

INDONESIA'S LATEST REGIME ON RISK-BASED BUSINESS LICENSING SYSTEM UNDER BKPM REGULATION NO. 5/2025



Summary

- On 1 October 2025, the BKPM issued MR 5/2025 to implement and further clarify provisions on business licensing and investment under GR 28/2025, MR 5/2025 effectively replaces three previous BKPM regulations and provides a more detailed framework governing business licensing procedures and investment implementation.
- Among its key updates, MR 5/2025 lowers the minimum issued and paid-up capital requirement for foreign investment companies to IDR2.5 billion (previously, IDR10 billion), while maintaining the investment value threshold above IDR10 billion per KBLI per business location, subject to certain exemptions. MR 5/2025 also allows companies engaging in certain sectors to include land and/or building costs in meeting their capital and/or investment amount requirements.



Background

On 1 October 2025, the Minister of Investment and Downstream Industry/Head of the Investment Coordinating Board (the “**BKPM**”) issued Regulation No. 5 of 2025 on Guidelines and Procedures for the Implementation of Risk-Based Business Licensing and Investment Facilities Through the Electronically Integrated Business Licensing System (Online Single Submission) (“**MR 5/2025**”). MR 5/2025, which took effect on 2 October 2025, was enacted as the implementing regulation of the recently issued Government Regulation No. 28 of 2025 on Risk-Based Business Licensing (“**GR 28/2025**”). For GR 28/2025, please refer to our publication linked [here](#).

MR 5/2025 effectively revokes and replaces three previous regulations issued by BKPM in 2021, namely:

- (a) BKPM Regulation No. 3 of 2021 on Electronically Integrated Risk-Based Business Licensing System;
- (b) BKPM Regulation No. 4 of 2021 on Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities (“**BKPM Regulation No. 4 of 2021**”); and
- (c) BKPM Regulation No. 5 of 2021 on Guidelines and Procedures for the Supervision of Risk-Based Business Licensing.

MR 5/2025 provides further elaboration of the provisions previously stipulated under GR 28/2025, thus providing clearer guidance on their implementation, while introducing several important updates and adjustments intended to refine existing regulatory requirements.

This update aims to highlight the key provisions set forth under MR 5/2025 relevant to business actors concerning their licensing obligations, compliance requirements and ongoing operational processes.

KEY UPDATE AND CHANGES

- ***Lowered Minimum Capital Requirement and Capital Retention Requirement for Foreign Investment Companies***

MR 5/2025 introduces a significant amendment by lowering the minimum issued and paid-up capital for foreign investment companies (“**PT PMA**”) from IDR10 billion to IDR2,5 billion, unless higher thresholds apply under specific sectoral rules. Furthermore, the paid-up capital for PT PMA must be retained in its bank account for at least 12 months from its payment date, except when the capital is utilised for asset acquisition, building construction or business operations.

However, this adjustment does not affect the minimum total investment requirement, which generally remains above IDR10 billion per 5-digit KBLI per business location, subject to certain exemptions.



This amendment provides greater financial flexibility for foreign investors in managing their company's capitalisation, as the minimum total investment value of IDR10 billion may now be fulfilled not only through paid-up capital but also through other means such as loans.

- ***Recognition of Land and Buildings Costs in Investment and/or Capital Calculation***

Previously, the calculation of capital threshold and/or investment requirement applicable to any Indonesian companies of any business scale (including PT PMA) consistently excluded land and buildings costs. MR 5/2025 now provides exception to such requirement, allowing companies in certain sectors to include land and building costs in the calculation of their capital and/or investment value.

This exception applies to companies engaged in: (i) property, including construction, sale and/or leasing of property, (ii) provision of short-term or long-term accommodation, (iii) agriculture, (iv) plantation, (v) animal husbandry and/or (vi) aquaculture business activities.

- ***Foreign Investment Threshold in the Property Sector***

MR 5/2025 provides a specific investment threshold for PT PMA engaging in property development and management business as follows:

- a. a minimum investment of more than IDR10 billion, **including** land and buildings, for projects involving a complete building or integrated housing complex; and
- b. a minimum investment of more than IDR10 billion, **excluding** land and buildings, for standalone property units and standalone housing projects.

- ***New Clarity on Investment Requirement in Food and Beverage Services***

Under GR 28/2025, food and beverage services businesses must have a minimum investment above IDR10 billion per the first 2-digit KBLI for each business location point, excluding land and building costs. MR 5/2025 now provided the interpretation of "location point" by confirming that the investment requirement applies per regency or city, rather than per individual outlet.

Accordingly, multiple outlets located within the same regency or city will therefore be aggregated under a single IDR10 billion investment thresholds, while outlets in different regions must meet the threshold separately.

- ***Investment Requirement for Foreign Investment in Public EV Charging Stations***

MR 5/2025 sets specific investment thresholds for PT PMA engaged in the operation of public electric vehicle ("EV") charging stations. The minimum investment value for such PT PMA remains above IDR10 billion, excluding land and buildings. However, such investment value requirement is calculated based on the amount of province in which the PT PMA operates its public EV charging stations, regardless of the number of charging stations within each province. Therefore, operating across



multiple provinces requires a proportional increase in the total investment requirement (e.g. IDR20 billion for two provinces).

