## ICCC - SSEK Webinar:

# **Helping Businesses Navigate the Move to OSS Risk-Based Licensing**



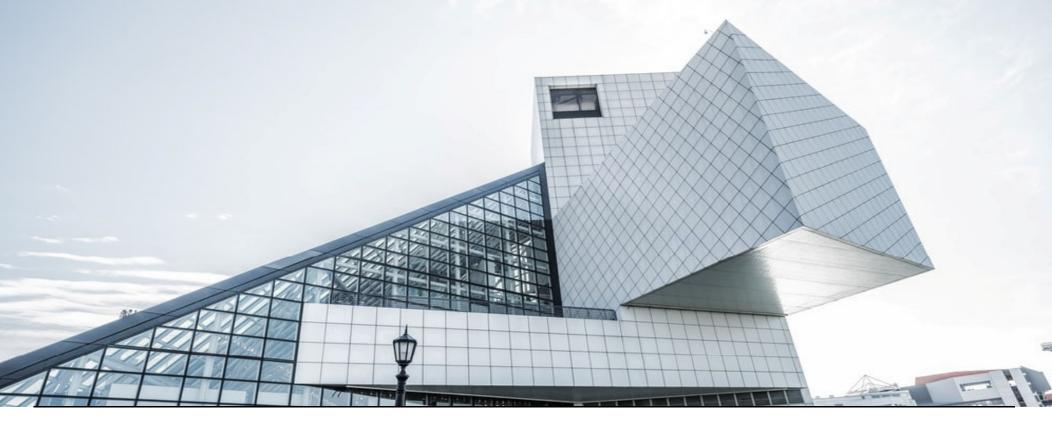


#### **HIGHLIGHTS**

#### Differences between OSS 1.1 and the OSS Risk-Based System

- New Investment List:
  - ✓ Priority Business List Capitalizing on Available Fiscal and Non-Fiscal Facilities
  - ✓ Key Business Lines Subject to FDI Limitations
  - ✓ Investment Restrictions at the Ministerial Level
- Application of Risk-Based Business Licensing
  - ✓ Identification of Risk and Scale of Business Activities
  - ✓ Registration or Migration to OSS Risk-Based System
  - ✓ Electronically Integrated Business Licensing through the OSS Risk-Based System
  - ✓ Supporting Business Licensing through the OSS Risk-Based System
  - ✓ Analyzing and Submitting of Investment Activity Report (LKPM)
  - ✓ Procedures for Cancelling Investment Licenses and Revoking Investment Permit

# OSS 1.1 vs. OSS Risk-Based Licensing System: An Overview



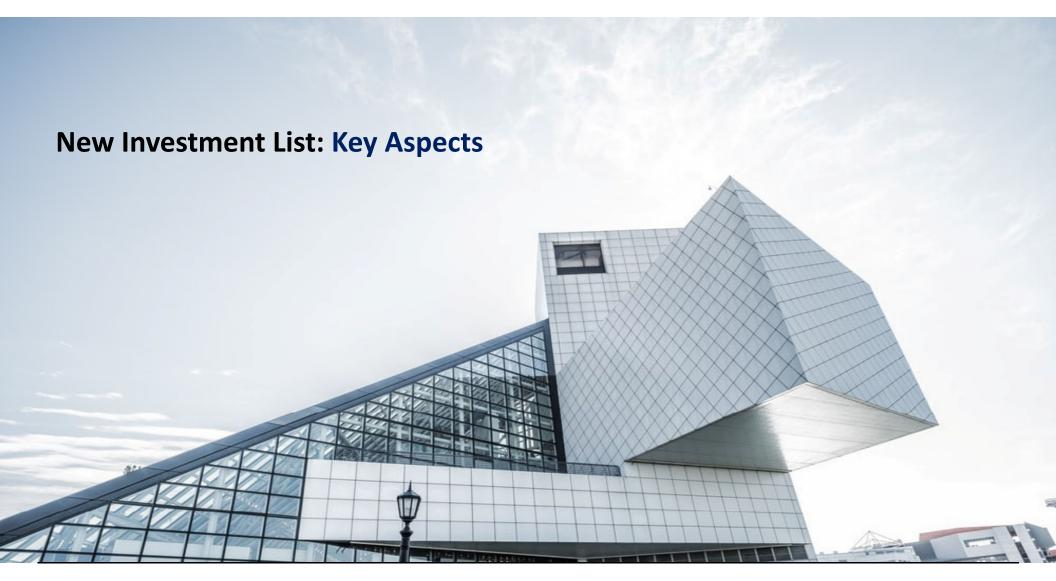
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## **Key Differences: OSS 1.1 vs. OSS Risk-Based Licensing**

Key Differences	OSS 1.1	OSS Risk-Based Licensing
Basis of Assessment to issue Business Licensing	Depends on Sectoral Ministries.	<u>Uniform standard</u> based on Risk- Based Assessment under Government Regulation No. 5 of 2021.
Licensing Integration		Supports business licensing <u>applied</u> through OSS Risk-Based Licensing system.
System Integration	Integrates multiple sectoral ministries and agencies licensing platform, but offline application may still be required.	<u>Full integration</u> of multiple sectoral ministries and agencies licensing platform.

