

INDONESIA'S NEW RISK BASED-LICENSING REGIME



Summary

- On 5 June 2025, the Indonesian Government enacted GR 28/2025, as a comprehensive update to the risk-based business licensing framework, replacing GR 5/2021 as part of the Omnibus Law on Job Creation. This update aims to enhance legal certainty, simplify procedures and streamline regulatory processes by fully integrating licensing into the OSS system.
- GR 28/2025 introduces several key reforms, including stricter prerequisites for licensing, clearer business lifecycle stages, expanded sector coverage, simplified environmental approvals and fictitious positive approvals to address administrative delays. It also relaxes foreign investment restrictions in certain sectors and mandates uniform licensing standards nationwide.
- Existing licenses remain valid under transitional rules, and business actors are encouraged to proactively assess their obligations under the new regime and take advantage of transitional provisions to ensure a smooth and compliant transition to the updated licensing framework.



Background

On 5 June 2025, the Government of Indonesia (“**Government**”) issued Government Regulation No. 28 of 2025 on the Implementation of Risk-Based Licensing (“**GR 28/2025**”) as part of its ongoing regulatory reform to refine and streamline the business licensing process. GR 28/2025 revokes and replaces Government Regulation No. 5 of 2021 on the same subject (“**GR 5/2021**”) to align with the latest legislative developments, particularly the enactment of Law No. 6 of 2023 on the Enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law. GR 28/2025 aims to enhance legal certainty, improve regulatory oversight, and support a more efficient licensing environment.

Notably, GR 28/2025 centralizes all licensing procedures through the Online Single Submission (“**OSS**”) system, which now serves as the front-end interface for business actors. Under this framework, business actors are only required to interact with the OSS system, while OSS coordinates directly with the relevant ministries and agencies on the backend. Despite this integration, the final licensing documents continue to be issued through the OSS system.

This update will highlight the key updates and changes introduced by GR 28/2025 and is meant to provide practical insights to help business actors understand the regulatory changes that may affect their licensing obligations and operational processes.

KEY UPDATE AND CHANGES

- ***Stricter Emphasis on Basic Requirements***

GR 28/2025 explicitly requires the fulfilment of Basic Requirements (*Persyaratan Dasar*) as a prerequisite for the issuance of a Business License (*Perizinan Berusaha*), unless certain exemption applies. This represents a refinement from the previous regime under GR 5/2021, which ambiguously allowed business actors to obtain Basic Requirements and/or a Business License without a clear sequence. Additionally, while GR 5/2021 generally deferred the specifics and requirements for Basic Requirements to separate sectoral regulations, GR 28/2025 consolidates and provides detailed elaboration on each Basic Requirement within GR 28/2025 itself.

- ***More Structured Stages for Conducting Business Activities***

GR 28/2025 introduces clearer and more structured stages for conducting business in Indonesia by expressly distinguishing between two main stages as follows:

- (a) **Starting a Business (initial stage)**

The initial stage includes (i) fulfilling all legal entity establishment formalities, (ii) fulfilling certain Basic Requirements and (ii) applying for or obtaining the relevant Business License (as applicable), in accordance with the nature of the business activity.



(b) Operating a Business

Once the initial stage is completed, GR 28/2025 requires business actors to proceed to the operational stage, which is divided into two sub-stages:

- (i) **preparation stage**, which may include various preparation activities such as land acquisition, fulfilment of certain Basic Requirements, building construction, procurement of equipment or facilities, recruitment of human resources, fulfilment of business standards, and/or fulfilling Business License requirements; and
- (ii) **operational and/or commercial stage**, which refers to the core business activities such as production, logistics and distribution, marketing of goods and/or services, and other activities necessary for operational and/or commercial purposes.

GR 28/2025 marks a departure from the previous regime under GR 5/2021 by clearly differentiating the initial stage from the preparation stage. This new framework helps business actors to better understand their regulatory obligations and the appropriate timing for securing the necessary licenses throughout the business lifecycle.

- ***Expanded Business Sectors***

GR 28/2025 also expands the number of regulated business sectors from 16 sectors under GR 5/2021 to a total of 22 sectors to include several new sectors, namely legal metrology, creative economy, geospatial information, cooperatives and capital investment.

