
Newsletter

February 4, 2026

BKPM Regulation 5/2025: Key Updates to the Implementation of Business Licensing under GR 28/2025



Abi Abadi Tisnadisastra
Partner
abadi.t@morihamada.com



Robbie Julius
Partner
robbie.julius@morihamada.com



Prayoga Mokoginta
Counsel
prayoga.m@morihamada.com



Fatah Adzkia
Senior Associate
fatah.a@morihamada.com



Farisa Azhara
Associate
farisa.a@morihamada.com



Angelica Edelweis
Associate
angelica.e@morihamada.com

Introduction

Indonesia has taken another step to consolidate and modernize its risk-based licensing regime. The Ministry of Investment and Downstreaming/Indonesia Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* - "**BKPM**") has issued BKPM Regulation No. 5 of 2025 on Guidelines and Procedures for Implementing Risk-Based Business Licensing and Investment Facilities through an Electronically Integrated Business Licensing System (Online Single Submission) ("**BKPM Reg. 5/2025**"), which serves as the core implementing regulation for Government Regulation No. 28 of 2025 ("**GR 28/2025**") (as discussed in this [edition](#)).

BKPM Reg. 5/2025 notably blends investor-friendly changes, such as a material decrease in minimum paid-up capital for foreign investment, with more assertive compliance measures, including an estimated operational timeline to assess the realization of the minimum investment amount, new coercive administrative enforcement measures and certain new licensing obligations (particularly for cross-border OTT and e-commerce operators). At the same time, certain provisions (for example, those relating to licensing for offshore OTT and e-commerce platform operators) may benefit from further clarification and/or updates at the sectoral level.

Below is a summary of key provisions and changes under BKPM Reg. 5/2025:

1. Relaxed Minimum Paid-up Capital for Foreign Investment while Maintaining the Minimum Investment Amount

BKPM Reg. 5/2025 notably lowers the minimum paid-up capital for PT PMA to IDR2.5 billion (from IDR10 billion). To curb immediate capital extraction, the regulation imposes a 12-month lock-up from the date of deposit, unless funds are used for (i) asset purchases, (ii) construction, and/or (iii) business operations. The lock-up is implemented through a self-commitment letter as submitted via the OSS. A violation of this obligation is punishable by administrative sanctions (i.e., ranging from (i) warning, (ii) temporary suspension of business activities, (iii) fines, (iv) police coercive measures, and/or (v) revocation of licenses/certifications/approvals, including fundamental requirements (*Persyaratan Dasar* or "**PD**") and business licenses (*Perizinan Berusaha* or "**PB**").

However, BKPM Reg. 5/2025 maintains the long-standing threshold that foreign investment companies (*Perusahaan Penanaman Modal Asing* - "**PT PMA**") must fulfill a minimum investment amount of more than IDR10 billion per five-digit Indonesian Standard Industrial Classification ("**KBLI**") code, excluding land and buildings.

While the general rule is maintained, BKPM Reg. 5/2025 relaxes this requirement for certain sectors to improve practicality and alignment with business models, as follows:

- **Food and beverage:** The determination of minimum investment amount moves from per single business location (per branch) to per city/regency. Multiple branches within the same city/regency are counted as one location for purposes of determining the minimum investment per location.

- **EV charging stations:** The minimum investment amount is determined per province. Similarly, multiple stations within the same province count as one location for purposes of determining the minimum investment per location.
- **Asset-heavy sectors:** While land and buildings are generally excluded from the calculation of minimum investment amount, they are included in calculating the minimum investment for the following asset-heavy sectors: (i) property development (construction, sale, and/or leasing); (ii) short- and long-term accommodation; (iii) agriculture; (iv) plantation; (v) livestock; and (vi) aquaculture.

