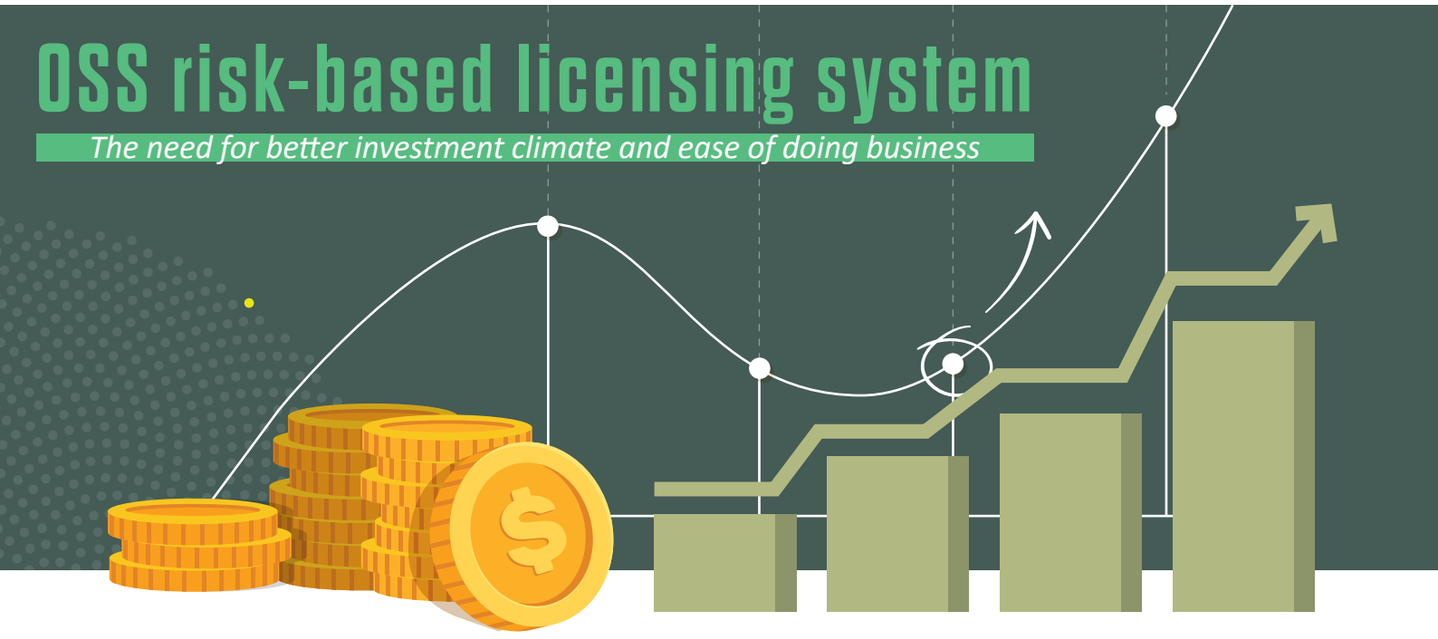
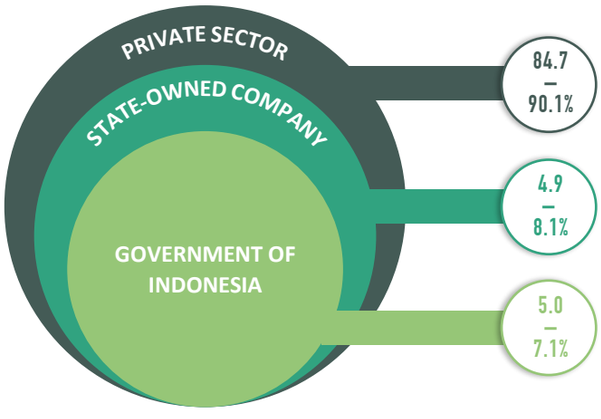
OSS risk-based licensing system

The need for better investment climate and ease of doing business



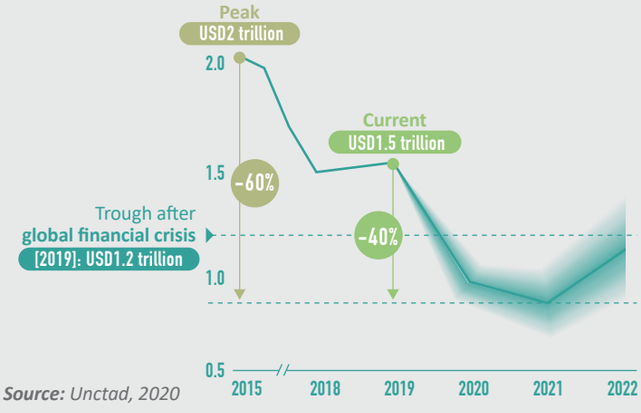
Investment in Indonesia

Why invest in Indonesia? | How much Investment does Indonesia need in 2021?