The expansion of regulated business sectors under GR 28/2025 consequently introduces an updated and/or amended list of covered Business Classifications (*Klasifikasi Baku Lapangan Usaha Indonesia* or “**KBLI**”), including holding companies and other management consultancy activities under capital investment sector, and visual communication design or graphic design activity as well as film, video, television programs, animation and comics specialized design activity under creative economy sector.

- ***Updated Risk Levels, Supervising Authorities and PB-UMKU Requirements***

GR 28/2025 also updates and/or amends the applicable risk levels and applicable Supporting Business Licenses (*Perizinan Berusaha untuk Menunjang Kegiatan Usaha* or “**PB-UMKU**”) obligations for certain sectors. These changes are detailed in the Schedule to GR 28/2025, which consolidates sectoral requirements into a more coherent reference framework. A notable example is restaurant business, where under GR 5/2021, the risk level was determined by the seating capacity, ranging from low to high risk. Under GR 28/2025, the classification is now based on business scale of the relevant company operating its restaurant, with micro businesses categorized as medium-low risk, and small, medium and large businesses classified as medium-high risk.



Another key update under GR 28/2025 is the clarification of supervising authorities for certain businesses, which under the previous regime were supervised by multiple ministries. This update enhances legal certainty for business actors by designating a single ministry authority for certain businesses wherever possible. For example, the Government has now assigned sole supervision of businesses engaged in the medical and dental equipment, orthopaedic and prosthetic equipment industry, which was previously under the joint supervision of the Ministry of Industry and the Ministry of Health, to Ministry of Industry.

- ***Legal Certainty in Licensing Process Through Fictitious Positive Approval***

GR 28/2025 improves the legal certainty and the ease of business licensing process by introducing a fictitious positive (*fiktif positif*) approval policy, whereby if the authority fails to respond to an application within the prescribed period, the OSS system will automatically advance the application to the next stage or issue the requested licenses. This approach streamlines the licensing process for business actors and minimizes bureaucratic delays.

For instance, the application for Environmental Licenses may involve several assessments, such as (i) emission and wastewater assessments, (ii) hazardous waste assessment and (iii) traffic impact assessment, which must be completed within 30, 16, and 23 working days, respectively. If the OSS system does not respond within the deadline for any given assessment, the applicant may proceed to the next step by submitting proof of submission of the relevant assessment application, without waiting for the corresponding technical approval.

Further, under GR 28/2025, if a business actor applies for a technical consideration (*pertimbangan teknis*) as a prerequisite for the Suitability of Spatial Utilization (*Kesesuaian Kegiatan Pemanfaatan Ruang* or “KKPR”) and the relevant authority fails to issue such technical consideration within 20 working days from receiving complete application documents, the OSS will automatically issue the KKPR without the technical consideration.

Similarly, for medium-high and high-risk business classifications, if the relevant ministry or agency fails to verify and respond to the Business License application through the OSS system within the prescribed time frame, the OSS system will automatically issue the relevant Business License.

- ***Simplification of the Environmental Approval Process***

GR 28/2025 significantly simplifies the Environmental Approval (*Persetujuan Lingkungan*) process, reducing procedural burden and streamlining compliance through the OSS system. Some key simplifications include:

- (a) All Environmental Approval applications are now processed through the OSS system, removing the need for business actors to coordinate with multiple ministries or local authorities.



- (b) Under previous regime, Environmental Approval and Technical Approval (*Persetujuan Teknis*) had to be obtained sequentially. GR 28/2025 introduces a key change in which both approvals may now be applied for and obtained in parallel through the OSS system, provided specific requirements are met by the applicant.
- (c) For business actors engaging in business activities under multiple KBLIs within a single, integrated location or ecosystem, their environmental licensing requirement will be determined based on the highest risk classification among those KBLIs. This approach streamlines approvals by eliminating duplication and supporting ecosystem-based licensing.
- (d) Unlike GR 22/2021, which required business actors to directly involve affected communities, GR 28/2025 shifts this responsibility to the relevant authority, which will manage the collection of input from such community during the substantive review stage. This removes a major procedural burden from businesses.

