 2017 on Guidelines and Mechanism on License and Facility of Investment (“Reg 13/2017”) on 4 Dec 2017. This Reg 13/2017 will be effective at central-one stop service of BKPM on 2 January 2018 and at regional-one stop service on 2 July 2018 at the latest.

★ Key Features

- Designed to increase the level of ease of doing business in Indonesia
- Simplifies the investment licensing regime
- Online application and presentation
- Offer flexibility on divestment obligation with certain conditions
- Introducing prioritized services through fulfilment checklist
- Extending the period of investment by venture capital (max. 20 years)
- No limitation for the term of license of representative office
- Strengthen the prohibition on nominee arrangements
- Change on investment status will affect subsidiary

★ Licensing Regime

- There are only 2 types of investment license, investment registration and business license.
- Principle license, introduced by previous BKPM regulation as initial approval, is changed back to investment registration.
- Initial inbound foreign investment may directly apply for business license insofar it qualifies the following conditions:
 - Formed a limited liability company (PT) that compliant to the foreign shares restriction regulation
 - Obtained tax registration number (NPWP)
 - Acquired an office or business place
 - The business is not requiring any form of construction (e.g. service business)
 - The business is not requiring inbound custom duty facility on importation of capital goods
- It bears noting that Reg 13/2017 is silent on what will happen to the company if BKPM rejects the application of business license under the above criteria. However, this may also be seen as a gesture that rejection level will be slim.

Minimum Investment

- Inbound foreign investment must commit to the minimum of 10 BIDR investment in total, excluding land and building. However, a flexibility applies to the business of property development and management.
- Subscribed and paid-up capital must be in minimum of 2,5 BIDR.
- Each shareholders must subscribed shares in minimum of 10 MIDR.

Who Should Aware?

Investor/s who is conducting:

- New inbound foreign investment
- Status change to foreign investment company (PMA) or domestic investment (PMDN)
- Addition of new business activity or location
- Addition of production capacity in industry sector for expansion
- Addition of product lines within the same business activity