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Client Alert

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The government has finally codified and streamlined the business licensing process and requirements in Indonesia

In brief

A new government regulation, enacted on 5 June 2025, will bring in sweeping changes to the business licensing application process. The changes will affect the processing of business licensing, environmental approvals and building approvals, among others, and are hoped to bring more certainty on the process and timeline.

The new regulation mandates the issuance of implementing regulations (including an amendment regulation on existing BKPM regulations No. 3, 4 and 5 of 2021, which we understand is being discussed), and the adjustment of the OSS system and the Indonesian National Single Window (INSW) system within four months of the enactment date, i.e., by 5 October 2025.

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Points worth noting

1. Government Regulation No. 28 of 2025 on Risk-Based Business Licensing Implementation ("**GR 28**") replaces Government Regulation No. 5 of 2021 on the same matter ("**GR 5**").

2. **Introduction of fictitious positive" approval (*fiktif positif*).** One of the means to provide this certainty is the formalization of a "fictitious positive" approval mechanism. "Fictitious positive" approval (*fiktif positif*) is a legal mechanism where if a government official or agency does not issue a decision within a specified timeframe, the subsequent process can continue. For example:

   a. ***Environmental licenses***. GR 28 imposes firm deadlines for the issuance of technical approvals (*persetujuan teknis*) in relation to technical assessment (*kajian teknis*), e.g., 30 working days from receipt of complete documents for wastewater and emission standards assessments, and 16 working days from receipt of complete documents for hazardous waste assessments. If these deadlines are missed and the application has been declared complete and correct by the officials, businesses may proceed to apply for environmental approval by attaching proof of the completed technical assessment application without the need to obtain the technical approval (*persetujuan teknis*).

   b. ***Suitability of Spatial Utilization (KKPR)***. If a business actor is applying for a technical consideration (*pertimbangan teknis*) related to land matters, which is a prerequisite for a KKPR, and the relevant official does not issue the technical consideration (*pertimbangan teknis*) within 20 working days from receipt of complete documents, the KKPR will be issued without the need to obtain the technical consideration (*pertimbangan teknis*).

   c. ***Medium-high risk and high risk business licensing***. If a business actor is applying for a license to operate in accordance with the level of its business line risk, and the relevant ministry, department or official that has the authority to verify the licensing requirements and supporting documents fails to input the result of its verification to the OSS system within the prescribed time line, the OSS system will issue the relevant license to operate.

3. **Environment licenses process.**

   a. ***Stricter environmental requirements for multiple line of business (KBLI) codes*.** GR 28 explicitly requires businesses running under multiple KBLIs within one integrated operational area to follow the strictest environmental document requirements when applying for environmental approval. In the past, this was based on the Ministry of Environment's unwritten policies.

   b. ***Streamlined environmental approval process*.** GR 28 allows businesses to apply for technical and environmental approvals simultaneously through the OSS system as long as (i) based on the environmental assessment, the environment is still capable of supporting the implementation of the business activity (which assessment is made by the government on the basis of environmental data and studies conducted by the relevant government authority within their region), and (ii) the management of wastewater and hazardous waste are generated from their own operation/activities. The simultaneous process is also permitted for national strategic projects.

   c. ***Technical approval exemption***. Businesses located in industrial estates, special economic zones, or free trade zones and free ports are exempt from technical approvals if they (i) do not discharge wastewater into water bodies (*badan air*), or (ii) discharge wastewater through treatment facilities provided by the area manager.

4. **KKPR, Building Approval (PBG) and Function Worthy Certificate (SLF) processes.**

   a. ***One regulation***. GR 28 continues the current practice for the application processes for KKPR, PBG and SLF licenses by bringing together separate provisions from other implementing regulations of GR 5 into one main regulation, which provides clarity by decreasing the possibility of contradicting provisions. GR 28 takes the same approach as the implementing regulations of GR 5 by setting out clear prescribed timelines for the processing of permits and licensing.

   b. ***Application of PBG and SLF***. Previously applications for PBG and SLF were processed through the Building Management Information System (SIMBG), which is the electronic system of the Ministry of Public Works and Housing. However, under GR 28, applications for PBG and SLF are now conducted through the OSS system, the system that also processes KKPR.

5. **Import/export related licenses**. GR 28 clearly sets out that the processing of licenses related with (i) export activities, (ii) import activities besides API/import licenses (such as import approvals for clothing and footwear), (iii) the fulfillment of provisions on export and import prohibitions or restrictions, as well as (iv) commodity balances, are separated from the OSS system, and will be processed in the INSW system.

6. **New concept of supporting activities.** GR 28 now allows supporting activities (under a different KBLI) to generate revenue. This gives flexibility especially for foreign investment companies that need to do certain activities to support their main activities, where the supporting activities only generate a small amount of revenue. Previously, a supporting activity could not be revenue generating. For foreign investment companies, GR 28, like the previous regulation, allows the investment of supporting activities to be less than Rp 10 billion for each supporting line of business.

