CHRISTIAN TEO & PARTNERS
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INVESTMENT REGIME CHANGES – RETHINKING BUSINESS ACTOR REQUIREMENTS[1][2][3][4][5]

INTRODUCTION

In October, the Government issued a new regulation that makes significant changes to Indonesia's investment regime and, more particularly, to the applicable procedures for establishing, licensing and ensuring compliance by companies and other business actors.

Subject to a couple of exceptions, the investment regime changes are generally positive and address, among other things, a number of long-standing objections to Indonesia's foreign investment company establishment procedures.

As the local energy, infrastructure and mining industries continue to attract major investment from both local investors and foreign investors, it is important that actual and potential investors in these industries understand what the investment regime changes mean for them.

In this article, the writer will review some of the more significant investment regime changes, with an emphasis on the likely implications of these changes for foreign investors.

BACKGROUND

The establishment and licensing of companies and other business actors (together, **Business Actors**) in Indonesia is carried out through the so-called "On-line Single Submission System" (**OSS System**).

Business Actors are business entities or individuals which carry out business and/or activities in a particular field and include (i) foreign investment companies (in which foreign parties may legally hold shares) (**PMA Companies**), (ii) domestic investment companies (in which only Indonesian citizens and Indonesian companies wholly owned by Indonesian citizens may legally hold shares) (**PMDN Companies**), (iii) partnerships, (iv) cooperatives and (v) individuals in appropriate circumstances.

PMA Companies may only carry on those particular business activities which they are expressly approved to carry out (i) as set out in their Articles of Association (**AoA**) and (ii) pursuant to the Indonesian Standard Business Classification (*Klasifikasi Baku Lapangan Usaha* or **KBLI**)

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Number(s) they are approved for, as specified in their Business Principal Number certificate (*Nomor Induk Berusaha* or **NIB**).

A PMA Company's approved KBLI Number(s), in turn, determine(s) the applicable (i) foreign ownership limitations (if any), (ii) minimum investment amount and (iii) specific business licenses/permits (issued by the Investment Coordination Board/Ministry of Investment & Down-streaming or **BKPM** on behalf of relevant government ministries/agencies) which the relevant PMA Company needs to comply with and/or obtain.

Indonesia has a risk-based business licensing system that is currently set out in Government Regulation No. 28 of 2025 re Implementation of Risk-Based Business Licensing (**GR 28/2025**). Pursuant to GR 28/2025, business activities are categorized based on the Government-determined level of "risk" associated with the same. In this regard, there are four categories of business activities as follows:

(a) "**Low-Risk**" business activities which, from a licensing and registration perspective, require only an NIB;

(b) "**Medium-Low Risk**" business activities which, from a licensing and registration perspective, require (i) an NIB and (ii) a so-called "standard certificate" in the form of an undertaking to satisfy the business standards applicable to the relevant business activities (**Standard Certificate**);

(c) "**Medium-High Risk**" business activities which, from a licensing and registration perspective, require (i) an NIB and (ii) a Standard Certificate, which will be issued by the Central Government, the Regional Government, Administrator of Special Economic Zone or Administrator of Free Trade Zone and Free Port (**KPBPB**) in accordance with their respective authority (**Relevant Government Authority**) following the satisfactory outcome of a verification process carried out by the Relevant Government Authority; and

(d) "**High-Risk**" business activities which, from a licensing and registration perspective, require (i) an NIB and (ii) a business license/permit (*Perizinan Berusaha* or **PB**).

The scale of a particular Business Actor's business activities (**i.e.**, small, medium, large) is one of the factors considered by the Government in determining the level of risk associated with the business activity to be carried out by a particular Business Actor.

On 1 October 2025, BKPM issued Regulation No. 5 of 2025 re 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 5/2025**).

BKPM Regulation 5/2025 is an implementing regulation of GR 28/2025.

It is the changes introduced by BKPM Regulation 5/2025 that are the focus of the balance of this article.

COMMENTARY

1. Preliminary Remarks

BKPM Regulation 5/2025 aims to simplify, harmonize and refine Indonesia's investment regulatory regime by replacing and revoking 3 key investment regulations previously in force; namely, (i) BKPM Regulation No. 3 of 2021 re Electronically Integrated Risk-Based Business Licensing System, (ii) BKPM Regulation No. 4 of 2021 re Guidelines and Procedures for Risk-Based Business Licensing and Investment Facilities Services (**BKPM Regulation 4/2021**) and (iii) BKPM Regulation No. 5 of 2021 re Guidelines and Procedures for Risk-Based Business Licensing Supervision (together, **2021 BKPM Regulations**).

