

## Newsletter

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# Update on Indonesia's Business Licensing Regime: Key Changes under GR 28/2025



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## Introduction

On 5 June 2025, the Indonesian Government enacted Government Regulation No. 28 of 2025 ("**GR 28/2025**"), replacing the earlier Government Regulation No. 5 of 2021 ("**GR 5/2021**"). GR 28/2025 is designed to streamline, clarify, and centralize the risk-based business licensing process in Indonesia, as mandated by the Job Creation law.<sup>1</sup>

<sup>1</sup>Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation, as enacted into law by Law Number 6 of 2023.

GR 28/2025 addresses the uncertainty and complexity facing businesses applying for risk-based licensing in Indonesia, and aims to provide greater legal certainty, guarantee processing timelines, and foster a more business-friendly environment for both domestic and foreign investors. The regulation also mandates the issuance of new implementing rules and adjustments to the Online Single Submission System ("**OSS**") and the Indonesia National Single Window System ("**INSW**").

Below is a summary of key provisions and changes under GR 28/2025:

### **I. Entering New Era of Certainty: Service Level Agreement (SLA) and Deemed Approval (*Fiktif Positif*)**

Drawing on principles from Service Level Agreements (SLA), designed to guarantee service quality and reliability, GR 28/2025 introduces two key concepts: the SLA time frame and "deemed approval" (*fiktif positif*). These measures aim to provide greater certainty in the risk-based business licensing process, especially regarding the consideration of fundamental requirements (*persyaratan dasar* or "**PD**").

GR 28/2025 establishes specific time frames ("**SLA Time Frame**") for certain requirements to be issued in PD processing stages. If the relevant authorities fail to process certain requirements within the prescribed SLA Time Frame, such requirements may be "deemed approved" ("**Deemed Approval**"). As a result, businesses can, in some cases, proceed to the next step as though the necessary approval has been granted.

Below are some examples of SLA Time Frames and the corresponding applications of the Deemed Approval mechanism under GR 28/2025:

| <b>Type of License</b>   | <b>For the Process of</b>                   | <b>Provision</b>  |
|--|---|---|
| Conformity of Spatial Utilization/ <i>Kesesuaian Kegiatan Pemanfaatan Ruang</i> (" <b>KKPR</b> ") Approval | Obtaining land technical assessment results | If the required land technical assessment results are not issued within 20 days from the date on which the proposed spatial utilization plan is confirmed as accurate, the KKPR approval can be granted without such results. |

| Type of License      | For the Process of  | Provision   |
|----------------------|---|---|
| Environmental Permit | Obtaining technical approvals for wastewater and emission quality standards assessments | If the required technical approvals for the assessments of wastewater and emission quality standards are not issued within 30 days from the date the complete and verified documentation is received, businesses can proceed directly to apply for Environmental Permit by attaching proof of submission of the technical approval request to the Environmental Permit application. |
|                      | Obtaining technical approval for hazardous waste management assessment                  | If the required technical approval for the assessment of hazardous waste management is not issued within 16 days from the date the complete and verified documentation is received, businesses can proceed directly to apply for Environmental Permit by attaching proof of submission of the technical approval request to the Environmental Permit application.                   |

Further, following the enactment of GR 28/2025, the Ministry of Investment (previously the Investment Coordinating Board) ("**BKPM**") announced on 24 June 2025 through the OSS a list of 258 Indonesian Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha Indonesia* or "**KBLI**") codes to which the Deemed Approval mechanism applies based on GR 28/2025. The listed 258 KBLI codes cover a range of industries, primarily those relating to manufacturing, tourism, and agriculture.

It is important to note, however, that GR 28/2025 does not provide specific technical details for how Deemed Approval will be implemented when it comes to licenses for these KBLIs, and it is anticipated that this will only be addressed in forthcoming, sector-specific implementing regulations. Accordingly, a further assessment of the applicable SLA and Deemed Approval processes will be necessary once these regulations are issued.

While the relevant authorities retain the authority to verify the licenses issued through Deemed Approval and to evaluate (or revoke) any license due to any discrepancies, this mechanism should reduce administrative delays and increase legal certainty for businesses and investors in certain aspects of the licensing process.

## **II. GR 28/2025 Regime: Retaining Minimum Foreign Investment Amount, Reworking Supporting Business Activities, and Anticipated Changes to PMA's Minimum Paid-up Capital**

GR 28/2025 retains the minimum investment threshold amount of over IDR 10 billion for Foreign Investment Companies ("**PT PMA**"), excluding land and buildings, for each 5-digit KBLI business field<sup>2</sup> per project location.

The regulation also revises the rules on "supporting business activities", non-core activities exempt from the minimum investment calculation for PT PMAs. Under GR 28/2025, these activities may now generate income for the Company and are not required to specify their business descriptions and KBLI codes in the corporate documents (e.g., the Articles of Association).