Source: *RKP2021*

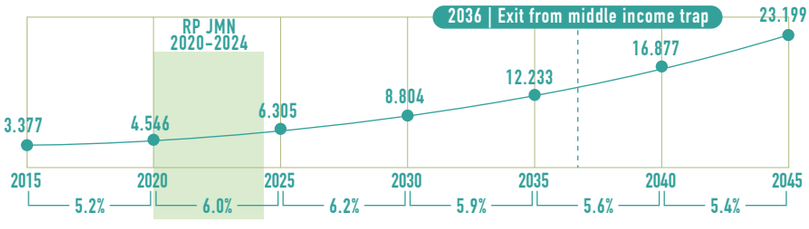
Data flow FDI 2015 -2019 and forecast flow FDI Global 2020 -2022



Source: *Unctad, 2020*

2045: Indonesia to be a Developed Country

GDP Per Capita (USD)



Growth rate

RPJMN: *National Mid-Term Development Plan*

GROWTH RATE 2015 - 2045

GDP Real	GDP Real/ Capita
5.7%	5.0%

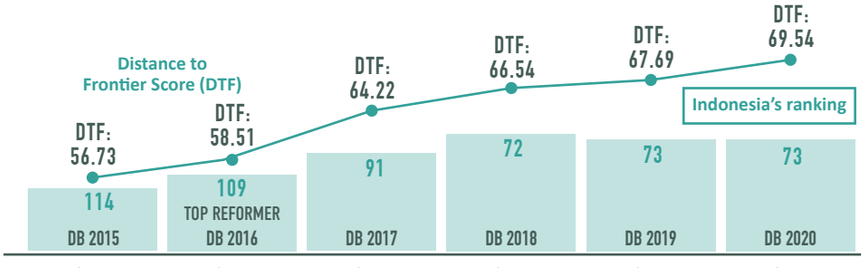
YEAR 2045 TARGETS

Developed country and the biggest GDP	Contribution of East part of Indonesia
To 5th [USD7.4 Trillion]	25%

Economic transformation must start from 2020-2024 to provide strong foundation to be a developed country

Development Milestone of Ease of Doing Business in Indonesia ("EODB")

Performance Rating of Indonesia's EODB (EODB 2015-2020)



DB 2015	DB 2016	DB 2017	DB 2018	DB 2019	DB 2020
1. Starting a Business	1. Starting a Business	1. Starting a Business	1. Starting a Business	1. Starting a Business	1. Starting a Business
2. Getting Electricity	2. Getting Credit	2. Getting Electricity	2. Getting Electricity	2. Getting Credit	2. Getting Electricity
3. Paying Taxes	3. Paying Taxes	3. Registering Property	3. Registering Property	3. Registering Property	3. Paying Taxes
		4. Getting Credit	4. Getting Credit		4. Trading Across Borders
		5. Paying Taxes	5. Paying Taxes		5. Enforcing Contracts
		6. Trading Across Borders	6. Trading Across Borders		
		7. Enforcing Contracts	7. Protecting Minority Investors		

Improvement target (EODB 2021-2025)

1. Starting a Business
2. Dealing with Contruction Licenses
3. Registering Property
4. Getting Electricity
5. Getting Credit
6. Paying Taxes
7. Trading Across Borders
8. Protecting Minority Investors
9. Enforcing Contracts
10. Resolving Insolvency
11. Contracting with Government

Improvement in all aspect indicators

OSS RBA: Understanding Key Changes[1]

USER
Who is required to use the OSS System?

BUSINESS SCALE
How big is my business in Indonesia?

BUSINESS RISK
Into which category does my business fall? What types of fulfilment must be prepared?

GENERAL REQUIREMENTS
Capital requirement, investment value, foreign ownership limitation, etc.

ENVIRONMENTAL REQUIREMENTS

MANPOWER REQUIREMENTS

[1] Based on the Constitutional Court Decision No. 91/PUU-XVIII/2020, the validity of business licensing procedure through the OSS RBA system as one of the implementing regulation of Omnibus Law will remain in effect until amendment to the relevant regulations has been made within the grace period of 2 years as stipulated in the constitutional court decision.

Who is the user?

FOREIGN BUSINESS ENTITY
- Foreign franchisors
- Permanent business entities/Badan Usaha Tetap
- Foreign future trades
- Foreign system electronic providers

REPRESENTATIVE OFFICE
- Representative offices
- Trade representative offices
- Representative offices of foreign electricity companies
- Trade representative offices through an electronic system
- Business entities of foreign construction services

BUSINESS ENTITY
- Limited liability companies (private, public listed, state-owned companies)
- Sole proprietorships
- Partnerships
- Foundations
- Cooperatives

Scale of your business

How big is my business in Indonesia?