7. **New classification for gaming publishing activities.** GR 28 separates the telecommunication sector and the technology sector. Specifically for the technology sector, there is a new ruling on gaming publishing activities. Based on Attachment I of GR 28, those activities now fall under the software publishing business line (KBLI code 58200), and are deemed as a medium-low risk business line that requires a business identity number (NIB) and an unverified standard certificate as its business licensing. In addition, companies engaging in gaming publishing activities are required to fulfill the electronic system operator (ESO) registration requirement and the gaming classification requirement.

8. **Introduction of different types of administrative sanctions in certain sectors, based on types of noncompliance**. GR 28 introduces different types of sanctions in certain sectors. For example, in the trade and legal metrology sectors, GR 28 outlines administrative sanctions for businesses based on two primary categories, i.e., (i) lack of proper business licensing (for business actors that do not have the necessary business licensing and/or supporting licensing), and (ii) identified discrepancies or violations (for those found, through supervision, to have discrepancies or violations in their operations against the business and/or supporting licensing they have). Further, it also expands the forms of administrative sanctions, introducing various government coercive measures. These measures include the closure or blocking of electronic systems and/or other online media used for e-commerce, as well as other actions aimed at halting violations, which may involve law enforcement officials.

9. **New division of business scopes for certain KBLIs**. GR 28 divides the business scope of some KBLIs resulting in different risk levels for different business scopes or different licensing requirements, which were not regulated under GR 5. For example:

   a. ***KBLI 35111 (electric power generation)*** is now divided into two categories. i.e., (i) all types of power generation activities except renewable energy power plants integrated with electric vehicle charging stations (SPKLU), which are classified as high risk, and require an NIB and a license (*Izin*), and (ii) renewable energy power plants integrated with SPKLU, which are classified as medium-low risk, and require an NIB and an unverified standard certificate.

   b. ***KBLI 35129 (other supporting electricity activities***) is now divided into two categories, i.e., (i) all activities except energy conservation services, and (ii) energy conservation services. Both lines of business are classified as medium-low risk lines of business, which require an NIB and an unverified standard certificate. Businesses in the first category have no additional requirements, while those in the second category must fulfill certain requirements, such as having certified energy conservation experts.

10. **Clarity on the supervising authority for certain KBLIs**. Some KBLIs that were classified under more than one sector (meaning that they fall under multiple supervising authorities) under GR 5 have been now clarified under GR 28. For example:

    a. ***KBLI 21012 (pharmaceutical products industry (for humans)), KBLI 21022 (traditional medicine industry (for humans)), KBLI 23124 (clinical laboratory devices industry), KBLI 32502 (medical and dental equipment, orthopedic and prosthetic equipment industry), and KBLI 20232 (cosmetics (for humans) and tooth paste industry)*** that were under the Ministry of Industry and the Ministry of Health under GR 5 are now under the authority of the Ministry of Industry under GR 28.

    b. ***KBLI 26601 (radiation/X-ray equipment, supplies, and similar items industry)***, which was under the head of the Nuclear Supervisory Agency (Badan Pengawas Tenaga Nuklir or BAPETEN) and the Ministry of Health under GR 5 is now under the authority of the head of BAPETEN under GR 28.

11. **Relaxation of foreign investment restrictions for certain KBLIs.** GR 28 has changed the business scale of certain KBLIs from only open to micro, small and medium business (known as UMKM) to also open for large scale business. So those KBLIs, which were previously closed for foreign investment only because they were allocated to micro, small and medium businesses technically will become open for foreign investment. These changes mean that the existing relevant regulations (e.g., the Investment List under Presidential Regulation No. 49 of 2021, which amended Presidential Regulation No. 10 of 2021 on Investment Business Sectors) would need to be amended to be in line with GR 28. For example:

    a. ***KBLI 47723 (traditional medicine retail trading (for humans))*** was only open for micro, small and medium scale business under GR 5, but is now also open for large scale business based on Attachment I.J.1 of GR 28

    b. ***KBLI 47724 (cosmetics retail trading (for humans))*** was only open for micro, small and medium scale business under GR 5, but is now also open for large-scale business based on Attachment I.J.40 of GR 28.

    c. ***KBLI 47111 (retail of various goods that are primarily foods, beverages or tobacco in minimarkets/supermarkets/hypermarkets)****, particularly minimarket,* is now categorized separately from supermarkets and hypermarkets, and is open for large-scale business based on Attachment I.G.128 of GR 28.

12. **OSS process.** Any applications currently being processed in the OSS system will still use the provisions under GR 5 until the OSS system has been adjusted in compliance with GR 28.

13. **Status of existing licenses.** The business licensing provisions under GR 28 are exempted for business actors whose basic licenses (environment licenses, KKPRs, PBGs and SLFs), business licenses and supporting licenses have been issued, verified, or approved, and are still valid, unless GR 28 is more beneficial to the business actors.

14. **Status of existing regulations**. GR 28 provides that upon its implementation, any other provisions set out in other regulations will remain valid insofar as they do not conflict with GR 28.

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