However, when completing the OSS registration to obtain a Business Identification Number (*Nomor Induk Berusaha*, "**NIB**"), the business description and KBLI code for the supporting business activities must still be included (similar to GR 5/2021). It should also be noted that the scope and extent of what qualifies as a supporting business activity (e.g. the exact nature of the activity or specific income thresholds) remains unclear.

As for the minimum paid-up capital requirement, GR 28/2025 does not address this matter. However, a draft of implementing BKPM Regulation published by BKPM in July indicates that a minimum paid-up capital requirement may be reduced to IDR 2.5 billion, a significant decrease from the previous IDR 10-billion minimum under the GR 5/2021 regime. This represents an important change in Indonesia's investment framework that foreign investors should closely monitor.

<sup>2</sup>The most specific level of business activity classification under KBLI.

### **III. Opening Doors: More Opportunities in Various Sectors**

Both GR 5/2021 and the new GR 28/2025 set out which KBLIs require specific licenses and regulatory steps, including those KBLIs that, under the 2021 PR Investment Field,<sup>3</sup> are meant to be carried out only by micro, small, and medium enterprises ("**MSMEs**"), or in partnership with MSMEs. Both regulations also define which business sizes these rules apply to. However, there's a key difference in how each regulation describes the business scales involved.

Previously, GR 5/2021 simply stated that the licensing and regulatory requirements applied to "all business scales."

Now, however, the regime under the newly issued GR 28/2025 is more specific: it lists each business scale—micro, small, medium, and even large—when setting out these requirements.

For example, this change affects certain retail KBLIs reserved for MSMEs under the 2021 PR Investment Field, such as:

- Minimarkets (KBLI 47111: Retail of various goods, mainly food, beverages, or tobacco in minimarkets, supermarkets, or hypermarkets)
- Pharmacies (KBLI 47721: Retail of pharmaceutical goods and medicines for humans in pharmacies)

The 2021 PR Investment Field remains in effect despite the regulatory changes introduced under GR 28/2025 and its annex. As such, it is not yet clear whether the inclusion of "large enterprises" in some KBLIs means that these KBLIs, previously reserved for MSMEs, will now be open to large businesses—including those with foreign investment.

If the rules do change to allow large businesses and foreign investors into these sectors, we may also see relevant provisions in the upcoming implementing regulations and updates to the 2021 PR Investment Field to resolve any inconsistencies.

<sup>3</sup>President Regulation No. 10 of 2021 as lastly amended by President Regulation No. 49 of 2021 on Investment Field ("**2021 PR Investment Field**")

#### **IV. Reaffirming the General Flow of Business Licensing**

Conceptually, GR 28/2025 adopts a similar business licensing framework to that of GR 5/2021, but with clearer steps during both business initiation stage and business operation stage (the latter consists of two sub-stages: preparation and commercial).

GR 28/2025 reaffirms the necessary processes that must be completed in the business initiation stage: once a company has been established and has fulfilled the prerequisite conditions, it can apply and obtain the PD required for its business activities.<sup>4</sup> To this end, to avoid redundancy of PD at the business initiation stage, GR 28/2025 exempts a company from having to obtain the PD if it operates within a building or trade/service complex where the operator of the complex has already secured the necessary fundamental requirements.

Subsequently, businesses classified as low or medium-low risk can obtain a Business License (*Perizinan Berusaha*) ("**PB**") in the form of an NIB and/or unverified standard certificate and may immediately commence the operational and/or commercial activities.

By contrast, those classified as medium-high or high risk must submit additional documents to demonstrate their compliance with the applicable standards and requirements. If compliance is confirmed, additional PB documents will be issued during the preparation sub-stage of business operation stage (a verified standard certificate for a medium-high risk business and a business permit for a high-risk business).

Certain businesses may also require an additional Supporting Business Activity License/*Perizinan Berusaha Untuk Menunjang Kegiatan Usaha* ("**PB UMKU**"), such as marketing authorizations of food products. Once these licenses are secured, medium-high to high-risk businesses can commence their operational and commercial activities.

<sup>4</sup>PD generally consists of: (i) KKPR, which includes KKPR confirmation and KKPR approval; (ii) Environmental Permit/*Persetujuan Lingkungan*; and (iii) Building Approval/*Persetujuan Bangunan Gedung* ("**PBG**"), and Certificate of Building Function Feasibility/*Sertifikat Laik Fungsi Bangunan Gedung* ("**SLF**"). However, it is important to note that during the business initiation stage, the only PD documents that can be obtained are the KKPR approval and Statement of Commitment to Environmental Management/*Surat Pernyataan Kesanggupan Pengelolaan Lingkungan Hidup* ("**SPPL**") (for a business considered to have minimal environmental impact).

PD documents required for specific business activities (for example, higher-level Environmental Permits in the form of the AMDAL (Environmental Impact Analysis) and UKL-UPL (Environmental Management and Monitoring Programs) and/or building-related permits in the form of the PBG and SLF), may be applied for during the preparation sub-stage of business operation stage.