BKPM Regulation 5/2025 came into effect on 2 October 2025.

BKPM Regulation 5/2025 makes a very large number of changes to applicable procedures for establishing, licensing and ensuring compliance by Business Actors, including both PMA Companies and PMDN Companies, as previously set out in the 2021 BKPM Regulations.

Many of the changes made by BKPM Regulation 5/2025 are highly technical in nature and of "specialist" interest only.

What follows is a review and analysis of what the writer sees as being, potentially, the 10 most significant changes. Other commentators may legitimately disagree with the writer's choice of the 10 most significant changes.

2. 10 Most Significant Changes

2.1 **Minimum Investment & Paid-Up Capital Requirements for Newly Established PMA Companies:** The <u>**minimum required investment amount for a newly established PMA Company continues to be at least IDR10,000,000,000 per approved KBLI Number and per location**</u> (**Minimum Investment Requirement**) excluding land and buildings. However, BKPM Regulation 5/2025 makes clear that, in the case of PMA Companies carrying on (i) food & beverage services business activities, the Minimum Investment Requirement is <u>**per regency or city**</u> for PMA Companies carrying on food & beverage services business activities in multiple regencies and cities of Indonesia and (ii) public electric vehicle charging station business activities, the Minimum Investment Requirement is <u>**per province**</u> for PMA Companies carrying on electric vehicle charging station business activities in multiple provinces of Indonesia (Article 26(7) of BKPM Regulation 5/2025).

The <u>**minimum required deposited issued and paid-up capital**</u> for a newly established PMA Company <u>**has been reduced from at least IDR10,000,000,000 to become at least IDR2,500,000,000**</u> (**Minimum Paid-Up Capital Requirement**) (Article 26(10) of BKPM Regulation 5/2025). The reduction in the Minimum Paid-Up Capital Requirement is a very positive development as founders, investors and promoters of foreign investment "start-up" ventures, in those business sectors that do not require significant physical assets (**eg**, the creative, internet focused, services and software development sectors), have long complained that the <u>**former**</u> Minimum Paid-Up Capital Requirement of IDR10,000,000,000 was a significant disincentive to establishing such "start-up" ventures in Indonesia.

2.2 **Licensing and Minimum Investment & Capital Requirements for Existing PMA Companies:** In the case of <u>**already existing**</u> PMA Companies which subsequently (i) change the physical location of their business activities, (ii) extend their PBs or (iii) expand their business activities, the applicable licensing requirements as well as the applicable Minimum Investment Requirement (in the case of (i) and (ii) above only) and the applicable

Minimum Paid-Up Capital Requirement (in the case of those PMA Companies which have already obtained all the required PBs for their business activities) **<u>remain unchanged from the pre-BKPM Regulation 5/2025 position</u>** as set out in the 2021 BKPM Regulations and subject to one qualification. In the case of business licensing matters only, if the new business licensing requirements of BKPM Regulation 5/2025 are more favourable to a particular PMA Company than are the pre-BKPM Regulation 5/2025 business licensing requirements, then an already existing PMA Company may elect to comply with the more favourable new business licensing requirements of BKPM Regulation 5/2025 (Articles 394 and 395 of BKPM Regulation 5/2025).

The main intended implication of the above for **<u>existing</u>** PMA Companies seems to be that they **<u>cannot</u>** reduce their issued and paid-up capital from at least IDR10,000,000,000 to become at least IDR2,500,000,000 only. However, it may be that BKPM will, in practice, take a less strict stance in this regard.

2.3 **Maintaining Issued & Paid-Up Capital:** The issued and paid-up capital of a PMA Company must now be maintained in the PMA Company's bank account **<u>for a minimum period of 12 months from the date of the original deposit/placement</u>** except for the purpose of funding the PMA Company's asset acquisitions, building construction and/or business operations (**Minimum Deposit Period Requirement**) (Article 27(1) of BKPM Regulation 5/2025).

