



February 2021 – Issue 6

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The Omnibus Law on Job Creation – An Overview of the Changes regarding the Ease, Protection and Empowerment of Cooperatives, Micro, Small and Medium-Scale Businesses

The Omnibus Law on Job Creation which was passed in October 2020 as Law No. 11 of 2020 on Job Creation (the “**Job Creation Law**”), is claimed to be one of the government’s efforts to accelerate economic growth through creating jobs, encouraging investment and increasing productivity.

Following our firm’s previously published advisory series on the Omnibus Law, including among others our overview of the changes to the regulations regarding investment, land, and manpower, this advisory specifically highlights the key changes to the following laws related to Cooperatives, Micro, Small and Medium-Scale Businesses:

1. Law No. 25 of 1992 on Cooperatives (“**Cooperatives Law**”);
2. Law No. 20 of 2008 on Micro, Small, and Medium-Scale Businesses (“**UMKM Law**”);
3. Law No. 38 of 2004 on Roads (“**Roads Law**”);

Cooperatives, Micro, Small and Medium-Scale Businesses

A. Cooperatives

A Cooperative is a business entity in the form of a legal entity which operates under the principle of kinship and a set of cooperative principles, introduced under Indonesian law as a people's economic movement. Cooperatives are mainly regulated under the Cooperatives Law which was once replaced by Law No. 17 of 2012 on Cooperatives, but came back into force after Law No. 17 of 2012 was annulled by the Constitutional Court in 2014.

It was apparent that the nearly 30-year-old regulatory framework for cooperatives was in dire need of being updated in order to adapt to and meet current needs, especially given that it was originally already replaced once in 2012. Now, the Job Creation Law finally introduces the following set of amendments to the Cooperatives Law:

1. The establishment of a Cooperative now only requires at least 9 (nine) members as opposed to 20 (twenty) under the Cooperatives Law.
2. Cooperatives can now operate electronically since a cooperative's members register can be in the form of a written document or an electronic document and Members Meetings of a Cooperative can be held either offline or online.
3. Cooperatives may operate under Sharia principles for which they must include a Sharia Supervisory Board in their organizational structure.
4. The Business activity of a Cooperative can be a single-purpose or multi-purpose business.

B. Micro, Small, and Medium-Scale Businesses

Micro, Small, and Medium-Scale Businesses (*Usaha Mikro, Kecil, dan Menengah* – “**UMKM**”) have their own criteria under the UMKM Law, and are protected in many ways by the government. The Job Creation Law amends the UMKM Law in order to provide more ease for the development of the UMKM business environment, and to provide even more protection for the ever-growing business sector.

1. The criteria for UMKM now depend on the business sector in which the UMKM are engaged. These criteria will be regulated further under a Government Regulation.
2. UMKM will be subject to a new Business Licensing (*Perizinan Berusaha*) scheme, and as before under the UMKM Law, licenses for micro and small-scale businesses will still be free of charge or they will be entitled to relief during the application procedure. Additionally, the central and regional governments will have to facilitate standard certification and permits specifically for UMKMs.
3. The Government's role in facilitating the operation of UMKMs is more advanced under the Job Creation Law, including by among other ways, organizing an integrated information system for UMKMs, forming groups of UMKMs that are relevant to one another, providing such assistance as advice on legal matters, bookkeeping, management, human resources as well as infrastructure and facilities, simplifying tax for UMKMs, simplifying and financing

matters related to intellectual property rights and materials, allocating a Special Allocated Budget for UMKMs, and assisting with access to alternative financing for UMKMs.

4. The promotion of UMKM is increased as the Job Creation Law requires some businesses to now provide UMKM promotional areas, such as rest areas on inter-city toll roads and public infrastructure (terminals, airports, ports, train stations, rest areas and toll road services, and other public infrastructure).
5. Partnerships Central and Regional Governments must facilitate and support a transfer of expertise in production and processing, marketing, capital, human resources and technology among UMKMs by the by providing incentives and easing bureaucracy for partnerships. The Job Creation Law also introduces a new form of partnership, a supply chain pattern partnership.

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