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2021

Presidential Regulation No. 10 of 2021 as amended by Presidential Regulation No. 49 of 2021 dated May 24, 2021 ("New Investment List")



Business fields that are specifically closed for investment



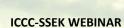
Priority business sectors



Business sectors that are allocated to or that require partnerships with MSMEs



Business sectors with certain requirements



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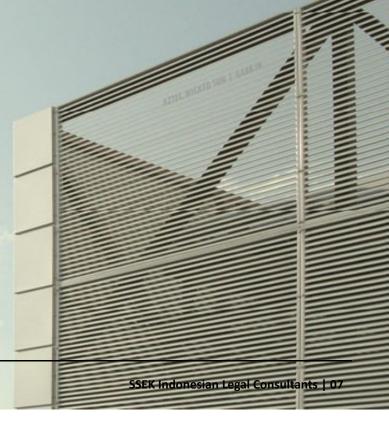
## Business fields that are specifically closed for investment

2016

20 business sectors listed in this category

2021

6 business sectors listed in Omnibus Law and 3 additional business sectors under the New Investment List



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#### Business fields that are specifically closed for investment

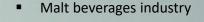
2021

Article 12 of Law No. 25 of 2007 dated April 26, 2007, regarding Investment, as amended by Law No. 11 of 2020 dated November 2, 2020, regarding Job Creation ("Investment Law"), as amended by Article 77 of the Omnibus Law:

- Class-I narcotics cultivation and industries
- All forms of gambling and/or casino-related activities
- Illegal fishing of endangered species under Appendix I of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- Utilization of coral or natural reefs for certain uses
- Chemical weapons manufacturing industries
- Industrial chemicals and industrial ozone-depleting substances industries

#### Article 2(2) of the New Investment List

- Alcoholic beverages industry
- Alcoholic beverages industry: wine



### **Priority business sectors**

2021

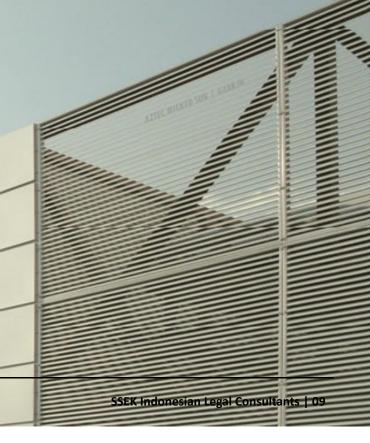
#### Priority business sectors are based on the following criteria:

- Must be part of a nationally strategic project;
- Must be capital- and/or labor-intensive;
- Must utilize advanced technologies;
- Must be categorized as a pioneering industry;
- Must be oriented toward export/import substitutions; and/or
- Must be oriented toward research, development and other innovative activities.

Parties looking to invest in priority business fields can receive the following benefits\*

- Fiscal incentives: tax holidays, tax allowances, investment allowances,
   and import-duty exemptions; and/or
- Non-fiscal incentives: encompass ease of business licensing, provision of supporting infrastructure, energy, guaranteed availability of raw materials, immigration, employment, and others.

\*See: Annex I of the New Investment List



## Business sectors that are allocated to or require partnerships with MSMEs

#### **Classification of MSMEs**

Past
MSMEs Law 2008

MSMEs are classified according to <u>net worth or</u> annual sales. Net worth is the amount of assets before deducting any debts or liabilities.		Criteria		MSMEs are classified according to <u>capital</u> or annual sales. Capital includes capital from loans.	
Micro :	maximum IDR 50 million			Micro :	maximum IDR 1 billion
Small:	more than IDR 50 million - maximum IDR 500 million	Net Worth	Capital	Small:	more than IDR 1 billion - maximum IDR 5 billion
Medium :	more than IDR 500 million - maximum IDR 10 billion			Medium :	more than IDR 5 billion - maximum IDR 10 billion
Micro :	maximum IDR 300 million	Annual Sales		Micro :	maximum IDR 2 billion
Small:	more than IDR 300 million - maximum IDR 2.5 billion			Small:	more than IDR 2 billion - maximum IDR 15 billion
Medium :	more than IDR 2.5 billion - maximum IDR 50 billion			Medium :	more than IDR 15 billion - maximum IDR 50 billion

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New

MSMEs GR 2021

### Business sectors that are allocated to or require partnerships with MSMEs

2021

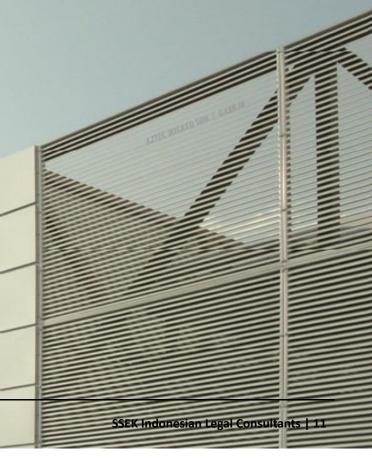
#### Annex II of the New Investment List

#### Allocated to MSMEs

- Food crop farming with an area of less than 25 Ha
- Supply of electricity for power plants < 1 MW</li>
- Building construction using simple and intermediate technology
- Construction of civil facilities, including maintenance and road construction using simple and intermediate technology

#### **Require Partnerships with MSMEs**

- Other transportation repair services, excluding motorized vehicles
- Courier agent activity
- Electrical power installation consultation
- Marketing, distribution, wholesale trading, and export of fishery products



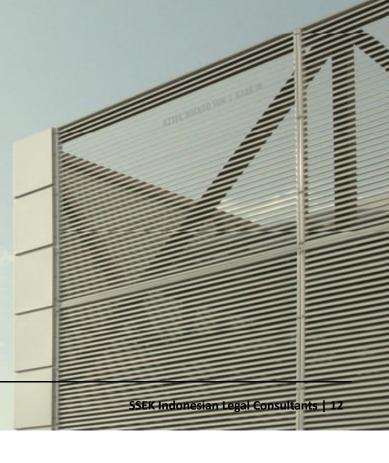
2016

350 business sectors listed under this category

2021

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37 business sectors listed under this category



2021

#### **Key Sectors**

#### **Still listed:**

- Coffee (with geographical indication) processing industry Closed for foreign ownership ("FOR")
- Traditional cosmetics industry Closed FOR
- Shipping industry Pinisi, cadik, vessel with traditional design Closed FOR
- Domestic sea transportation for tourism 49% maximum FOR
- River and lake transportation for special goods 49% maximum FOR
- Courier activity 49% maximum FOR