This recent change is clearly aimed at trying to prevent the common practice of PMA Companies lending back to their shareholders much of the paid-up capital and soon after it is deposited/placed in a PMA Company's bank account in those situations where the paid-up capital is not immediately needed to fund the relevant PMA Company's business activities. The justification/rationale for the new Minimum Deposit Period Requirement is, presumably, that now the Minimum Paid-Up Capital Requirement has been substantially reduced from at least IDR10,000,000,000 to become at least IDR2,500,000,000, it should not be an undue burden on PMA Company shareholders to leave the substantially reduced Minimum Paid-Up Capital Requirement amount in the PMA Company's bank account for at least 12 months and even if all this paid-up capital is not required by the PMA Company in the near term.

Although administrative sanctions may be imposed on PMA Companies which do not comply with the new Minimum Deposit Period Requirement, it is not clear how compliance with the Minimum Deposit Period Requirement can be strictly enforced as withdrawals, of deposited paid-up capital from a PMA Company's bank account, do **<u>not</u>** require the prior approval of BKPM. However, it may be that this is something which will be, at least theoretically, subject to review by BKPM as part of the quarterly investment activities reporting process that every PMA Company must undertake.

2.4 **Ancillary Business Activities:** A PMA Company's business activities are now to be differentiated as between/divided into:

(a) **Main Activities**, being all income/profit/revenue-generating business activities;

(b) **Income Generating Ancillary Activities**, being those business activities which (i) are regarded as being necessary "supporting" activities to the Main Activities and (ii) generate income/profit/revenue; and

(c) **Non-Income Generating Ancillary Activities**, being those business activities which (i) are regarded as being necessary "supporting" activities to the Main Activities and (ii) do **<u>not</u>** generate income/profit/revenue.

The importance of the differentiation or division, as among Main Activities, Income Generating Ancillary Activities and Non-Income Generating Ancillary Activities, is that the Minimum Investment Requirement of Rp10,000,000,000 **<u>no</u>** longer applies to Non-Income Generating Ancillary Activities but, rather, only to Main Activities and to Income Generating Ancillary Activities. However, Ancillary Business Activities, whether income generating or non-income generating, still require their own approved KBLIs (Article 35(6) and (7) of BKPM Regulation 5/2025).

Given the onerous nature of the Minimum Investment Requirement for many smaller PMA Company "start-ups", waiving the Minimum Investment Requirement, in the case of Non-Income Generating Ancillary Activities, could improve the attractiveness of Indonesia as a potential foreign investment destination relative to that of other potential foreign investment destinations in South-East Asia such as Vietnam, Malaysia and the Philippines.

Waiving the Minimum Investment Requirement, in the case of Non-Income Generating Ancillary Activities, is likely to also encourage foreign investors to rethink how they generate income from their approved business activities in Indonesia. More particularly, PMA Companies, which propose to carry on a range of business activities with different KBLIs, will have an incentive to **<u>no</u>** longer charge consumers, of their product and service offerings, separate fees for each product or service consumed but, rather, to "bundle" all the previously separate fees into a single fee that is payable only in respect of the Main Business Activity product or service offering so that the relevant PMA Company does not generate any separately identifiable income/revenue/profit from each or at least some Ancillary Business Activity(ies).

2.5 **Commencement of Commercial Activities:** As part of the process of establishing and/or licensing a Business Actor (including a PMA Company), the relevant Business Actor or its promoter must complete and submit, via the OSS System, a PB application form (**PB Application**). The data required by the PB Application includes the estimated time (**<u>i.e.</u>**, month and year) for the commencement of the relevant Business Actor's commercial activities, taking into account the time needed to carry out essential preparatory work, including construction and development of physical facilities (**Commencement Date**) (**Commencement Date Requirement**).

Although the Commencement Date Requirement is not new, BKPM Regulation 5/2025 makes clear the significance of the Commencement Date and the potential consequences of not achieving the Commencement Date. More particularly:

(a) the specified Commencement Date may only be amended once by the relevant Business Actor prior to the date of commencement of its commercial activities and provided there is appropriate justification for the proposed amendment;

(b) the specified Commencement Date is to be used by the agency which administers the OSS System, as well as other Relevant Government Authorities, for the purpose of monitoring the realization of the subject investment; and

(c) failure to achieve the specified Commencement Date may result in the relevant Business Actor's Standard Certificate being revoked (Articles 38(1) to (4) and 198 of BKPM Regulation 5/2025).

The more detailed treatment of the Commencement Date, in BKPM Regulation 5/2025, is to be understood in the context of the Government's expectation that (i) every approved investment/project will be income generating and (ii) as a consequence of (i), every Business Actor with an approved investment/project will eventually pay income tax on the net income from its approved investment/project. This is especially the case for PMA Companies. It is not hard to see the Government's growing fiscal problems and the consequent need to maximize its tax revenue as being very much the catalyst for this particular change.