## **V. Integrated OSS: The Unified Licensing Gateway**

Continuing the efforts of centralization of the licensing process, GR 28/2025 mandates adjustments to the OSS, marking a shift from the current situation where some licenses are processed through different platforms used by various sectoral or regional authorities. Once the adjustment is complete, the OSS will support a wider range of licensing application processes that previously conducted outside the OSS system, including the process to obtain (i) PD at the start of the licensing process, and the (ii) separate permits necessary to support the operational and/or commercial activities of the business in addition to the business licensing, namely PB UMKU.

## **VI. Enhanced Supervision Through Compliance Rating System**

Compared to the now-revoked GR 5/2021, GR 28/2025 introduces a more structured supervision framework through changes made to the regular and incidental supervision mechanism:

- For regular supervision (review of the report from the business actor and routine on-site inspection), the content of the report has been expanded to cover compliance with all relevant licensing requirements and investment activities.
- For incidental supervision, incident-based inspections can now be triggered by indications of non-compliance with a PD, PB, or PB UMKU, in addition to reports from the public or business actors.

Furthermore, businesses are now evaluated and assigned a compliance rating: very good, good, fair, or poor. These ratings directly correlate with the follow up actions, which may include targeted guidance, administrative sanctions, or additional inspections.

Given the stricter regulations now in place, businesses must exercise greater diligence and caution in preparing reports and ensuring compliance with business requirements.

## **VII. Clearer Sanctions to Strengthen Compliance**

GR 28/2025 provides greater clarity on general sanctions (sanctions applicable across all sectors) while still maintaining sector-specific sanctions for certain industries.

## 1. General Sanctions

GR 28/2025 addresses the failure to obtain, make necessary updates to, and comply with a PD, PB, and PB UMKU, by subjecting it to administrative sanctions of: (a) warning letters; (b) temporary suspension of business activities; (c) administrative fines; (d) enforcement of administrative coercion measures (such as refusal to issue a PB UMKU within a set period of time); (e) revocation of licenses, certifications, or approvals; and (f) revocation of PDs, PBs, and/or PB UMKUs.

## 2. Sector-Specific Sanctions

This category applies to specific business sectors, with both the nature and application of penalties tailored to each industry, and includes several distinctions from the previous GR 5/2021 sanction regime. For example, industrial businesses that fail to relocate after being sanctioned for operating outside designated industrial zones are now subject to administrative fines of up to 1% of their investment value, as determined by an independent audit.

### **VIII. Anticipating the Next Wave of Policy Changes Following GR 28/2025**

GR 28/2025 was enacted with a four-month transition period, ending on 5 October 2025. Within this period, BKPM is required to launch the updated OSS and INSW, revamped to accommodate GR 28/2025's provisions, and to issue implementing regulations mandated thereunder. These implementing regulations will replace the existing BKPM regulations on the OSS, business licensing, and supervision. As mentioned in Section I above, the draft BKPM regulation on the OSS is already publicly accessible, although it has not been formally enacted.

### **IX. Shifting Landscape: Validity and Transition from GR 5/2021 to GR 28/2025**

During this transition period, the previous GR 5/2021 framework will continue to govern PBs and other ongoing application processes, unverified standard certificates, and certain high-risk businesses.<sup>5</sup> Business entities that have obtained access rights (*hak akses*) prior to the enactment of GR 28/2025 must update their access right data in the OSS.

<sup>5</sup>In this regard, businesses owning buildings without a Building Construction Permit before GR 28/2025 came into force can directly apply for an SLF when submitting or renewing their PB and/or PB UMKU through the OSS.

As for trade, all export and import permits, fulfillment of export/import prohibitions/restrictions, and commodity balance requirements that cannot yet be processed through the INSW will be handled via electronic systems operated by the respective authorities (for instance businesses may apply import/export-related licenses through Portal.beacukai.go.id) until the revamped INSW becomes operational.

## **X. Navigating the New Landscape: Practical Implications for Businesses**

The following points outline the key practical implications for businesses following the issuance of GR 28/2025:

- **Greater legal certainty and streamlined processes:** The OSS will continue to be the main platform for business licensing, consolidating other processes previously handled through separate systems. The implementation of the SLA Time Frames and Deemed Approval (*fiktif positif*) will ensure that applications are processed within a defined time frame, reducing delays and increasing predictability.
- **Transition period and data update requirements:** A four-month transition period is in place until 5 October 2025, during which businesses must update their access right data in the OSS and continue to follow previous procedures to ensure license validity.
- **Ongoing policies reform:** BKPM is expected to issue implementing regulations for GR 28/2025 to replace the existing BKPM regulations that implemented the now-revoked GR 5/2021. Several sectoral implementing regulations related to the licensing framework are also undergoing amendment.

In addition, GR 28/2025 introduces reforms to the classification of business scales and risk levels, requirements, and licensing processes for a number of KBLIs, which suggests notable shifts in certain sectors. For more detailed insights on these updates, feel free to reach out to us using the contacts provided. We are eager to offer in-depth analysis and our expertise to help you successfully navigate these changes.