

The Ministry of Investment and Downstream Industry/BKPM has issued the mandated implementing regulation for business licensing processes and requirements

In brief

Indonesia's Ministry of Investment and Downstream Industry/BKPM has issued an implementing regulation for business licensing processes and requirements. The regulation is mandated by Government Regulation No. 28 of 2025 on Risk-Based Business Licensing Implementation ("GR 28"), enacted on 5 June 2025, to codify and streamline business licensing processes and requirements ([client alert here](#)).

This new regulation revokes BKPM Regulation Nos. 3, 4 and 5 of 2021. All the provisions that were previously in these three regulations are now covered in BKPM Regulation 5.

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1. Ministry of Investment and Downstream Industry/BKPM Regulation No. 5 of 2025 on Guidelines and Procedures for the Implementation of Risk-Based Business Licensing and Investment Facilities through an Electronically Integrated Business Licensing System (Online Single Submission) ("**BKPM Regulation 5**") was issued on 1 October 2025, and came into effect on 2 October 2025.
2. **Some changes to risk-based business licensing provisions:**
 - a. **Conversion of import license.** In Indonesia, there are two types of import licenses: import licenses granted to trading companies for the import of goods to be traded (API-U), and import licenses granted to manufacturing companies for the import of goods used for their own production such as raw materials (API-P). BKPM Regulation 5 supports the new concept introduced by the Ministry of Trade, where an API-U can be converted into an API-P. However, an API-P cannot be converted into an API-U. This leads to alignment among the ministries.
 - b. **Lower minimum issued and paid-up capital for foreign investment companies.** Foreign investment companies are required to have minimum issued and paid-up capital of only Rp 2.5 billion (previously Rp 10 billion). But BKPM Regulation 5 prohibits the transfer of the proceeds of the issued and paid-up capital from a company's bank accounts within 12 months after the money is injected, except for the purpose of running the company's business.
 - c. **Additional requirements for income-generating supporting activities.** GR 28 allows supporting activities to generate revenue, and allows investment in supporting activities to be less than Rp 10 billion for each supporting line of business. Previously, a supporting activity could not be revenue generating. However, BKPM Regulation 5 rolls back what GR 28 initially said as BKPM Regulation 5 provides additional requirements for supporting activities that generate revenue. That is, the supporting activities need to be included in Article 3 of the articles of association of the company, and the investment for the supporting activities would need to comply with the minimum investment requirements if conducted by foreign investment companies. Hence, the minimum investment requirement of Rp 10 billion may be a consideration before planning to carry out supporting business services and charging customers for those services.
 - d. **Timeline for commencing business.** BKPM Regulation 5 now provides timelines for lines of business to be operated commercially. The timelines are regulated in Attachment II of BKPM Regulation 5, and are divided into sectors. For example, management consultancy business falls under the Technical, Scientific and Professional Activities sector, where the timeline is no sooner than one year after the business identity number (NIB) is obtained if infrastructure is not needed, and a maximum of three years after the NIB is obtained if infrastructure is needed. Although the stated timeline

in that example says, "no sooner than one year", we believe that it should be read to mean that commercial operation can still start earlier than one year after the NIB is obtained. We need to wait and see how this will be implemented.

3. More clarity on basic requirements (*persyaratan dasar*):

- a. **Clarity on procedure and timing for Spatial Utilization Confirmation (KKPR), Building Approval (PBG) and Certificate of Proper Function (SLF).** BKPM Regulation 5 outlines specific procedures and deadlines for issuing KKPR approvals, which is essential to ensure that planned business activities match the area's spatial plan. KKPR application goes through an administrative review within a set number of business days, followed by a substantive assessment, also within a defined timeframe, prior to its issuance. Similarly, for PBG and SLF, BKPM Regulation 5 stipulates clearer procedures and deadlines for the application and issuance process, which are now centralized through the OSS system. The process includes registration, document checks (where if documents are incomplete, corrections must be made within a set time), regional fee payments (with deadlines) and ensuring compliance with technical standards (including an on-site feasibility inspection by authorized assessors or government-appointed teams specifically for SLF).
- b. **Streamlining of environmental licensing.** BKPM Regulation 5 introduced a more streamlined approach to environmental licensing processes, complementing and clarifying the framework set out in Government Regulation No. 22 of 2021 on the Implementation of Environment Protection and Management ("**GR 22/2021**"). Key updates include:
 - 1) **Clear criteria for environmental approvals.** There is now clear guidance on the types of environmental approvals or documents that a business must obtain. GR 22/2021 only provides criteria for activities with significant impacts and those activities must obtain AMDAL approval (namely, *Surat Keputusan Kelayakan Lingkungan Hidup - "SKKLH"*). GR 22/2021 does not provide specific criteria for businesses that require environment management efforts and environment monitoring efforts (UKL-UPL) approval (namely, *Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup - "PKPLH"*) and a statement letter on capability to manage and monitor the environment ("**SPPL**"). BKPM Regulation 5 now includes criteria for those businesses.
 - 2) **Centralized environmental approval issuance via OSS System.** SKKLH and PKPLH are now issued by BKPM (through the OSS system) in the name of the Ministry of Environment (MOE). This eliminates the need for a separate application to the MOE or local governments.

