

NEW REGULATION ON INDUSTRIAL BUSINESS LICENSES

In December 2015, the Government of Indonesia issued Government Regulation No. 107 of 2015 on Industrial Business Licenses (“IUI”) (“**PP 107/2015**”). PP 107/2015 came into effect on 28 December 2015 and revoked the previous Government Regulation No. 13 of 1995.

Unlike the Previous Regulation, PP 107/2015 requires all industrial businesses, whether small scale, medium scale or large scale, to have an IUI. The classification of small, medium, and large scale is based on the headcount and/or the value of the investment in the business. With certain exemptions, PP 107/2015 requires industrial businesses to be located in an Industrial Zone.

The IUI also serves as a permit to store machinery/equipment, materials, and/or production results as long as (i) the storage facility is related to the company’s business and/or production activities and is inseparable from its industrial activities and in the same location as the industrial plant; and (ii) the storage facility is not leased or commercialized.

The Minister of Industry (“**MOI**”) is authorized to issue IUIs for the following types of business:

1. Strategic industries;
2. High technology industries;
3. Alcoholic Beverage industries;
4. Industries directly related to defense and security;
5. Industries with a significant impact on the environment;
6. Industries with foreign investment and industries with capital derived from the governments of other nations under an agreement between the Indonesian government and the government of the other nation.

The MOI may delegate the above authority to the Head of the Central Government’s one stop licensing service for industrial businesses under the prevailing laws. IUIs for other industrial activities not classified above, are issued by the Governor/Regent/Mayor.

PP 107/2015 only allows an IUI to cover one company engaged in:

1. one type of industry under the KBLI system (the Indonesian Standard Business Field Classifications/*Klasifikasi Baku Lapangan Usaha Indonesia* “**KBLI**”) in one industrial location;

2. several industries in an integrated production unit covered by several different KBLI codes but located in the same Industrial Zone; or
3. several industries covered under the same KBLI code and located in several locations within the same industrial zone.

Therefore, company wishing to engage in an industry outside the above scope will need a new IUI.

An industrial company which plans to increase its production capacity while remaining under the same KBLI code for which its existing IUI was issued can apply for an Expansion License. However, under PP 107/2015, an Expansion License is not required unless natural resources for which an AMDAL (Environmental Impact Assessment/*Analisis Mengenai Dampak Lingkungan*) is required will be used. The elucidation of PP 107/2015 explains that although it is not mandatory, it is possible for a company to obtain an Expansion License if it is required for any fiscal facilities or loans. A regulation on Expansion Licenses will be issued by the Minister.