Key Takeaways:

- The reduced paid-up capital is a positive move to attract new inbound investment, lowering entry barriers without altering the underlying minimum investment amount.
- The relaxation of the IDR10 billion minimum investment amount for certain industries (such as the tying of city/regency and province as 1 location for the F&B sector and EV charging stations, as well as the inclusion of land and buildings in calculating investment value for asset-heavy sectors) signals greater flexibility and promotes compliance among businesses that previously may have faced difficulties in meeting the minimum investment amount requirement.
- The 12-month capital lock-up tightens discipline around investment commitments and calls for early treasury planning.

2. Baseline Timeline for Commencing Operational and Commercial Activities

As part of the government's initiative to enhance supervision and monitor the realization of investment, BKPM Reg. 5/2025 centralizes a sector-referenced estimated timeline for a company to reach operational and/or commercial readiness, which, under the now-revoked BKPM Reg. 4/2021, was only briefly referenced and left to the discretion of each sectoral ministry. This timeline encompasses the full pre-operational phase, including preparation, construction, and readiness for production or service delivery, until the business becomes operational or begins commercial activity.

BKPM Reg. 5/2025 (as set out in Appendix II) provides estimated timelines for businesses in each sector to commence operational and/or commercial activities, which serve as benchmarks for OSS and other authorities in monitoring and evaluating investment realization progress.

For example, in the manufacturing sector, BKPM Reg. 5/2025 outlines the following indicative scenarios:

- Optimistic scenario: operational or commercial commencement within 4.5 years; and
- Pessimistic scenario: operational or commercial commencement within 15.5 years.

If a business is unable to commence operations within the initially projected period, a one-time revision of the estimated timeline may be submitted, accompanied by an explanation for the change. If business actors (*Pelaku Usaha*, meaning any person or entity that conducts business activities and is subject to Indonesia's business licensing regime) fail to realize the business operation in accordance with the submitted estimate, they may be subject to administrative sanctions.

Key Takeaways:

- The estimated commencement period submitted through OSS should correspond to the actual readiness of the business and the expected realization of the investment.
- The guidance issued by BKPM serves as a reference for business operational benchmarks and investment progression expectations.

3. Clarity on Supporting Business Criteria

BKPM Reg. 5/2025 further clarifies the regulatory treatment of supporting business that generate revenue (as briefly introduced in GR 28/2025).

First, BKPM Reg. 5/2025 provides that supporting business activities, whether revenue-generating or not, are required to fulfill the applicable requirements and obtain the relevant business licenses. In addition, their applications can follow the PB application of the main business or, in certain cases, obtain operational legality before the main business. Finally, the supporting KBLI cannot be the same as the main business KBLI.

Where supporting business activities do not generate revenue, they are exempt from the minimum investment amount, and companies are not required to include the KBLI of the supporting business activities in the company's purposes and objectives (under its Articles of Association). Where supporting activities do generate revenue (regardless of significance), the foregoing exemptions do not apply.

However, there is flexibility for supporting business activities operating at the same location as the main business activity, as they may use the existing KKPR and PL (as defined below) obtained for the main activity.

Key Takeaways:

- Revenue generation subjects supporting business activities to full licensing requirements and, where applicable, compliance with the minimum investment amount (for PT PMA), as if they were main business activities. In such cases, early structuring is important, particularly in deciding whether the supporting business activities will impose a fee.
- Where a supporting function is strategic but non-revenue-generating, keeping it outside revenue generation may ease licensing and capital burdens. However, if monetization is essential, updates to the deeds, KBLI alignment, and capital commitment will be required.