MID SCALE
Businesses owned by Indonesians either private persons or business entities with capital more than IDR5 billion to IDR10 billion, exclusive of land and building where the business is located.

FOREIGN BUSINESS ENTITY
Foreign business entities established outside of Indonesian territory and doing business and/or activities in a certain field.

REP OFFICE
Indonesians or foreign private persons or business entities, acting as the representatives of foreign business actors with approval of establishing office within Indonesian territory.

BIG SCALE
Businesses owned by Indonesians, business entities owned by Foreign Investment Companies/Perusahaan Penanaman Modal Asing ("**PMA Company**") or domestic capital investment/Perusahaan Penanaman Modal Dalam Negeri (PMDN) with more than IDR10 billion capital excluding land and building to conduct the business.

Business Risk Level

Business Actors may check their business risk level by accessing https://oss.go.id/ and entering the desired Indonesian Standard Industrial Classification ("**KBLI**") Code information. The KBLI Code shall refer to the business activities in which the business actors engage.

LOW RISK
Business Registration Numbers (Nomor Induk Berusaha – "**NIB**"), which will also serve as Indonesian National Standards (Standar Nasional Indonesia/SNI) and/or halal guarantee statements on business activities with low level of risk carried out by micro- and small-scale businesses.

MEDIUM-LOW RISK
NIB

Standard certificates, in the form of independent statements on compliance with business activity implementation standards submitted via the OSS RBA.

MEDIUM-HIGH RISK
NIB

Standard certificates for the implementation of business activities issued by the central government or regional governments in accordance with their respective authority and based on the results of verification of the compliance with standards of business activity implementation by business actors.

HIGH RISK
NIB

Licenses, which comprise approvals granted by the central government or regional governments to carry out business activities, must be obtained by business actors before beginning any business operation; and Standard certificates for products or business activities (if applicable).

General Requirements

CAPITAL REQUIREMENT

The minimum issued and paid-up capital of a PMA Company categorised as a large business is IDR10 billion.

LINE OF BUSINESS

The line of business is codifed under KBLI in the form of 5 digit number and divided per sector. Business actors are required to follow the guidelines as stpulated in Central Statstcs Agency Regulaton No. 2 of 2020 on the Standard Classifcaton of Indonesian Business Fields ("**KBLI Code 2020**"). Existng business actors are required to adjust their KBLI Code to KBLI Code 2020 in order to use OSS RBA properly.

FOREIGN OWNERSHIP RESTRICTION

46 sectors are open to foreign ownership with limitatons or certain conditons. Certain sectors allow 100% foreign ownership. 51 sectors are open to foreign ownership with local partnership requirements.

INVESTMENT VALUE

A PMA Company is required to have a minimum investment value of more than IDR10 billion excluding the value of land and buildings. This requirement is imposed on each line of business actvity with below exceptons:

BIG-SCALE TRADING	F&B SERVICES	CONSTRUCTION SERVICES	INDUSTRY	PROPERTY	
greater than IDR10 billion per 4 initial digits of KBLI	greater than IDR10 billion per 2 digits of KBLI per one location point	greater than IDR10 billion per 4 initial digits of KBLI	*Industrial business activities that produce different types of products with five digits KBLI in one production line greater than IDR10 billion	*Property in the form of a complete building or an integrated housing complex greater than IDR10 billion **including the value of land and buildings**	*Property in the form of a property unit greater than IDR10 billion

Environmental Requirements

SUITABILITY OF SPACE UTILISATION ACTIVITIES

- The OSS system will examine the suitability of space utilisation activities including business locations on land or at sea or in the forest.
- Upon examining the suitability of space utilisation activities, the OSS will issue approval or rejection of the suitability of space utilisation activities.
- Approval for the suitability of space utilisation activities must be obtained by all business actors, except for certain locations which are explicitly stated to be issued automatically.
- Business actors will only be able to continue the NIB application process after obtaining the approval for the suitability of space utilisation activities.

BUILDING APPROVAL "BA" AND CERTIFICATE OF BUILDING PROPER FUNCTION "CBPF"

Based on the business location plan, number of floors of the building, and number of buildings planned, OSS RBA will provide:

- notification of the needs for BA via the Building Management Information System ("**BMIS**"); and
- notification to the Business Actor to follow up to obtain BA and CBPF via BMIS.

Employment Requirements

Plans for Employment of Foreign Workers "RPTKA"

Approval of the RPTKA application will be submitted through OSS RBA which has been integrated with the Ministry of Manpower's electronic system.