- **Clarification of Environmental Compliance Obligations for Tenants in Designated Areas**

GR 28/2025 also clarifies guidelines on the environmental compliance obligations for business actors operating as tenants within (i) Industrial Areas (*Kawasan Industri*), (ii) Special Economic Zones (*Kawasan Ekonomi Khusus* or “**KEK**”) and (iii) Free Trade and Free Port Zones (*Kawasan Perdagangan Bebas dan Pelabuhan Bebas* or “**KPPBP**”), which have already obtained an area-wide Environmental Impact Assessment (*Analisis Mengenai Dampak Lingkungan*) and Environmental Approval. Under the new regime, such business actors will only need to prepare their Environmental Management and Monitoring Plan (*Rencana Pengelolaan Lingkungan-Rencana Pemantauan Lingkungan Hidup* or “**RKL-RPL**”), which must align with the environmental documents of that area.

Such RKL-RPL must be submitted to the operator or authority managing or operating the relevant area for approval. Once approved, the RKL-RPL serves as the business actor's formal commitment to environmental management and is a prerequisite for obtaining their Business License.

- **Exemption from KKPR Requirements**

GR 28/2025 has simplified the KKPR requirements for certain sectors, including micro, small and medium enterprises (“**MSME**”), which now may obtain KKPR through a self-declaration form via the OSS system. Additionally, business actors in the renewable energy, mineral and coal sectors are exempt from obtaining KKPR during early-stage activities. Specifically, during the survey and exploration phases in the new and renewable energy and energy conservation sub-sectors, or during the exploration phase in the mineral and coal sub-sector. These changes aim to reduce regulatory burdens during preliminary project development.

- **Supporting Business Activities are Now Allowed to Generate Revenue**



GR 28/2025 now also allows business actors to earn income from their supporting business activities. Under the previous regime, GR 5/2021 prohibited supporting business activities from generating revenue. This change provides greater commercial flexibility, particularly for integrated business models where supporting services (e.g., logistics, warehousing, or facility management) play a critical role alongside the main business.

- ***Relaxation of Foreign Investment Restrictions for Certain KBLIs***

GR 28/2025 revises the business scale classification for a number of sectors, allowing large-scale businesses to operate in such sectors that were previously reserved for MSME. This means these sectors are now technically open to foreign investment. Notable sectors include retail of non-alcohol beverages, traditional medicine for human use, rice and retail of various goods that are primarily foods, beverages or tobacco in minimarkets. These changes mark a significant opening up of Indonesia's foreign investment landscape, particularly in the consumer and retail sectors. With this development, the Government is expected to revise the current positive investment list to reflect these updates and ensure consistency between GR 28/2025 and the list of sectors open to foreign investors under the positive investment list.

- ***Introduction of Three New Subsystems under GR 28/2025***

GR 28/2025 expands the OSS's system functionality by introducing three new sub-systems, bringing the total to six subsystems. These additions aim to streamline investment processes and strengthen compliance monitoring. These new subsystems include:

- (a) Basic Requirements Subsystem, which facilitates access to information and submission of applications related to Basic Requirements, namely KKPR, Environmental Approval, Building Approval (*Persetujuan Bangunan Gedung* or "**PBG**") and Function Worthy Certificate (*Sertifikat Laik Fungsi* or "**SLF**").
- (b) Investment Facilities Subsystem, which allows business actors to apply for various investment incentives, such as import duty exemptions and income tax reductions for eligible activities like research and development or vocational training activities.
- (c) Partnership Subsystem, which enables business actors to monitor and fulfil their partnership obligations, including those between large-scale businesses and MSMEs, as required under prevailing investment regulations.

- ***Harmonization of Licensing Standards through New NSPK Regulations***

The Government continues its effort to standardize business licensing across Indonesia by reinforcing the authority of national Norms, Standards, Procedures and Criteria ("**NSPK**"). Under the previous regime, GR 5/2021 stipulated that NSPK on risk-based business licensing would serve as a single



national reference for the central Government, regional Government, KEK and KPBPB operators in implementing risk-based business licensing.

