

General Corporate

Versi Bahasa Indonesia

Enforcement Date

26 October 2015 (PTSP at the BKPM) and **8 December 2015** (PTSPs at the provincial level, regency/municipality level, free-trade areas and free markets, and special-economic zones)

Related ILB

- New Provisions on Location Permits
- Minimum Capital Requirement for Transportation Companies
- Securing Approval to Employ Foreign Workers via the One-Stop Integrated Service
- BKPM Amends Investment Procedures
- Long-Awaited BKPM Investment Regulation Finally Issued

New Principle License Procedures for Investment

The Head of the Indonesian Investment Coordinating Board (“BKPM”) recently issued Regulation [No. 14 of 2015](#) on the Guidelines and Procedures for Principle Investment Licensing (“2015 Regulation”). As a part of President Joko Widodo’s economic-policy packages, the 2015 Regulation simplifies the procedure for the securing of a Principle License (*izin prinsip*) for investment activities.

Due to the broad scope of the 2015 Regulation, this edition of Indonesian Legal Brief will confine its discussions to the following areas:

- a. Principal investment licenses;
- b. Application procedures;
- c. Divestment obligation.

Prior to the 2015 Regulation, these procedures were regulated under Head of BKPM Regulation [No. 5 Of 2013](#) on the Guidelines and Procedures for Investment Licenses and Non-Licenses, as amended by Regulation [No. 12 of 2013](#) (“2013 Regulation”).¹

The 2015 Regulation is of relevance to foreign and domestic investment companies (“Company”), as well as to the officials who will be supervising the One-Stop Integrated Services (*Pelayanan Terpadu Satu Pintu* - “PTSP”) procedures for principal licenses across all levels and areas (central, provincial, regency/municipality, free-trade areas and free markets, as well as special-economic zones).²

Principle License

A Principle License is a mandatory document for Companies looking to establish a new business via a foreign direct investment (“FDI”) or domestic direct investment (“DDI”) scheme. This document is also mandatory for a company looking to convert its status into that of an FDI or DDI business.³ Business sectors compelled to secure such Principle Licenses include agriculture, energy and mineral resources, tourism, transportation, information technology, and so forth.⁴

As a mandatory document, the Principle License is a prerequisite for the securing of other licenses, permits, and non-permits from both central and local governments. Other licenses include technical land recommendations,

¹ For more information on the 2013 Regulation, see ILB [No. 2155](#), ILB [No. 2251](#), and ILD [No. 327](#).

² Art. 2, 2015 Regulation.

³ Art. 9 (1) and (2), 2015 Regulation.

⁴ Art. 9 (3), 2015 Regulation.

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location permits, building permits (IMB), Foreign Worker Recruitment Plans (*Rencana Penggunaan Tenaga Kerja Asing* - RPTKA), and environmental licenses.⁵

The Principle License is further classified into five types:⁶

- a. Principle License;
- b. Principle License for Expansion;
- c. Amendment to a Principle License;
- d. Principle License for Mergers; and
- e. Investment license.⁷

Procedures

Prior to securing a Principle License, DDI companies are required to be established as limited-liability companies, limited partnerships (*commanditaire vennootschap* - "CV"), *firma* partnerships, cooperatives, foundations, or state-owned/regionally owned companies.⁸ FDI companies, on the other hand, can only be established as limited-liability companies.⁹

In addition, FDI companies must also satisfy the minimum-investment threshold as follows: minimum capital investment is set at IDR 10 billion (excluding immovable assets); at least IDR 2.5 billion of which should be paid-in capital; while the value of shares issued must be at least IDR 10 million.¹⁰ Note that DDI companies are no longer subject to any minimum threshold, whereas the Previous Regulation set a minimum threshold of IDR 500 million.¹¹

After meeting the various obligatory legal-status and capital-threshold requirements, a business may then submit an application for a Principle License to the PTSP at the BKPM, a provincial PTSP, or a regency/city PTSP, depending on the type and characteristics of the business in question.¹² Applications are to be submitted using the form provided under Appendix II to the 2015 Regulation.¹³ It should be noted that the form set out under Appendix II also stipulates the necessary additional documents that need to be included with any applications, for instance a tax-identification number (NPWP), an investment plan, a copy of a company's constitutional document, etc.

