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Indonesia Moves to Further Streamline Business Licensing, Ease Entry for Foreign Investors

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New Push to Improve the Investment Climate

Indonesia has long been known for a complex licensing environment. Overlapping regulations from multiple levels of government, slow approval processes, and inconsistent enforcement have made it challenging for both domestic and foreign investors to do business.

The government has now introduced Government Regulation No. 28 of 2025 on Risk-Based Business Licensing ("**GR 28/2025**")[1], replacing Government Regulation Number 5 of 2021 ("**GR 5/2021**")[2]. The new framework expands coverage from 16 to 22 sectors — adding, among others, the creative economy, manpower, investment, electronic systems, environmental management, and geospatial information — and is designed to simplify procedures, align national and regional regulations, and provide more certainty for investors.

Two Major Changes That Matters to All Businesses

1. Clearer and Faster Business Licensing Through Service Level Agreement (SLA) Mechanism

GR 28/2025 introduces defined timelines for each stage of the licensing process and limits on the number of times documents can be revised through a SLA mechanism. In some cases, a "default approval" mechanism applies — if the relevant authority does not respond within the set timeframe, the application is deemed approved. For example, if a land technical assessment is not provided in the assessment result for obtaining a Conformity of Spatial Utilization Activities (*Kesesuaian Kegiatan Pemanfaatan Ruang* or "**KKPR**"), the KKPR will be issued without a land technical assessment.

For businesses, this means fewer delays and greater predictability, especially for basic licenses such as the KKPR, Building Permits (*Persetujuan Bangunan Gedung* or "**PBG**"), Fitness for Function Certificates (*Sertifikat Laik Fungsi* or "**SLF**"), and environmental approvals.

2. A More Coherent and Unified Regulatory Framework

GR 28/2025 aims to harmonize rules across sectors and levels of government, reducing overlaps and contradictions. If implemented effectively, this should improve coordination between agencies and make it easier for businesses to operate in multiple regions or industries.

Potential Constraints

While GR 28/2025 represents a positive step forward for the ease of doing business in Indonesia, challenges remain, including the possibility that there may still be delays and prescribed timeframes may not be adhered to.

The Online Single Submission ("**OSS**") system is being updated to reflect the new rules, while many implementing regulations, particularly at the ministerial level, are still pending or under revision. This transitional phase may cause some uncertainty for businesses, but greater clarity is expected as the regulatory framework is finalized.

[1] Peraturan Pemerintah No. 28 Tahun 2025 tentang Penyelenggaraan Perizinan Berusaha Berbasis Risiko
[2] Peraturan Pemerintah No. 5 Tahun 2021 tentang Penyelenggaraan Perizinan Berusaha Berbasis Risiko

Among the changes currently underway, Investment Coordinating Board (BKPM) Regulations Nos. 3, 4, and 5 of 2021[3] are being revised and consolidated into a single implementing regulation to be issued by the Ministry of Investment and Downstream Industry/BKPM ("**Rapermeninveshil**").

A Positive Shift for Foreign Investors

While the reforms benefit all businesses, foreign investors should take particular note of proposed changes with regard to the capital requirements under the Rapermeninveshil referred to above. Under this regulation:

- the minimum paid-up capital requirement for foreign investment ("**PMA**") companies will be reduced from IDR 10 billion to IDR 2.5 billion per company, unless a higher amount is required under sector-specific regulations. The paid-up capital must remain in place for at least 12 months from the date of subscription and payment, except where it is used for asset acquisitions, building construction, or business operations.
- the overall minimum investment requirement will remain more than IDR 10 billion per business line (excluding land and buildings), for each 5-digit KBLI[4] business field per project location.

This means foreign investors will still need to meet substantial total investment thresholds, but the upfront cash injection needed at incorporation will be far lower. For some, this could ease market entry and allow more funds to be directed towards operations.

At the same time, a lower capital threshold could bring more players into the market, increasing competition.

Transition Period and Implementation

GR 28/2025 is currently in a four-month transition period as the Online Single Submission (OSS) system and National Single Window are updated. Until then, GR 5/2021 procedures remain in place.

Existing OSS account holders must update their data, but licenses already issued remain valid unless the new rules offer more favorable terms.

Sector-specific regulations are still being finalized, and these will provide the practical details businesses need to operate under the new system.

Key Differences Between GR 5/2021 and GR 28/2025

Regulation	GR 5/2021	GR 28/2025
Sectors Covered	16 sectors	22 sectors (adds Creative Economy, Geospatial, Manpower, Cooperatives, Investment, Electronic Systems, Environment)
Supporting Licences (PB-UMKU)	Scattered sectoral rules	Consolidated in one chapter with detailed annex
OSS Integration	Partially integrated with limited coverage	Fully integrated; environmental permits can be processed entirely online
Basic Requirements	General references	Detailed requirements for KKPR, PBG, SLF, environmental approvals
Administrative Sanctions	Only regulated at the sub-sectoral level	General framework: warnings, temporary suspensions, administrative fines, coercive measures, license revocations
Minimum Paid-Up Capital for PMA	IDR 10 billion	IDR 2.5 billion (proposed)
Minimum Investment Requirement	Over IDR 10 billion per business line	Unchanged

[3] Peraturan Badan Koordinasi Penanaman Modal Nomor 3, 4, dan 5 Tahun 2021

[4] Under Article 1(20) of GR 28/2025, the Indonesian Standard Industrial Classification ("KBLI") is the national coding system maintained by the government's statistics agency. It standardizes how business activities in Indonesia are defined and grouped, so everyone uses the same terms and categories..

Practical Takeaways

For all businesses:

- Clearer timelines and a unified regulatory framework should improve predictability and reduce delays.
- Full integration of the OSS system could make licensing processes more efficient.

For foreign investors:

- The lower paid-up capital requirement makes market entry easier, while the unchanged overall investment threshold ensures Indonesia continues to target substantial, long-term investors.
- Increased competition may follow as more foreign entrants take advantage of the reduced paid-up capital threshold.

Bottom line: GR 28/2025 is a significant step towards a more predictable, efficient, and investor-friendly licensing system in Indonesia. Its success will depend on smooth implementation, consistent enforcement, and the timely issuance of sectoral regulations, but if delivered as intended, it should benefit both domestic and foreign businesses alike.

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The article above was prepared by Dentons HPRP's lawyers.