

NEW INDONESIAN GOVERNMENT REGULATION ON THE ONLINE SINGLE APPLICATION SERVICE FOR BUSINESS LICENSES

Introduction

To bolster and accelerate business and investment in Indonesia, the Government has issued Regulation No. 24 of 2018 (“GR 24/2018”), which introduces the Online Single Submission (“OSS”) system for business license applications and their issuance. The regulation came into effect on 21 June 2018.

The OSS System

The newly introduced OSS system will be the main and single reference in Indonesia for business licensing. The electronic integrated OSS system will be the gateway for the existing government services system at ministerial/agency and regional government level. The system will be administered by the OSS Agency, which will also establish the rules and procedures for issuing business licenses through the OSS system. The OSS Agency also has the authority to issue business licenses for and on behalf of ministries, heads of agencies, governors, regents and mayors in the form of electronic documents that will be stamped with an electronic signature. However, if the OSS Agency cannot provide the business licensing services and operate the OSS system, it will be handled temporarily by the Coordinating Ministry of the Economy (*Kementerian Koordinator Perekonomian* – “CME”).

License Applications and their Issuance

Under GR 24/2018, there are two types of business licenses (*perizinan berusaha*): business permits (*izin usaha*) and commercial or operating permits (*izin komersial atau operasional*). Applicants for these business licenses can be either individuals or non-individuals, ie limited liability companies, public service enterprises (*perusahaan umum*), regional public services enterprises, other state-owned legal entities, public service agencies, broadcasting agencies, co-operatives, business entities established by foundations, firms, limited partnerships, and civil partnerships.

To obtain a business license, the business entity must first register by accessing the OSS web page and inputting its data to obtain a 13-digit Business Identification Number (*Nomor Induk Berusaha* – “NIB”). The NIB will then be the business’s identity and serve as a requirement for all business permit and commercial or operating permit applications in the OSS system. The NIB will also apply simultaneously as the Company Registration Certificate (*Tanda Daftar Perusahaan*), Importer’s Identification Number (*Angka Pengenal Importir*), and customs access. Applicants who have obtained their NIB are simultaneously registered as participants in the health and manpower social security programs.

Business permits may be issued based on commitments to applicants which:

- do not require any facility to commence their business activities; and
- require a certain facility to commence their business activities, and the applicants already own the facility.

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As for applicants which require a facility to commence their business activities but are yet to own the required facility, the OSS Agency will issue the business permit based on a commitment after the said applicants have obtained the following licenses based on commitment:

- a. Location Permit;
- b. Water Location Permit;
- c. Environmental License; and/or
- d. Building Permit.

Transitional Provisions

Any business license for which an applicant applied before GR 24/2018 came into effect but which has not been issued, will be processed through the OSS system. Regarding applicants which obtained their business permit and/or commercial or operating permit before the regulation came into effect, but need a new license for a business expansion, according to GR 24/2018:

- a. applications for business licenses for a business expansion must be submitted and will be issued through the OSS system upon inputting the data, a commitment, and/or fulfilment of commitment, as required under GR 24/2018;
- b. following the issuance of GR 24/2018, business permits and/or commercial or operating permits which have been obtained and are still valid for the business sector and the applicants' business activities, remain valid, but must be registered in the OSS system; and
- c. these business entities will be issued a NIB under GR 24/2018.

All preceding laws and regulations regarding business licenses will remain valid if they are not in contradiction with the provisions stipulated under GR 24/2018.

Current Update

Following the issuance of GR 24/2018, the Investment Coordinating Board (*Badan Koordinasi Penanaman Modal – BKPM*) published a press release on 29 June 2018 (the "Press Release"), in which it announced the suspension of all BKPM's licensing services as the OSS system is being prepared for launching soon. BKPM confirmed that during the preparation of the OSS system, it will remain open for license applications, but the processing of applications will be on hold until the new system is launched.

In addition, BKPM also confirmed that during the preparation period, the One-Door Service (*Pelayanan Terpadu Satu Pintu – PTSP*) will be open as usual, although it will also put every license application on hold. According to the Press Release, the PTSP will be expected to take over the operation of the OSS system from the CME in approximately 5 (five) months' time.

Comments

Once fully implemented, it is expected that the OSS system will make the application and issuance of many types of licenses a more efficient, faster and easier process. The growth of online applications and the simultaneous use of the NIB for a variety of purposes will be welcomed by new and existing businesses alike. However, and as has been seen a number of times before, there will inevitably be some uncertainties and delays, and potentially a few 'teething troubles' during the period of implementation and transition of the OSS system. Businesses will have to be patient whilst these issues are sorted out.

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