

Newsletter

INDONESIA

INDONESIAN LEGAL DIGEST: INVESTMENT LAW

The Establishment of a Foreign Investment Company (“PMA Company”) in Indonesia: What You Need To Know

Background

A PMA Company is an Indonesian company that can be owned (wholly or partially) by foreigners.

The Negative List of Investment

The first step to take in the establishment of a PMA Company is to check whether the line of business of the PMA Company is closed to foreign investors. Any line of business in Indonesia is open to foreign investors so long as they are not closed /restricted by the negative list of investment.

The Authority

The primary Indonesian government authority supervising foreign investment is the Indonesian Capital Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* – “**BKPM**”). The establishment of a PMA Company requires approval from BKPM.

Minimum Shareholders Requirement

Indonesian limited liability companies (including a PMA Company) require minimum two shareholders.

Minimum Investment and Capital Requirements

According to the current regulations:

- (i) the minimum total investment should not be less than IDR10,000,000,000 (ten billion rupiah) or its equivalent in United States Dollars, excluding land and building;
- (ii) the minimum issued capital and paid-up capital shall be at least IDR2,500,000,000 (two billion and five hundred million rupiah) or its equivalent in United States Dollars; and
- (iii) the minimum nominal value of a share shall be at least IDR10,000,000 (ten million rupiah).

The Procedures

In summary, the procedure to establish a PMA Company is as follows:

- a. Reserve the name of the PMA Company.
- b. Obtaining Principle License from BKPM.
- c. Execution of a deed of establishment in notarial deed form before an Indonesian notary.
- d. Obtaining a letter of domicile with the local Government which has jurisdiction in the registered address/domicile of the PMA Company.
- e. Obtaining tax registration number from the Tax Office.
- f. Opening bank account with the Indonesian bank(s) and deposit the paid up capital.
- g. Obtaining approval for the deed of establishment from the Ministry of Law and Human Rights and registering the PMA Company at the Company Registry of the Ministry of Law and Human Rights database systems.
- h. Obtaining company registration certificate from the local office of the Ministry of Trade.
- i. Publish the deed of establishment in the State Gazette.

To commence the business, a PMA Company needs to obtain a business license (*Izin Usaha*) from BKPM.

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