For businesses operating in industrial estates, special economic zones or free trade and port areas, their RKL-RPL (environmental management plan and environmental monitoring plan) must be submitted via the OSS system. For non-permanent business activities conducted in sea areas, the OSS system will automatically issue an SPPL.
 - 3) **Integrated screening system in the OSS system.** There is a new screening system feature in the OSS system to determine (i) the types of the required environmental permits and (ii) whether technical approvals are needed (e.g., for emission standards or to manage toxic and hazardous waste). GR 22/2021 only requires business actors to do independent screening or to ask the central environmental office to carry out the screening and determine the screening result.
 - 4) **Clarity on AMDAL assessment and SKKLH issuance timing.** BKPM Regulation 5 provides more clarity than GR 22/2021 on the timeline for each stage of the AMDAL review process. For example, while GR 22/2021 is silent on the administrative assessment deadline, BKPM Regulation 5 sets a clear timeframe – i.e., an administrative assessment needs to be completed within three business days, with a possible revision for three business days and reassessment to the revision for one business day. However, there seems to be an inconsistency in respect of the substantive assessment timing. GR 22/2021 provides that substantive assessment and feasibility testing of AMDAL will be carried out within 50 business days after the documents are considered complete based on the administrative assessment, and that that period includes any required revisions, while BKPM Regulation 5 stipulates that that period excludes time for making any required revisions to the documents.

4. New requirements for certain sectors:

- a. **Exemption for minimum investment for F&B sector.** GR 28 (like the old BKPM regulations) provides exemptions for foreign investment companies in F&B businesses. The minimum investment of more than Rp 10 billion (excluding investment for land and buildings) applies for all F&B KBIs that have the same first two-digit KBI number in one location. But BKPM Regulation 5 provides more leeway, whereby "one location" applies for a whole city/regency.
- b. **Licensing requirements for Foreign Private Electronic System Operators (ESO).** BKPM Regulation 5 requires foreign private ESOs to obtain an NIB and a license to conduct commercial/operational activities. While BKPM Regulation 5 uses the term "license" in the provision, we believe that this term should refer to the existing ESO registration requirement for foreign private ESOs as stipulated under Minister of Communication and Informatics (now

known as the Minister of Communication and Digital) Regulation No. 5 of 2020 on Private Electronic System Operators ("**Komdigi Regulation 5**"), which is a registration in nature rather than business licensing. With the issuance of BKPM Regulation 5, there are two regulation regimes that regulate the obligation for foreign private ESOs to obtain an NIB and an ESO registration certificate.

- c. **New requirement for revocation of business licenses for drug, food and nuclear sectors.** Under BKPM Regulation 5, business actors that have drug, food and nuclear related supporting licenses, and that seek to revoke their business licensing, must submit evidence demonstrating the fulfillment of obligations associated with the relevant supporting activities. This evidence must be verified by the relevant authority. The old regulations did not have this requirement. As a result, for example, business actors in the drug and food sectors must now ensure that all obligations — such as product recalls, reporting and compliance — are fully met prior to license revocation. This introduces a new layer of accountability and regulatory closure, which will be particularly critical for sensitive industries like pharmaceuticals and medical devices.
5. **New criteria for non-compliance with LKPM reporting requirements.** BKPM Regulation 5 provides that administrative sanctions would be imposed for non-compliance with LKPM reporting requirements, which now include if companies submit LKPMs in the construction stage without any additional realization for four quarters in a row. This would mean that companies are expected to realize the investment for the relevant business within one year after they obtain an NIB.

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