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2021

#### **Key Sectors**

#### No longer listed:

- Web portal and/or digital platforms with commercial purposes
- All telecommunication network and service activities, including telecommunication activities with or without cable, satellite telecommunication activities, premium call services, premium SMS content services, and other multimedia services
- Pharmaceutical industry
- Pharmaceutical wholesale
- Power plant construction and installation
- Plantation: sugar cane, tobacco, coffee, cocoa, rubber plants, coconut, and palm oil plantation
- Airports and seaports

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2021

#### **Key Sectors – Retail and Distribution**

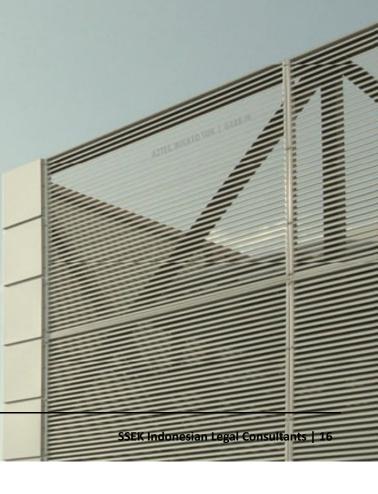
Sector	Line of Business	2016 Negative List	New Investment List (2021)
Distribution (wholesale)	Distributor affiliated with manufacturing	Not restricted	Not restricted
	Distributor not affiliated with manufacturing	Maximum foreign ownership of 67%	Not restricted
Retail and self-service stores (toko swalayan)	Department stores	Department stores with floor space of more than 2,000 sqm – not restricted     Department stores with floor space of between 400sqm to 2,000 sqm – maximum foreign ownership of 67%	Not restricted     Subject to additional sectoral requirements under GR 29/2021
		Subject to additional sectoral requirements	
	Minimarkets	100% domestic ownership for minimarkets with floor space of less than 400sqm	Reserved for CMSMEs
	Supermarkets	Supermarkets with floor space of at least 1,200 sqm – not restricted     Supermarkets with floor space of less than 1,200sqm – 100% domestic ownership	Not restricted     Subject to additional sectoral requirements under GR 29/2021
	Retailing of various products outside department stores under one management whose main products are not food, beverage or tobacco products (e.g., clothing, household appliances, jewellery, children's toys, cosmetics)	100% domestic ownership	Reserved for CMSMEs
	Retail of certain types of products:	100% domestic ownership	Not restricted
	Cars, motorbikes and commercial vehicles, and their spare parts and accessories		Note: Potential overlap of products with the business line in the row immediately above this one
	Jewellery, antiques		
	Water transportation tools and equipment		
	<ul> <li>Textiles (including household appliances made from textiles)</li> </ul>		
	Children's toys		
	Cosmetics		
	Electronics		
	Retail of certain types of products:	100% domestic ownership	Reserved for CMSMEs
	Footwear		
	Non-alcoholic beverages		
	<ul> <li>Rice, bread, cookies, cakes, coffee, refined sugar, red sugar, tofu, tempeh, fermented beans and oncom, processed meat and fish, other foods</li> </ul>		

2021

#### **Investment Restriction at Ministerial Level**

Notwithstanding the New Investment List, investors must examine investment restrictions that may be set forth under sectoral regulations. For instance:

- Payment Systems: Bank Indonesia (BI) Reg. 23/7/PBI 2021 and BI Reg. 23/06/PBI 2021 set forth specific requirements on the share ownership of Payment System Infrastructure Providers and Payment Service Providers.
- Shipping Industry: The Shipping Law (as amended by the Omnibus Law) sets forth that a vessel owned by a Foreign Investment Company may only be registered in Indonesia if the company is majority-owned by an Indonesian company and/or individual.

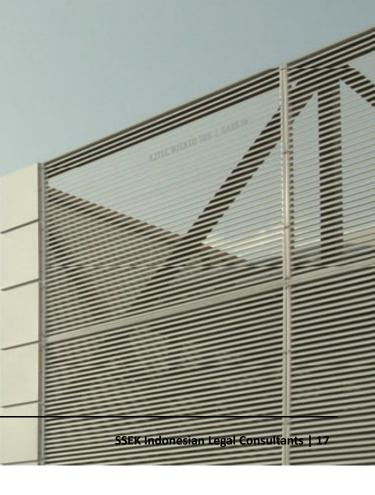


2021

#### **Investment Restriction at Ministerial Level**

Notwithstanding the New Investment List, investors must examine investment restrictions that may be set forth under sectoral regulations. For instance:

- Construction Services: The Construction Services Law (as amended by the Omnibus Law) continues to require foreign investors to establish an Indonesian construction service company through a joint venture with a locally owned construction service company.
- Mining Sector: The Mining Law (as amended by the Omnibus Law) continues to require foreign-owned mining companies to gradually divest to local shareholders so that, by the tenth year of commencing commercial production operation, at least 51% of the shares in the mining company are held by Indonesian shareholders.



### The New Investment List: Key considerations

2021

#### **Grandfather Clause**

Art. 6 (4) of the New Investment List:

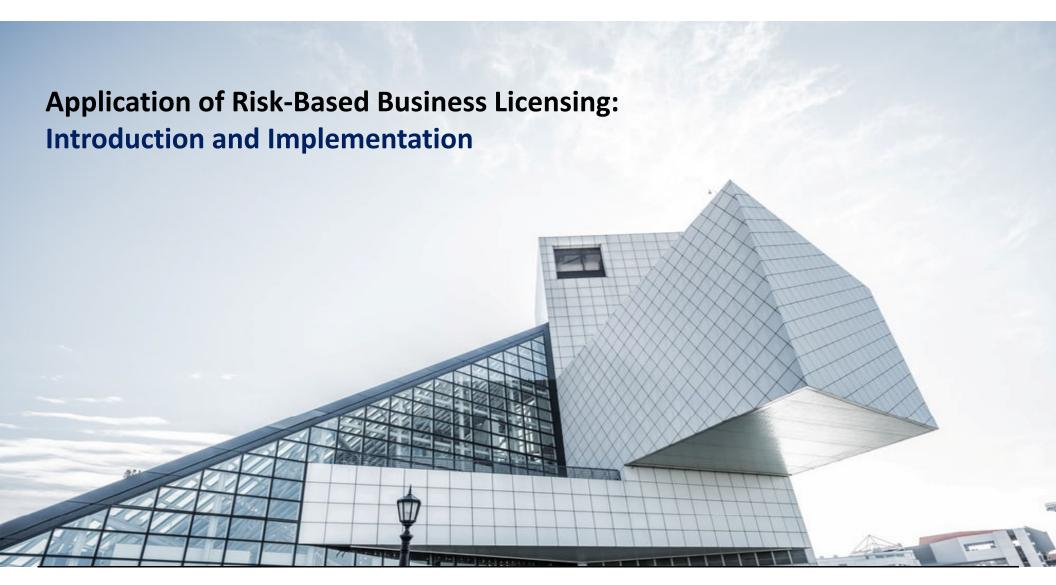
Investment restrictions under the New Investment List do not apply to:

- a. Investments approved prior to the promulgation of the New Investment List, <u>as listed in the business licensing</u>, unless the provisions under the New Investment List are more favorable for Investment; or
- b. Investors who obtain special rights based on an agreement between Indonesia and the country of origin of said investor, except if the same provisions on business fields regulated under this New Investment are more favorable for Investment.

Restrictions at the Ministerial Level

**Confirmation with Appropriate Government Officials** 

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#### **RISK-BASED LICENSING**

See: Omnibus Law, Government Regulation No. 5/2021, Government Regulation No. 6/2021, Government Regulation No. 7/2021, and BKPM Reg. 4/2021.



Identification of Risk and Scale of Business License



Implementation of Risk-Based Licensing through OSS Risk-Based Licensing system

#### **IDENTIFICATION OF RISK AND SCALE OF BUSINESS LICENSE\***



**Low Risk** 

Business Identification

Number (Nomor Induk

Berusaha - "NIB")



**Medium Low Risk** 

NIB + Standard

Certification (without verification)



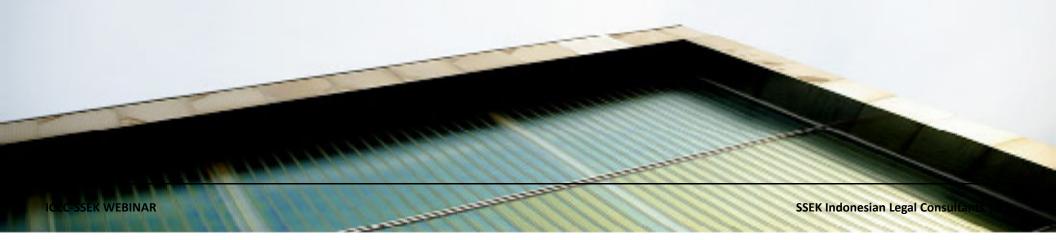
**Medium High Risk** 

NIB + Standard
Certification (with verification)

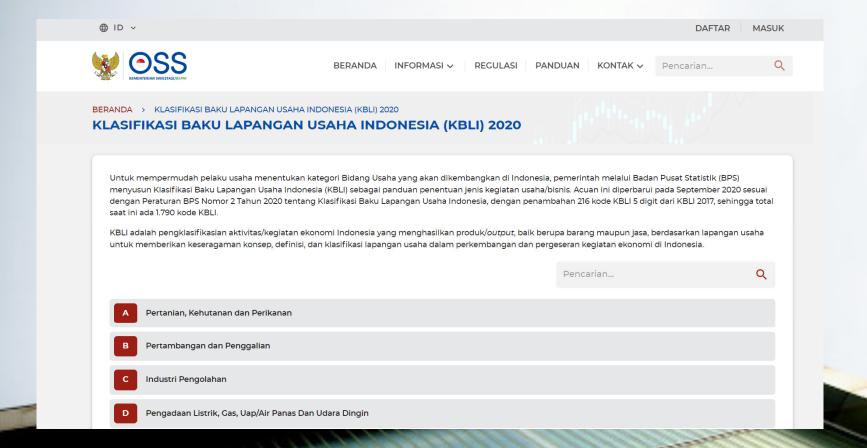


**High Risk** 

NIB + Business License (+ Standard Certification (with verification))