2.6 **Importer Licenses:** In the case of those Business Actors (including PMA Companies) with proposed business activities that include the importation of goods, the relevant Business Actor's NIB also functions as an Importer Identification Number (**API**), which API is further classified into 2 distinct categories as follows:

(a) General API (**API-U**): This is an importer identification number used for importing certain goods for the purpose of subsequently trading or transferring such goods; and

(b) Manufacturer API (**API-P**): This is an importer identification number used for importing certain goods for the importer's own subsequent use as capital goods, raw materials, supporting materials and/or to support its manufacturing/production process.

A Business Actor importer may only choose one API, such that its NIB must serve as an API-U **or** as an API-P but **not** both.

BKPM Regulation 5/2025 makes clear that (i) an NIB, which was originally issued to serve as an API-U, may subsequently be amended so that it serves as an API-P **but** (ii) an NIB, which was originally issued to serve as an API-P, may **not** be subsequently amended so that it serves as an API-U (Article 18(4) and (5) of BKPM Regulation 5/2025).

The intended purpose of this change is, presumably, to ensure that Business Actors (including PMA Companies), which were originally established to carry out manufacturing activities do **not** subsequently become **combined** goods importers/traders **and** manufacturers. This reflects BKPM's long-established position that trading business activities and manufacturing business activities should be carried out by **different** Business Actors even if they are just different Business Actors in the same corporate group. While it might seem that it is not consistent with this long-established position to allow NIBs serving as API-Us to be subsequently amended to become NIBs serving as API-Ps, the answer would seem to be that there is in fact no inconsistency because an API-P may be restricted to only allow the importation of goods to be used for the relevant Business Actor's own purposes which do not include manufacturing/production activities.

2.7 **Business Licenses/PBs for Foreign Entities:** For the first time, BKPM Regulation 5/2025 makes very detailed provision for which categories of foreign entities, with a presence or activities in Indonesia, must (i) obtain NIBs and PBs and (ii) submit Foreign Investment Reports (**LKPMs**) on a regular basis.

It is now clear (whereas previously it was just implied) that the following categories of foreign entities must obtain NIBs and PBs (Articles 270 to 279 of BKPM Regulation 5/2025):

BUSINESS LICENSING MATRIX FOR FOREIGN BUSINESS ENTITIES

No.	Type of Foreign Business Entity	Licensing Requirement
1.	Foreign Company Representative Office (**Rep. Office**) (**KPPA**)	NIB
2.	Foreign Trading Company Rep. Office (**KP3A**)	NIB and Trading Business License for Foreign Trading Company Representative (**SIUP3A)**
3.	Foreign private electronic system operator (**ESO**)	NIB and Commercial/Operational License
4.	Foreign Organizers of Trade Through Electronic Systems (**PMSE**) and Intermediary Services	NIB and Trading Business License Through Electronic Systems (**SIUPMSE**)
5.	Foreign Construction Services Business Entity Rep. Office (**KP BUJKA**)	NIB, must comply with large construction service business entity requirement and must form a joint operation with local construction service company with large qualification
6.	Rep. Office of foreign electricity support services (**KPJPTLA**)	NIB and Commercial/Operational License
7.	Foreign franchisor	NIB and franchise registration certificate
8.	Foreign futures trading business actors	NIB and Commercial/Operational License

The LKPM submission requirements for foreign entities are now clearly specified as follows (Article 294 of BKPM Regulation 5/2025):

INVESTMENT REPORTING (LKPM) MATRIX FOR FOREIGN BUSINESS ENTITIES

No.	Type of Foreign Business Entity	LKPM REPORT SUBMISSION OBLIGATION
1.	Foreign Company Rep. Office (KPPA)	Every 6 months
2.	Foreign Trading Company Rep. Office (KP3A)	Every 6 months
3.	Foreign Trading Company Rep. Office (KP3A) for Trading Through Electronic Systems (PMSE)	Every 6 months
4.	Foreign Construction Services Business Entity Rep. Office (KP BUJKA)	Annually
5.	Rep. Office of foreign electricity support services (KPJPTLA)	Annually
6.	Foreign private electronic system operator (ESO)	Annually
7.	Foreign franchisor	Annually
8.	Permanent establishment (*bentuk usaha tetap*)	Annually

2.8 **Change of Status of Subsidiaries:** BKPM Regulation 5/2025 makes some potentially significant changes to the obligation to convert a PMDN Company into a PMA Company where the PMDN Company is a subsidiary of a Business Actor which undergoes a change of investment status (**Subsidiary Conversion Requirement**).

