

Omnibus Law

Legal Insight

Omnibus Law: Implementing Regulations to Boost The Growth of Local MSMEs

Following the issuance of the Job Creation Act Law No. 11 of 2020 (“**Omnibus Law**”), the Indonesian Government has issued several implementing regulations, among which are Government Regulation No. 7 of 2021 concerning the Ease, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises (“**MSMEs**”) (“**GR 7/2021**”) and Government Regulation No. 8 of 2021 concerning Companies’ Authorized Capital and the Registration of the Establishment, Amendment and Dissolution of Companies that Meet the Criteria for Micro and Small Businesses (“**GR 8/2021**”), while Government Regulation No. 17 of 2021 concerning Fourth Amendment of Government Regulation No. 15 of 2005 concerning Toll Roads (“**GR 17/2021**”) also contains several matters related to MSMEs.

Key Takeaways

As the Indonesian Government aims to attain robust growth from the activities of local MSMEs, the Government is providing MSMEs with several facilities through GR 7/2021, GR 8/2021 and GR 17/2021 as well as direct assistance . Some key provisions in that regard are as follows:

a. On the Ease of Doing Business

Provision of Location for Promotion and Development

GR 7/2021 requires Ministries/Agencies and Regional Governments, State-owned Enterprises, Regional-owned Enterprises and/or private entities to provide locations for the promotion and development of Micro and Small Businesses which constitute at least 30% of the total land area of commercial areas, shopping center areas, and/or strategic promotional locations in public infrastructure. Public infrastructure covers any terminal, airport, port, railway station, toll road rest and service areas, and other public infrastructure as determined by each government within its jurisdiction.

Medium Businesses are also entitled to the above benefit in toll road rest and service areas. This provision is in line with GR 17/2021, which states that toll road business entities (Badan Usaha Jalan Tol) must allocate 30% of the total commercial area of the land for MSMEs, both for toll roads already in operation and any that are still under construction.

In addition, under GR 7/2021 the rental fee for the area that is used for the promotion and development of MSMEs should not exceed 30% of the commercial rental fee.

Exceptions to the Minimum Wages	Under GR 7/2021 Micro and Small Business are exempted from the provincial and regency/city minimum wages.
Incentives from the Government	<p>Under GR 7/2021, the Government will provide incentives to the micro and small businesses in the form of:</p> <ol style="list-style-type: none"> regional tax reduction or relief; regional fee reduction or relief; providing capital support to micro and small business, and/or cooperatives; supporting the research and development for micro and small businesses, and/or cooperatives; vocational training facilities for micro and small businesses, and/or cooperatives; and/or subsidized interest on loans through credit programs. <p>Medium and large-scale businesses may also receive the incentives in points (a) and (b) above as long as they meet the criteria under GR 7/2021, among others innovation and development of export-oriented products, and involving micro and small business in expanding market access.</p> <p>The Government will also give incentives to large-scale businesses which provide financing to micro and small businesses.</p>
Financing Provision	GR 7/2021 also mandates that the central and regional governments will provide affordable and convenient financing for micro and small businesses in the form of subsidies, guarantees and loans or other financing, sourced from the state budget or regional budget.

b. On Protection for MSMEs

Government Assistance	Central and regional governments will provide assistance to Micro and Small Businesses that have obtained a Business Identification Number (<i>Nomor Induk Berusaha</i> or “NIB”). The aims of the assistance mentioned above are that MSMEs will (i) increase their knowledge of the applicability of Indonesian national standards and certification of halal product guarantees for Micro and Small Businesses that have just received an NIB and/or (ii) fulfil the requirements to obtain certificates of standards and/or licenses. This government assistance will be carried out through at least facilitation of technical guidance, consultation and/or training.
Provision of Services and Legal Assistance for Micro and Small Businesses	<p>The Central and Regional Government must provide services and legal assistance to Micro and Small Businesses, free of charge.</p> <p>The service and legal assistance concerned are as follows:</p> <ol style="list-style-type: none"> Legal Counselling; Legal Consultations; Mediation; Preparation of Legal Documents; and/or Out of Court Assistance.

c. On the Recovery

Government Efforts for Micro and Small Business Recovery

In the event of emergency, the Central and Regional Government will endeavour to assist the recovery of Micro and Small Business by providing credit restructuring, business restructuring, capital support and/or other forms of support. In this case, priority in the support from the government for recovery will be given to affected Micro and Small Businesses to stimulate community economic recovery. The purpose of the protection and support provided by the government is to maintain the competitiveness of Micro and Small Businesses in the local market.

Impacts on Businesses

In conclusion, the GR 7/2021, GR 8/2021 and GR 17/2021 will have a positive impact on MSMEs and hopefully will benefit their businesses. With a lot of support from the government, MSMEs will be able to compete with other larger-scale businesses. Not only for the MSMEs Business Actors, This form of government support will benefit not only MSMEs but also larger-scale businesses that involve MSMEs in their business. Medium and large businesses will also gain incentives from the government in return for their support of local businesses, especially MSMEs.

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