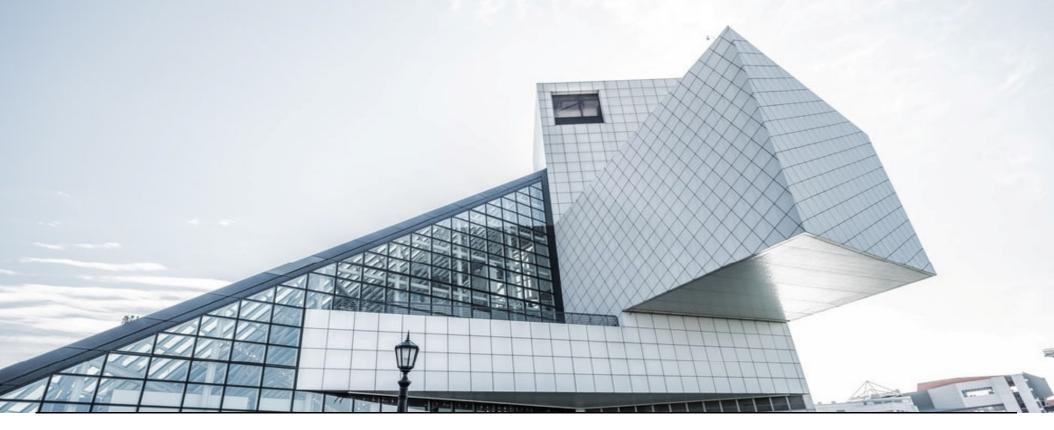


#### **IDENTIFICATION OF RISK AND SCALE OF BUSINESS LICENSE**



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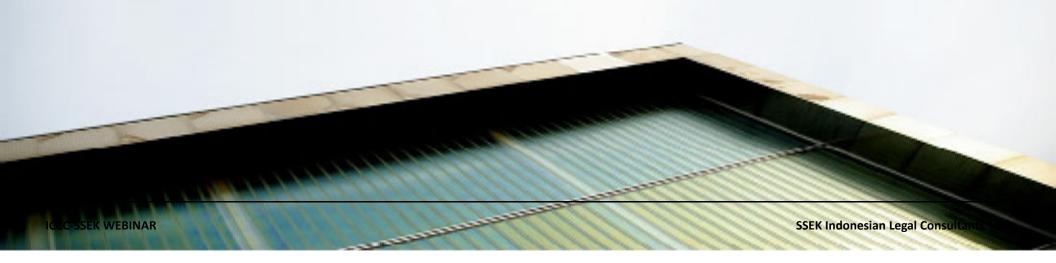
# IMPLEMENTATION OF RISK-BASED LICENSING THROUGH OSS RISK-BASED LICENSING SYSTEM

**GRANDFATHER CLAUSE** 

**CAPITAL REQUIREMENTS** 

Article 562 of GR 5/2021

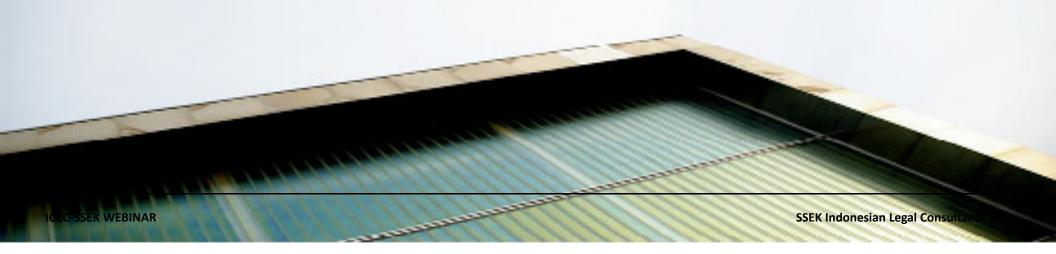
Article 12 of BKPM Reg. 4/2021



#### **GRANDFATHER CLAUSE**

#### Article 562 of GR 5/2021

The provisions under Risk-Based Licensing, including the capital requirement thereof, will not affect the Investor if the Company was established, obtained an NIB, and obtained an effective business license before the implementation of Risk-Based Licensing (i.e., August 4, 2021).

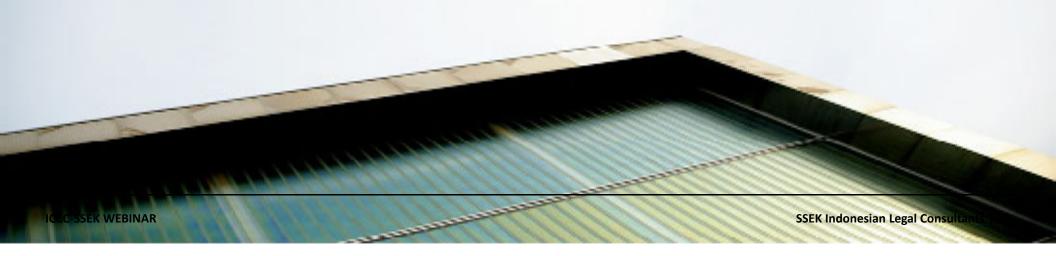


### **CAPITAL REQUIREMENTS**

#### Article 12 of BKPM Reg. 4/2021

- Minimum investment value required: more than IDR 10 billion (excluding land and building) per 5-digit KBLI Number per project location;\*
- Minimum issued and paid-up capital: at least IDR 10 billion.

\*Please see Articles 12(3) and 12(4) of BKPM Reg. 4/2021 for sectors that are exempted



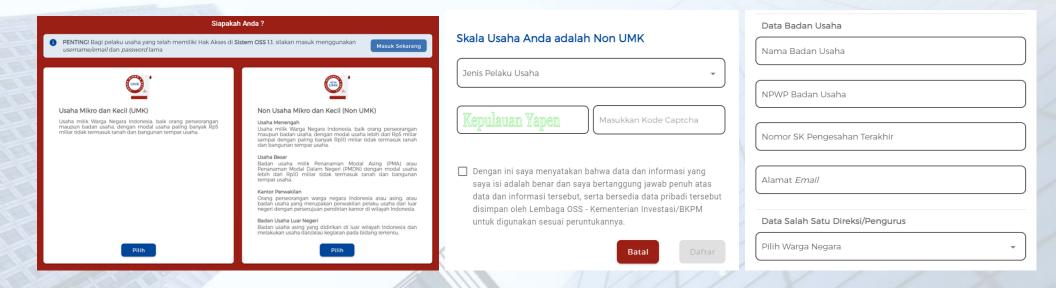
# **REGISTRATION / MIGRATION TO OSS RBL**