The Subsidiary Conversion Requirement previously (i) only applied to those PMDN Companies part or all of the issued shares of which were sold to foreign parties and (ii) imposed a 1-year deadline for conversion to PMA Company status.

As changed by BKPM Regulation 5/2025, the Subsidiary Conversion Requirement (a) now applies to those (i) PMDN Companies part or all of the issued shares of which have been sold to foreign parties, (ii) PMDN Companies which change their status to PMA Companies and (iii) former Indonesian citizens who have become foreign citizens but (b) **no** longer imposes a 1-year deadline for fulfilment to the Subsidiary Conversion Requirement (Article 227(2) and (4) of BKPM Regulation 5/2025).

The dropping of the 1-year deadline, for fulfilment of the Subsidiary Conversion Requirement, is a curious development that can be interpreted in various ways and could suggest the availability of some intriguing possibilities. It **might** mean that relevant Business Actors no longer have the discretion to postpone, for up to 12 months, the conversion of their PMDN Company subsidiaries to PMA Company status but, rather, must commence the conversion process immediately upon them becoming subject to the Subsidiary Conversion Requirement. Alternatively, it **might** mean that the discretion of relevant Business Actors to postpone the conversion of their PMDN Company subsidiaries to PMA Company status has become substantially unlimited. To the extent that the latter interpretation could be supported, it would give rise to a potentially valuable opportunity for relevant Business Actors to ensure that their PMDN Company subsidiaries avoid the considerable limitations of PMA Company status and, correspondingly, to ensure that their PMDN Company subsidiaries continue to enjoy the considerable benefits of PMDN

Company status almost indefinitely. The potential importance of this **possible** opportunity is particularly obvious in the case of PMDN Companies with PMDN Company subsidiaries holding mining business licenses and where compliance with the Subsidiary Conversion Requirement would result in the newly converted PMA Company, with a mining business license, becoming subject to the divestment requirement.

Notwithstanding the foregoing, enquiries made with BKPM indicate that at least some BKPM officials take the surprising view that the previous "1-year" deadline **still applies** despite no longer being expressly included in BKPM Regulation 5/2025. The justification for this viewpoint is the notion that any former requirement of the 2021 BKPM Regulations, that is not expressly set aside by BKPM Regulation 5/2025, continues to be relevant. In the writer's opinion, however, this viewpoint is completely misconceived because, although it is true that BKPM Regulation 5/2025 does not say anything specific about the "1-year" deadline as such, BKPM Regulation 5/2025 has formally revoked the 2021 BKPM Regulations including BKPM Regulation 4/2021, Article 57(7) of which previously included the "1-year" deadline. Accordingly, this is **not** a case of BKPM Regulation 4/2021 (inclusive of Article 57(7) and the "1-year" deadline) continuing in existence despite the later issuance of BKPM Regulation 5/2025 without the "1-year" deadline.

It is also worthwhile mentioning that BKPM Regulation 5/2025 does **not** include any express sanction for failure to comply with the Subsidiary Conversion Requirement. Enquiries made with BKPM indicate that the explanation for this may be the expectation that, if and when the relevant PMDN Company subsidiary next seeks to amend, extend or upgrade a PB or registration, the OSS System will identify that the Subsidiary Conversion Requirement has not been complied with and, as a consequence, not allow the PB or registration amendment/extension/upgrade application to proceed unless and until the Subsidiary Conversion Requirement has been complied with and the now former PMDN Company subsidiary updates its data as recorded in the Minister of Law's General Legal Administration (**AHU**) System and the OSS System. The writer will be most interested to see whether or not the OSS System is sufficiently advanced/sophisticated to be able to detect non-compliance with the Subsidiary Conversion Requirement.