GR 28/2025 now goes further by expressly prohibiting regional governments from expanding or adding to the provisions set out in the national NSPK when drafting implementing regulations at the regional level.

This prohibition aims to eliminate inconsistencies and curtail local discretion that was previously allowed to impose additional licensing requirements at the regional level, thereby ensuring uniformity of licensing standards nationwide and reducing regulatory burdens on businesses. This update is expected to enhance the ease of doing business and improve investors' confidence in the Indonesian regulatory environment.

- ***Integrated Licensing Procedure via the OSS System***

GR 28/2025 reinforces the centralization of business licensing by mandating that all risk-based business licensing processes be processed electronically through the OSS system, regardless of the supervising authority. This applies not only during the application and issuance of licenses but also to the imposition of administrative sanctions. A notable change under GR 28/2025 is the integration of PBG and SLF into the OSS system. Under the previous regime, these were handled through the Ministry of Public Works and Housing's Building Management Information System (*Sistem Informasi Manajemen Bangunan Gedung*) platform.

Despite this general requirement, GR 28/2025 provides an exception for certain export and import-related licenses. GR 28/2025 requires that licensing for (i) exports, (ii) imports other than the Import Identification Number/API, (iii) import-export compliance obligations and (iv) commodity balance requirements must still be processed through the Indonesia National Single Window (INSW) system.

- ***Broaden Administrative Sanction***

GR 28/2025 introduces a significant shift by broadening the scope of administrative sanctions beyond those previously imposed to specific business sectors set under GR 5/2021, and business actors may now face administrative sanctions for violations against general provisions, including failure to obtain the required Basic Requirements, Business License and PB-UMKU. Sanctions range from written warnings to revocation of the relevant licenses, depending on the severity of the non-compliance determined through supervisory assessments conducted by relevant government officials. This expansion marks a shift toward more comprehensive enforcement and greater accountability under the risk-based licensing regime.

- ***Transitional Provisions***



To ensure legal certainty and a smooth transition, GR 28/2025 includes several transitional provisions aimed at aligning ongoing and future licensing activities with the new framework, among others:

- (a) The Government has a maximum of four months from 5 June 2025 to issue the necessary implementing regulations and to update the OSS and Indonesia National Single Window systems accordingly. Drafts of several implementing regulations have already been made publicly available.
- (b) Applications for Basic Requirements, Business License and/or PB-UMKU submitted before the OSS system is updated to align with GR 28/2025 will continue to be processed based on the framework of GR 5/2021.
- (c) Business actors engaged in medium-high or high risk business activities that have obtained (i) a Standard Certificate that has not yet been verified, (ii) licenses that have not yet met all required obligations, or (iii) PB-UMKU that are not yet effective, may continue their activities in accordance with the provisions of GR 5/2021 during the 4 (four) month transitional period.
- (d) Importantly, all licenses, approvals and certificates granted to business actors prior to the enactment of GR 28/2025 will remain valid, provided that they do not conflict with GR 28/2025. Relevant provisions of GR 5/2021 on the application of Basic Requirements, Business License and PB-UMKU will also continue to apply, to the extent they do not conflict with GR 28/2025.

Conclusion

GR 28/2025 represents a significant step forward in Indonesia's regulatory landscape by introducing a more structured, integrated and sector-specific approach to business licensing process. Through the consolidation of licensing processes within the OSS system, clearer delineation of institutional responsibilities and streamlined procedures such as fictitious positive approvals, GR 28/2025 aims to enhance legal certainty, reduce procedural burden and foster a more transparent and investor-friendly business environment. Business actors are now subject to more detailed compliance requirements, including sector-specific standards, clear timelines for permit issuance, and centralized digital processing, all of which are intended to reduce bureaucratic hurdles and increase transparency.

To ensure alignment with GR 28/2025, business actors should proactively assess their licensing status, conduct internal compliance reviews, and where relevant, update their operational procedures to ensure that all relevant business licenses are obtained and updated in accordance with GR 28/2025. Before and after the effectiveness of new OSS system, business actors are also encouraged to engage with OSS where necessary to ensure a smooth adjustment and full compliance with the new regulatory framework introduced by GR 28/2025.



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