**NEW BUSINESS ACTOR** 

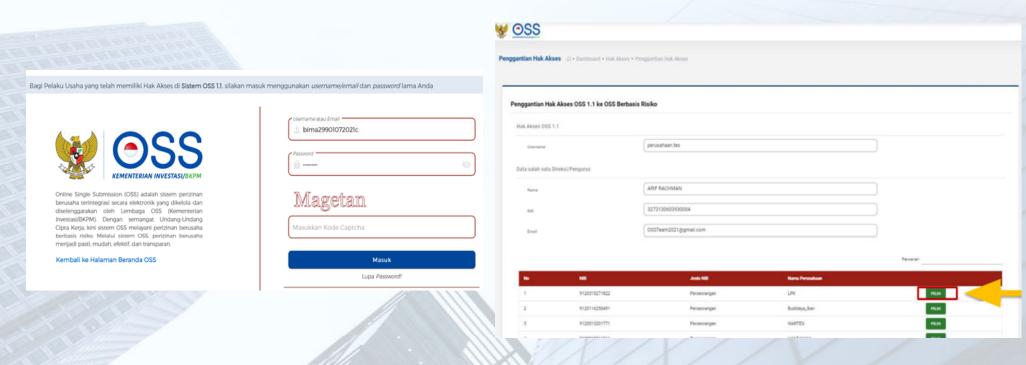


#### **NEW BUSINESS ACTOR: REGISTRATION**



**REGISTRATION** 

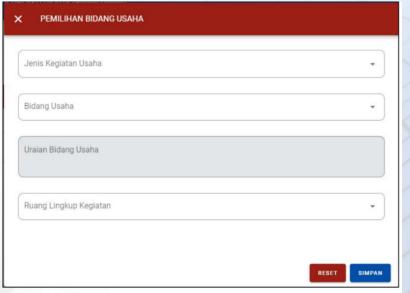
#### **EXISTING BUSINESS ACTOR: MIGRATION**



**MIGRATION** 

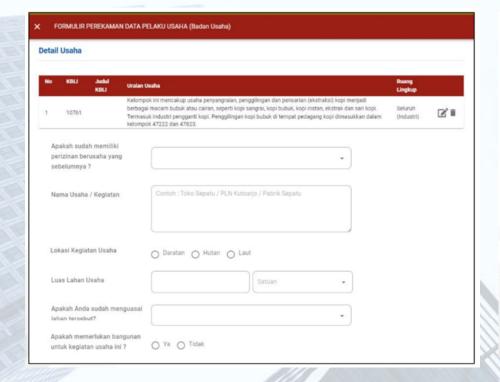
# IMPLEMENTATION OF RISK-BASED LICENSING THROUGH OSS RISK-BASED LICENSING SYSTEM NIB

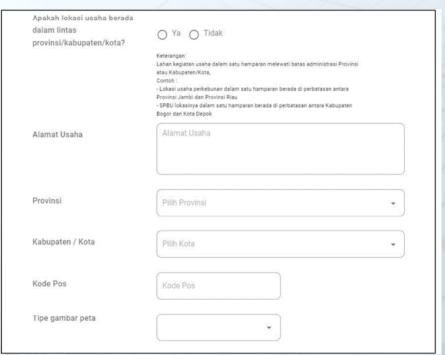




**Confirming business identity** 

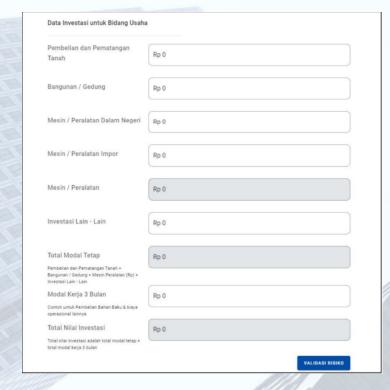
# IMPLEMENTATION OF RISK-BASED LICENSING THROUGH OSS RISK-BASED LICENSING SYSTEM NIB

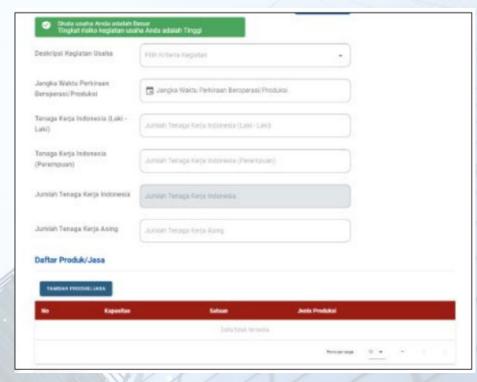




**Completing Business Data** 

# IMPLEMENTATION OF RISK-BASED LICENSING THROUGH OSS RISK-BASED LICENSING SYSTEM NIB

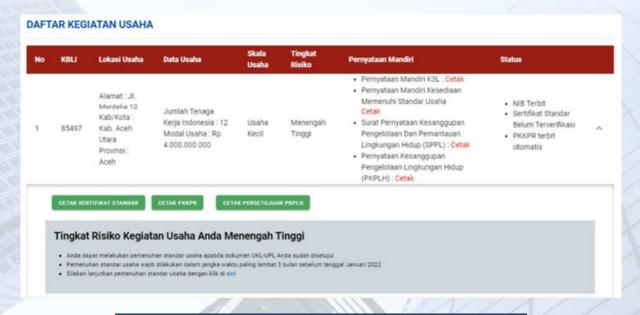




**Completing Investment Data** 

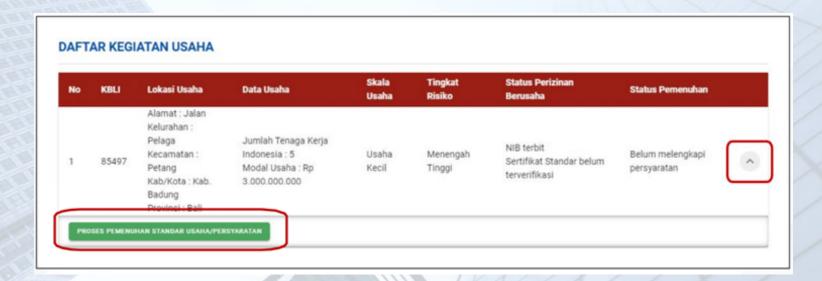
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# IMPLEMENTATION OF RISK-BASED LICENSING THROUGH OSS RISK-BASED LICENSING SYSTEM Standard Certificate