4. Paradigm Shift: NIB and SIUPMSE Obligations for Offshore OTT/PPMSE Platforms

BKPM Reg. 5/2025 squarely brings foreign digital actors within the OSS and general business licensing perimeter. Under the new regime of GR 28/2025 and BKPM Reg. 5/2025, foreign digital actors must obtain a Business Identification Number ("**NIB**").¹

In addition to the NIB, foreign PPMSEs and PSPs must also secure an e-commerce business license (*Surat Izin Usaha Perdagangan Melalui Sistem Elektronik* or "**SIUPMSE**"). The entry policy is effectively "multiplied," as BKPM Reg. 5/2025 maintains the obligation for foreign PPMSEs to establish a representative office engaged in electronic trading systems (*Kantor Perwakilan Perusahaan Perdagangan Asing di bidang Perdagangan Melalui Sistem Elektronik*, "**KP3APMSE**") and obtain the corresponding license for such KP3APMSE (i.e., *Surat Izin usaha Perwakilan Perusahaan Perdagangan Asing di bidang Perdagangan Melalui Sistem Elektronik*, "**SIUP3APMSE**") once they reach certain quantitative thresholds.²

¹In particular, (i) private foreign electronic system operators (*Penyelenggara Sistem Elektronik* or "**PSE**"); and (ii) foreign organizer of trade through electronic systems (*Penyelenggara Perdagangan Melalui Sistem Elektronik* or "**PPMSE**") and intermediary system providers that are not exempt from the licensing obligation (*Penyelenggara Sarana Perantara* - "**PSP**"), based on Article 273-274 of BKPM Reg. 5/2025.

²(i) $\geq 1,000$ transactions, (ii) $\geq 1,000$ shipments per year, and/or (iii) $\geq 1\%$ of Indonesia's internet users in annual traffic. These quantitative thresholds are similar to the thresholds stipulated under Article 18 (2) of Minister of Trade Regulation No. 31/2023 ("**MOTR 31/2023**").

This shift in approach to general licensing for foreign digital actors creates a “regulatory gap,” as the relevant sectoral regulations have not been updated, and continue to require only that foreign PSEs and foreign PPMSE: (i) register their electronic systems; and/or (ii) where their platform constitutes an e-commerce platform and has reached certain quantitative thresholds, establish a KP3APMSE.

The additional obligation for foreign digital actors to obtain general business licenses, combined with the absence of a clear definition of what constitutes “offering” or “soliciting” to the Indonesian market under the current sectoral regulatory frameworks, creates legal uncertainty for offshore OTT and e-commerce platform operators whose services are accessible to Indonesian users. As a result, this vagueness could expand the range of offshore platforms that may be considered in scope.

Key Takeaways:

- This regulation marks a shift for cross-border OTT/e-commerce platforms. The NIB and SIUPMSE obligations mean foreign platforms engaging Indonesian users in non-exempt categories may now fall under the OSS framework, raising transparency and compliance expectations.
- Foreign digital actors should assess their Indonesia-facing models for potential licensing obligations.

5. Exemptions from Fundamental Requirements (PD) for Business Licensing

Fundamental Requirements (*Persyaratan Dasar*)

BKPM Reg. 5/2025 further details the PD exemptions as first introduced by GR 28/2025. GR 28/2025 introduced an exemption whereby, where businesses operate inside buildings or commercial complexes that already hold Conformity of Spatial Utilization (*Kesesuaian Kegiatan Pemanfaatan Ruang* or “**KKPR**”), Environmental Approval (*Persetujuan Lingkungan* or “**PL**”), Building Approval (*Persetujuan Bangunan Gedung* or “**PBG**”), and a Building Worthiness Certificate (*Sertifikat Laik Fungsi* or “**SLF**”), a business actor may rely on the property manager’s permits (i.e., KKPR, PL, PBG, and SLF).

Under BKPM Reg. 5/2025, this exemption is further clarified to also cover malls, modern/traditional markets, office buildings, rest areas, airports, ports, train stations, terminals, hospitals, and apartments (or flats). The exemption also applies to businesses that do not require building construction.

To utilize this exemption, the business actor must submit: (i) the lease agreement, (ii) the property manager's NIB, and (iii) the property's KKPR, PL, PBG, and SLF, although a limited exception applies to government-managed property.