Health and Manpower Social Security "BPJS"

The NIB will act as a registration for the participation of business actors as participants in health social security and employment social security. The OSS RBA issues proof of membership registration for BPJS Employment and BPJS Health.

Mandatory Manpower Report

The OSS RBA has been integrated with the Manpower Ministry's mandatory manpower report system, so the NIB also serves as proof of compliance with the first mandatory employment report at the company.

Business Activities Realisation Period

This is the period required by the business actor to carry out preparation, construction/development to begin commercial production after obtaining business licenses and is determined based on the norms, standards, procedures and criteria of the ministry/institution.

Should the law remain silent on the regulation of the period for realising business activities, the period shall be the estimated period of readiness of the business actor to carry out operation/production activities, which the business actor can set the month and year when filling in the business activity data in the OSS RBA.

It is worth noting that business actors may be subject to administrative sanctions if the business actors do not realise their business activities within the specified period.

How to Establish a PMA Company and Obtain a License via OSS RBA?

ESTABLISHMENT OF PMA COMPANY

STAGE 1

1

Name Reservation and Notarisation process to make Deed of Establishment before an Indonesian Notary.

The process may take up to 2 weeks

2

Issuance of Ministry of Law and Human Rights ("**MLHR**") Ratification for establishment.

The process may take up to 1 week

3

Application for General Licenses such as Taxpayer's Registration Number and Tax Registration Certificate to the respective authorities.

The process may take up to 2 weeks

OBTAINING LICENSE

STAGE 2

4 REGISTRATION OF OSS ACCOUNT

During this process, a business actor, as an applicant, is required to fill in information concerning the PMA Company. The information includes capital structure and investment value, shareholders information, business activities information including business capacity per year, management composition, and domicile information.

5 FULFILMENT OF REQUIREMENTS AND DOCUMENTS BASED ON BUSINESS SCALE AND RISK

6 ISSUANCE OF NIB

Low risk business can only commence their commercial actvites upon the issuance of NIB.

7

Payment of the Non Tax State Revenue for the Approval of Suitability of Spatial Utilisation Activities.

Please note that if the business actor engages in more than one business activity, the application for the NIB of the subsequent business activities can only be conducted upon the payment of the Non Tax State Revenue for the Approval of Suitability of Spatial Utilisation Activities.

STAGE 3

8 ISSUANCE OF STANDARD CERTIFICATE

STAGE 4

A medium-high risk business can start its commercial actvites afer fnishing this stage.

9 VERIFICATION OF STANDARD CERTIFICATES BY EXPERT APPRAISAL TEAM

STAGE 5

A high risk business can start its commercial actvites afer fnishing this stage.

10 APPLICATION OF BUSINESS LICENSE TO SUPPORT BUSINESS ACTIVITIES *(IF REQUIRED)*

Relevant Ministries may require the Company to obtain a specific license before the Company can commercially operate.

PARTIES REQUIRED TO MAKE AN AMENDMENT UNDER THE IMPLEMENTATION OF OSS RBA

- Business actors who have obtained a valid business license but not an NIB are required to register their NIB through the OSS RBA (for those who do not have an OSS account);
- Business license applications that have been submitted by business actors prior to the launch of OSS RBA and business licenses that have not been issued are processed through the OSS RBA;
- For business actors who have obtained a business license and require a new business license, the following provisions are regulated:
  - submission and issuance of business licenses for business development and/or activities or commercial or operational activities are carried out through the OSS RBA by completing data and/or fulfilling requirements in accordance with the provisions of laws and regulations; and
  - business actors are granted a business license in accordance with the provisions of the legislation.
- Companies that have yet to adjust Article 3 of their Articles of Association on the purpose and objectives of the company to be in accordance with KBLI 2020.

THE VALIDITY OF EXISTING BUSINESS LICENSE WITH THE LAUNCHING OF OSS RBA

Business actors who have obtained an effective and valid business license prior to the enactment of GR 5/2021 on 2 February 2021 are not required to adhere to the new RB requirement. Conversely, business actors who have a pending validity business license will be required to adjust their business license to comply with the Risk Based Business Licensing requirements. Therefore, the NIB along with a valid business license obtained by the existing company prior to the launching of OSS RBA are still valid and no adjustment to OSS RBA is required.

CONVERSION OF EXISTING COMPANY OSS VERSION 1.1 ACCOUNT TO OSS RBA: CHANGE OF ACCESS RIGHT

Business actors who have obtained access rights to the OSS system are required to update their data or change their access rights to the OSS RBA. OSS RBA will then provide a notification to the business actor via e-mail that is registered for the update of the access rights data carried out. The law is silent on the period during which the conversion must be conducted. However, it is worth noting that business actors can only access their OSS account after the conversion is conducted.

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