**Completing Information for Standard Certificate** 

# IMPLEMENTATION OF RISK-BASED LICENSING THROUGH OSS RISK-BASED LICENSING SYSTEM Standard Certificate



**Completing Commitment for Standard Certificate** 

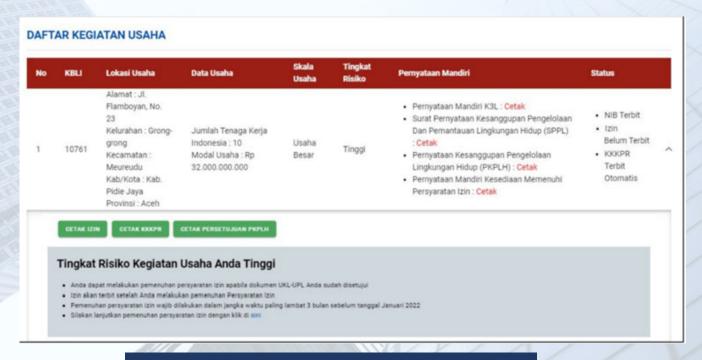
# IMPLEMENTATION OF RISK-BASED LICENSING THROUGH OSS RISK-BASED LICENSING SYSTEM Standard Certificate





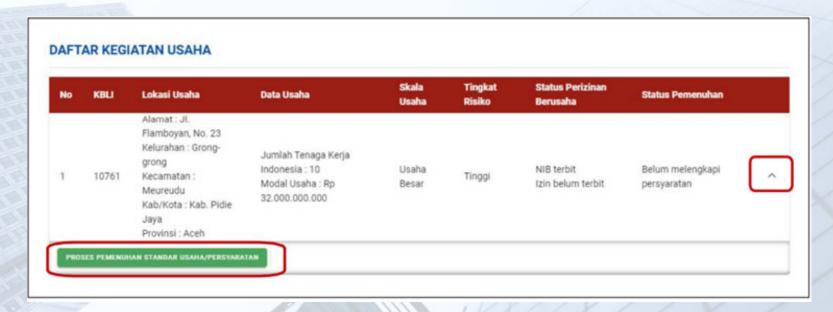
**Completing Commitment for Standard Certificate** 

# IMPLEMENTATION OF RISK-BASED LICENSING THROUGH OSS RISK-BASED LICENSING SYSTEM License



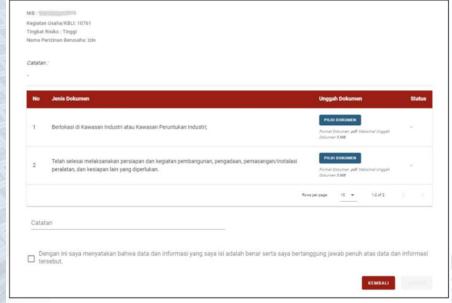
**Completing Information for License** 

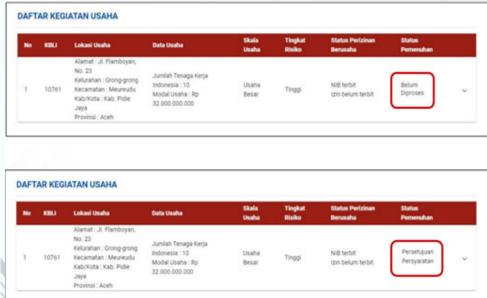
# IMPLEMENTATION OF RISK-BASED LICENSING THROUGH OSS RISK-BASED LICENSING SYSTEM License