This more streamlined PD regime is intended to reduce bureaucratic hurdles for tenants, making this a clear benefit for retailers, service providers, and short-term concept businesses. However, strict record-keeping remains essential, as reliance on the property manager's permits requires accurate records and verification.

Conformity of Spatial Utilization (*Kesesuaian Kegiatan Pemanfaatan Ruang*)

Additionally, the BKPM Reg. 5/2025 also broadens KKPR flexibilities to include exemptions for survey and exploration stages in the new and renewable energy and energy conservation subsectors, and exploration stages in the mineral and coal subsectors, as mandated in GR 28/2025.

KKPR is also no longer required for expansions in the form of (i) adding buildings or supporting facilities (although PBG is still required for building construction and SLF is required to assess the functionality of the new buildings), (ii) increasing production capacity, or (iii) conducting integration/merger with existing activities, provided that KKPR and a valid land title are in place, activities remain within the same area, and the business actor remains unchanged.

Key Takeaways:

- The PD exemption simplifies the PD process for businesses operating in properties where the property manager already holds PD.
- The KKPR exemption for survey/exploration stages eases early-stage activities, especially where outcomes may be uncertain.
- The KKPR exemptions for expansions encourage gradual business growth, provided that the required land title is already in place and operations remain at the same location.

6. Harmonizing Business Licenses under the Risk-Based Licensing System

BKPM Reg. 5/2025 provides transitional rules to protect business continuity while migrating to the risk-based licensing framework under the GR 28/2025 regime.

Licenses issued through OSS that were verified, approved, and remain valid before 5 October 2025 (when BKPM Reg. 5/2025 was issued) can continue to be used. The same continuity applies to licenses that were verified, approved, and remain valid but were not issued through OSS, provided that such licenses are registered in the OSS system and are subject to verification of their accuracy. As the current risk-based business licensing regime aims for uniform standardization, older licenses, such as Industrial Business Licenses (IUI), can be converted to new Standard Certificates via OSS.

These licenses (which were issued, verified, or approved and remain valid prior to 5 October 2025) are also subject to a grandfather clause that exempts them from the applicability of the implementing rules under the current risk-based business licensing regime (as set out in BKPM Reg. 5/2025 and GR 28/2025), unless the new regime is more beneficial to business actors.

By contrast, expired licenses (but still relevant to ongoing activities) must be re-applied for through OSS in accordance with the current risk-based licensing regime, and therefore no grandfather clause protection applies.

Further, business actors with existing PB and/or PB UMKU that remain valid during business operations must also update the validity period of such PB and/or PB UMKU through OSS. This update, however, is conducted without verification of fulfillment of the licensing requirements and will result in a BKPM acknowledgment.

Key Takeaways:

- The transitional regime is designed to maintain continuity while requiring certain administrative adjustments. A review of pre- and post-risk-based licenses, including mapping license validity and assessing whether OSS registration and validity updates are sufficient or whether a full re-application is required, may be necessary.

7. Police Coercive Measures (*Daya Paksa Polisional*)

GR 28/2025, as implemented through BKPM Reg. 5/2025, introduces police coercive measures as part of administrative enforcement. These measures, which may be coordinated with law enforcement and/or civil servant investigators where necessary, include (i) temporary suspension of public services (such as limitation of access to the OSS system), (ii) confiscation of equipment causing violations, (iii) operational bans, (iv) product withdrawals, (v) site closures, (vi) demolition of buildings, and/or (vi) other necessary actions to halt violations or prevent further damage. Sealing actions, such as the use of barrier tape, chains, locks, or sealing electricity meters, may also accompany coercive measures. In some cases, they may be imposed together with business license revocation.

Key Takeaways:

- Clear compliance tracking and internal alert, escalation, and response systems will be essential to ensure that repeated OSS warnings are treated as critical issues requiring prompt action to prevent coercive measures.
- Companies should be mindful of general licensing-related compliance, including periodical reporting requirements.