- **Special Minimum Investment Requirements in KEK**

MR 5/2025 provides that PT PMA operating within a Special Economic Zones (*Kawasan Ekonomi Khusus* or “**KEK**”) is subject to the minimum investment requirements under Presidential Regulation No. 10 of 2021 on Investment Business Fields (as amended) (“**PR 10/2021**”)

This requirement applies to business activities located in the following KEK categories: (i) KEK for production and processing, (ii) KEK for logistics and distribution, (iii) KEK for research, digital economy, and technology development, (iv) KEK for tourism, and/or (v) KEK for energy development.

Therefore, the general IDR10 billion minimum investment threshold and its exceptions under MR 5/2025 do not apply to certain PT PMA operating within these designated KEK. MR 5/2025 reaffirms the provision under PR 10/2021 that digital startup PT PMA which operates in these KEK are not subject to minimum investment requirement under MR 5/2025.

- **Waiver of KKPR Requirements**

MR 5/2025 refines the requirements for obtaining and maintaining a Spatial Utilization Suitability (*Kesesuaian Kegiatan Pemanfaatan Ruang* or “**KKPR**”), specifically on the exemption to obtain additional KKPR.

Under MR 5/2025, certain business activities are exempted from obtaining a KKPR. For instance, a KKPR is not required in the case of expansion of existing operations through additional supporting infrastructure, buildings and facilities, provided that (i) the business already holds a valid location permit or KKPR and/or land right; (ii) the expansion is located in the same area and for the same business activity; and (iii) the activities are conducted by the same business actor.

- **Simplified KKPR and Environmental Approval for Supporting Business Activities**

MR 5/2025 simplifies the process for business actors whose supporting business activities are located within the same physical location as their main business activities. Under MR 5/2025, such business actor may use their existing KKPR and Environmental Approval, which they have already obtained for their main business activities. However, this relaxation does not extend to Building Approval (*Persetujuan Bangunan Gedung*) and Function Worthy Certificate (*Sertifikat Laik Fungsi*), where business actors must still obtain such licenses separately.

- **Consolidated Business Licensing for Single Production Lines**

Under MR 5/2025, a single Business License (*Perizinan Berusaha* or “**Business License**”) now can be applied for multiple main business activities that operate within a single production line.



- To further explain, a single production line refers to business operations that (i) fall within the same industry sector and use an integrated machinery/technology process to produce multiple outputs under different KBLI codes within the same location; or (ii) fall within other sector (other than industrial sector) but uses the multiple KBLI codes within the same location. ***Direct Construction Facilities for Businesses in Certain Industrial Areas***

MR 5/2025 introduces a streamlined licensing mechanism for business actors engaged in Medium-High Risk or High-Risk scale business located within a government-designated Industrial Area (*Kawasan Industri*). Such business actors may obtain direct construction facilities, which allows them to automatically obtain, upon request, the relevant Business License from the Online Single Submission (“OSS”) system.

- ***Extended LKPM Submission Period***

MR 5/2025 maintains the requirement for all business actors to submit periodic Investment Activity Report (*Laporan Kegiatan Penanaman Modal* or “LKPM”), but introduces extended submission deadline as follows:

- a. Small-scale business: by the 15th of the subsequent month following each semester (January and July).
- b. Medium and Large-scale business: by the 15th of the subsequent month following each quarter (April, July, October and January).

- ***Licensing Exemptions for Businesses in Shared Commercial Location***

MR 5/2025 reaffirms that business actors engaged in ‘trade or service activities’ within a building or complex whose manager or owner already holds the Basic Requirements are exempt from obtaining these requirements individually.

MR 5/2025 clarifies that ‘trade or service activities’ refer to activities that do not involve the construction of a building and further defines shared commercial location to include malls, modern or traditional markets, office buildings, airport, hospital and other similar trade or service complexes.

- ***Transitional Provisions***

To ensure legal certainty and a smooth transition, MR 5/2025 includes several transitional provisions aimed at aligning ongoing and future licensing activities with the new framework, among others:

- (a) Basic Requirements, Business License, and/or Supporting Business Licenses (*Perizinan Berusaha untuk Menunjang Kegiatan Usaha* or “PB-UMKU”) that were issued and are still valid before MR 5/2025 took effect may continue to be used in accordance with the prevailing laws and regulations.



- (b) Applications for Basic Requirements, Business License, PB-UMKU, and/or any investment facilities submitted before MR 5/2025 takes effect, but are still in process, will continue to be processed based on BKPM Regulation No. 4 of 2021.
- (c) The capital and minimum investment provisions for PT PMA under MR 5/2025 do not apply when the business actor undertakes any change of its business location, expansion of its business and/or applies for an extension of its existing Business License.
- (d) PT PMA which has already obtained its Business License and is planning to change of its business location, expand its business and/or apply for an extension of its existing Business License, is still subject to the minimum capital and investment amount as required under MR 5/2025.

Conclusion

MR 5/2025 represents a significant step in Indonesia's ongoing regulatory reform, reinforcing a more efficient and investor-oriented business licensing framework. By refining procedures, lowering capital thresholds and clarifying sector-specific requirements, the regulation strengthens the role of the OSS system and supports Indonesia's ease of doing business agenda.

To align with the new regime, business actors should review their licensing portfolios, reassess capital and investment structures and leverage newly introduced exemptions to streamline compliance. Close coordination with OSS authorities and regulators is recommended to ensure smooth implementation, particularly during transitional periods.

Ultimately, MR 5/2025 is poised to enhance regulatory certainty, reduce administrative burdens and bolster investor confidence, positioning Indonesia as a more competitive destination for foreign and domestic investment.



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