Upon receipt of a completed application, the institution in question must issue a Principle License within three days using the format set out under Appendices III and IV to the 2015 Regulation. If an application is ultimately rejected, then the respective institution is obliged to issue a Rejection Letter to the business making the application. This letter should set out a thorough and complete set of reasons for the rejection.

Note that these procedures apply to all of the above types of Principle Licenses, although the forms used differ in each case.¹⁴

⁵ For the full list, see Art. 10 (4), 2015 Regulation.

⁶ Art. 10 (1), 2015 Regulation.

⁷ An Investment License is a principal license granted to companies in order to accelerate investment in projects which: (a) have an investment value of at least IDR 100 billion; and/or (b) are capable of providing employment opportunities for at least 1000 members of the Indonesian workforce [Art. 1.14 and Art. 30 (1), 2015 Regulation].

⁸ Art. 12 (1), 2015 Regulation.

⁹ Art. 12 (2), 2015 Regulation.

¹⁰ Art. 13 (1) points (a), (d), (e) and Art. 13 (3), 2015 Regulation compared to Art. 22 (1) and (3) 2013 Regulation.

¹¹ Art. 13 (2) 2015 Regulation compared with Art. 22 (2) 2013 Regulation.

¹² Art. 18 (1), 2015 Regulation. The PTSP at the BKPM for businesses engaging in trans-provincial activities; a provincial PTSP for cross-regency/city activities; a regency/city PTSP for businesses engaging in local activities. For a complete breakdown, see Art. 5-8, 2015 Regulation.

¹³ Art. 18 (3), 2015 Regulation.

¹⁴ See full list of the forms under the Appendix to the 2015 Regulation.

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Divestment Obligation

FDI Companies were already mandated to engage in divestment prior to the issuance of the 2015 Regulation, must execute this obligation to divest according to their Principle License, either by way of a direct selling or sale via the Indonesian Stock Exchange (IDX).¹⁵ Note that the 2015 Regulation sets a minimum divestment value of IDR 10 million.¹⁶

Additionally, an FDI Company that has yet to realize its divestment obligation by the designated due date may apply to the PTSP where its principal license was issued for a two-year extension.

The 2015 Regulation repeals and replaces the 2013 Regulation.

The 2015 Regulation will enter into force on the following dates:

- a. 26 October 2015 for the PTSP at the BKPM; and
- b. 8 December 2015 for PTSPs operating at a provincial level, regency/municipality level, free-trade areas and free markets, as well as special economic zones.

¹⁵ Art. 16 (1) and (3), 2015 Regulation.

¹⁶ Art. 16 (2), 2015 Regulation. The 2013 Regulation did not stipulate any minimum divestment value.

RECENTLY PUBLISHED ILB

- Upper and Lower Thresholds for Economy-Class Flights (Issue 2751 – 30/10/2015)
- New Regulation on Minimum Wage Formulation (Issue 2750 – 29/10/2015)
- Govt Updates Procedures for Employing Foreign Workers (Issue 2749 – 28/10/2015)
- Draft Bill on Private-Data Protection (Issue 2748 – 27/10/2015)

RECENT REGULATION

- Bank Indonesia Regulation [No. 17/15/PBI/2015](#) on Third Amendment to Bank Indonesia Regulation [No. 16/16/PBI/2014](#) on Foreign Currency Transaction Against Rupiah Between Bank and Domestic Parties
- Bank Indonesia Regulation [No. 17/16/PBI/2015](#) on Third Amendment to Bank Indonesia Regulation [No. 16/17/PBI/2014](#) on Foreign Currency Transaction Against Rupiah Between Bank and Foreign Parties