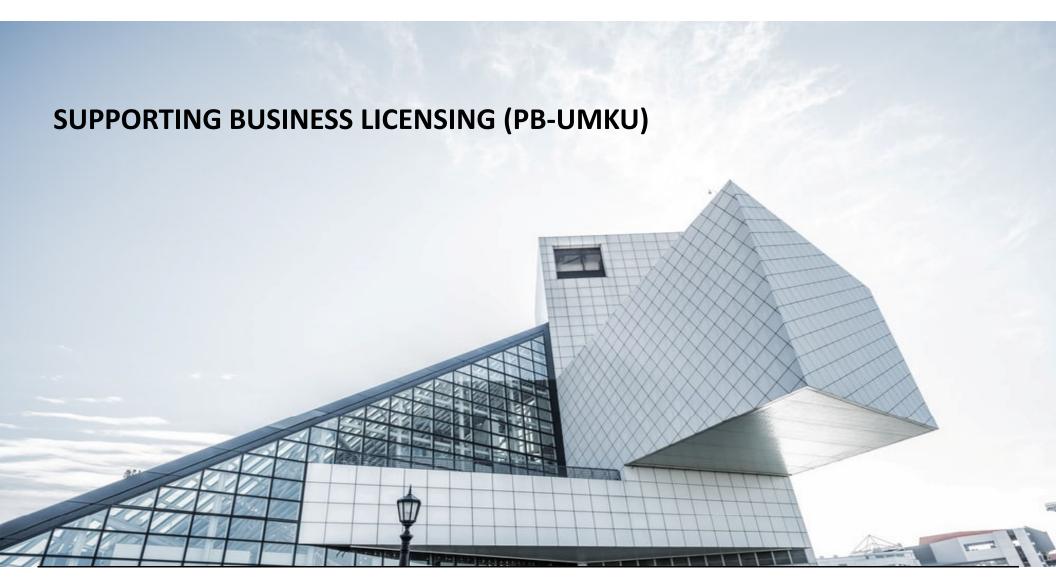
**Completing Commitment for License** 

# IMPLEMENTATION OF RISK-BASED LICENSING THROUGH OSS RISK-BASED LICENSING SYSTEM License





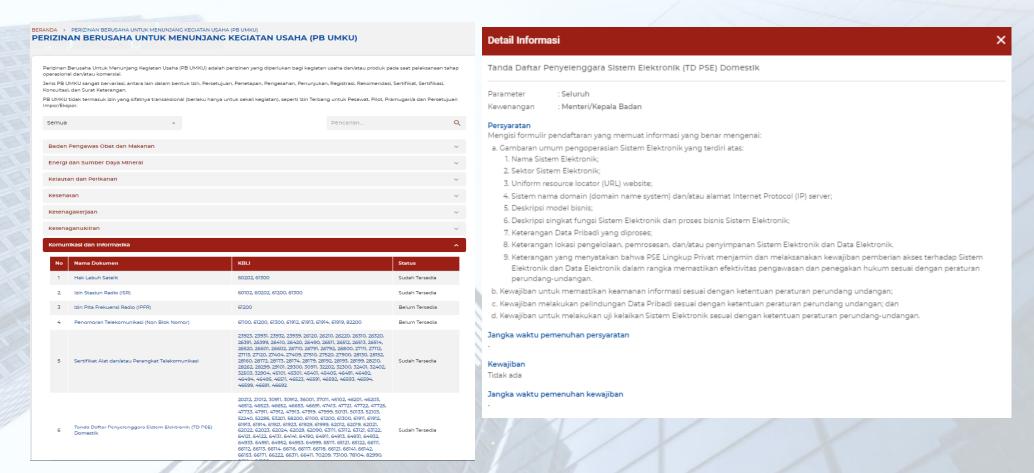
**Completing Commitment for License** 



### **SUPPORTING BUSINESS LICENSING (PB-UMKU)**

- Business Licensing to Support Business Activities (PB-UMKU) is a license required for business activities and/or products at the time of <u>implementation and/or commercial</u> <u>stages</u>.
- The types of PB-UMKU vary widely, including in the form of Permits, Approval, Determination, Ratification, Appointment, Registration, Recommendation, Certification, Consultation, and Certificate.
- PB UMKU does not include transactional permits (valid for one activity only), such as Flight
   Permits for Airplanes, Pilots, Flight Attendants, and Import/Export Approval.

## **SUPPORTING BUSINESS LICENSING (PB-UMKU)**



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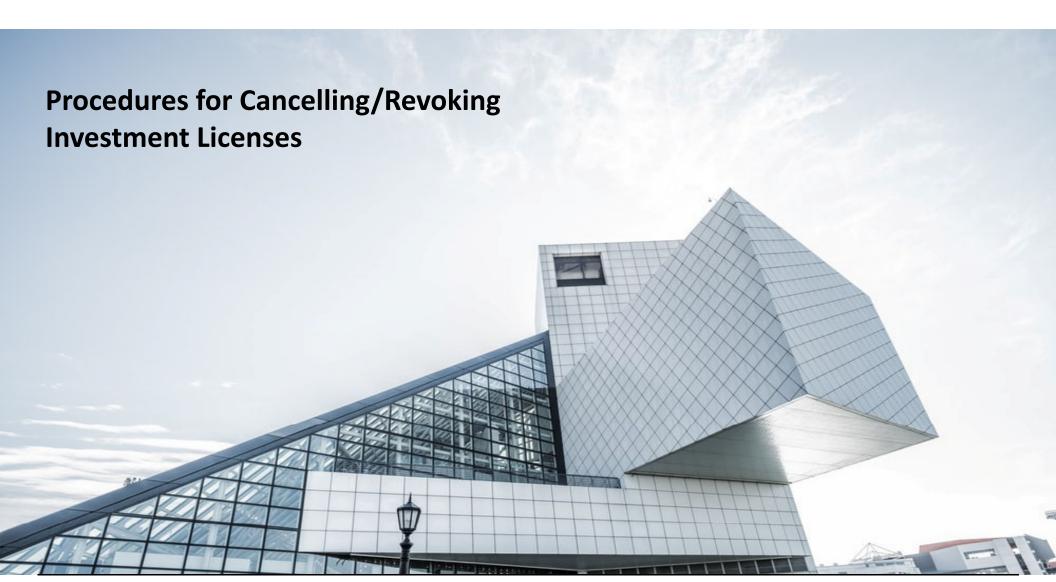
### **Analyzing and Submitting of Investment Activity Report (LKPM)**

Submission of LKPM is done online **through the OSS platform**, which requires the company to complete the LKPM form provided in **Annex XIV of BKPM Reg. 5/2021**. For companies that are already running business activities, the following information needs to be supplied in the report:

- Investment realization with respect to fixed and working capital within the reporting period and accumulated realization up to the latest reporting period, detailing each business activity;
- Number of manpower employed with respect to both Indonesian and foreign nationals;
- Details regarding production and marketing of goods or services;
- Updates on the performance of any of the company's obligations, e.g., partnership with small and medium companies, Indonesian manpower training, corporate social responsibility, environmental management, etc.;
- Problems encountered by the company.

Pursuant to Article 33(2) of BKPM Reg. 5/2021, the deadline for the initial submission of LKPM depends on the time of the issuance of the business license under the RBL system, as follows:

- For PMA Company whose business license is issued within the first 3 months of the corresponding year, it shall submit its initial LKPM in the same quarter as the date of issuance of said business license;
- For PMA Company whose business license is issued in the fourth month onward of the corresponding year, it shall submit its initial LKPM in the adjacent quarter after the issuance of the business license.



# **Procedures for Cancelling/Revoking Investment Licenses**

Items	Cancellation	Revocation	
Status of Activity	Business activity that has not obtained verified license and no longer conducted by the company.	Non-liquidation  Business activity that has obtained verified license.	Liquidation  Revocation due to dissolution of business entity regardless of business activity status.
Flow	"Cancellation" / "Pembatalan" through OSS system  Validation of NPWP  Verification of LKPM  Online Data Verification  Cancellation of License	"Revocation" / "Pencabutan" through OSS system  Validation of NPWP  Verification of LKPM  Online Data Verification  Revocation of License	"Revocation" / "Pencabutan" through OSS system  Validation of NPWP  Verification of Notarial Deed for the Dissolution  Online Data Verification  Revocation of License