2.9 **Process of Imposing Administrative Sanctions:** The process of imposing administrative sanctions on non-compliant Business Actors has been materially changed by BKPM Regulation 5/2025. More particularly, BKPM Regulation 5/2025:

(a) dispenses with the previous differentiation between minor offenses, medium offenses and severe offenses for the purpose of determining which of the available administrative sanctions should be imposed on non-compliant Business Actors;

(b) expands the list of violations that may result in the imposition of administrative sanctions on non-compliant Business Actors;

(c) no longer requires that the available administrative sanctions must be imposed "in stages"; that is, written warnings first, followed by suspension of business activities second, followed by revocation of PBs third; and

(d) provides that administrative sanctions are to be imposed with due consideration of the need for "*proportionality*" and "*justice*".

The list of violations, that may result in the imposition of administrative sanctions on non-compliant Business Actors, for the first time expressly includes (i) failure to satisfy the Minimum Paid-Up Capital Requirement and/or the Minimum Investment Requirement, (ii) obtaining a "poor" rating for its local partnership obligation performance efforts and (iii) engaging in business activities without the required PBs having been issued/being current or in effect (Article 364(3) of BKPM Regulation 5/2025).

Somewhat confusingly and although administrative sanctions no longer have to be imposed "in stages", they may now be "**<u>imposed in stages and not in stages</u>**" (Article 364 of BKPM Regulation 5/2025). Although this drafting is truly deplorable, presumably the intention is to leave it up to the discretion of the Relevant Government Authority to decide, on a case by case basis and having regard to the need for "*proportionality*" and "*justice*", whether a warning letter should be issued first or if, instead, it is appropriate to immediately proceed to either suspend the business activities of the relevant non-compliant Business Actor or revoke its PBs. The problem with this new approach is, of course, that "*proportionality*" and "*justice*" are such nebulous and non-specific concepts that they are very much open to different interpretations by different Relevant Government Authorities in otherwise similar factual situations. The potential opportunities for abuse and illicit "rent seeking" should also be patently obvious to any even moderately well-informed reader.

2.10 **Provision for Use of Police Coercive Force:** Non-compliant Business Actors now face a new administrative sanction in the form of imposition of "**<u>police coercive force</u>**" (Article 364(4) of BKPM Regulation 5/2025).

"Police coercive force" may include (i) temporary suspension of public services, (ii) confiscation of goods or equipment, (iii) forced withdrawal of products from circulation, (iv) prohibition of business operations (**eg**, shutting off electricity and/or water supply), (v) location closure (**eg**, sealing doors and preventing other access), (vi) demolition of buildings and (vii) "*other actions aimed at stopping violations that cause damage*" (Article 370(1) and (4) of BKPM Regulation 5/2025).

Providing for the imposition of "police coercive force", as an administrative sanction, gives rise to numerous issues of greater or lesser concern. First, providing for the imposition of "police coercive force" amounts to essentially "blurring the line" between administrative matters and criminal matters given that "police coercive force" is traditionally associated with police investigations of suspected criminal matters – it would **<u>not</u>** generally be regarded as being an "administrative sanction" at all but, rather, as being a "criminal sanction". Second, criminal sanctions are only meant to be contained in a law or in a provincial/regional/city regulation (Article 15 of Law No. 12 of 2011 re Formation of Laws & Regulations as lastly amended by Law No. 13 of 2022) – a BKPM regulation very arguably does **<u>not</u>** qualify as a permitted source of criminal sanctions. Third, the reference to "police coercive force" including "*other actions aimed at stopping violations that cause damage*" is so broad in its potential scope as to make it very difficult to determine the permitted limits of "police coercive force" and when it may be used. Fourth, including "police coercive force", as a permitted administrative sanction in BKPM Regulation 5/2025, can be seen as very tangible evidence of the increasingly obvious move by the Government to greatly expand the role of the police and the army so as to include functions and responsibilities traditionally reserved for civilian administrators/bureaucrats.

SUMMARY & CONCLUSIONS

BKPM Regulation 5/2025 introduces some much needed and long overdue changes to Indonesia's investment regime, particularly with respect to the Minimum Paid-Up Capital Requirement and the Minimum Investment Requirement in the case of so-called "ancillary business activities" of PMA Companies.

Civil society groups will, however, surely be worried (and perhaps for very good reason) by the inclusion of "police coercive force" as an administrative sanction that may be imposed on non-compliant Business Actors.

It is important to understand that the changes introduced by BKPM Regulation 5/2025 are not, in many instances at least, confined to PMA Companies only but, rather, apply to all Business Actors except where expressly indicated otherwise. That said, the changes in the Minimum Paid-Up Capital Requirement and the Minimum Investment Requirement are only relevant to PMA Companies.

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