

Doing Business in Indonesia by Foreigner

Foreigner shall be able to conduct business in Indonesia in an appropriate ways in accordance to the prevailing laws in Indonesia. For foreigner, there are 2 (two) ways to conduct business in Indonesia, by establishing a 100% fully owned by the foreigner or by having a joint venture with the domestic shareholder.

According to the Foreign Investment Law, it is possible for a foreigner to conduct business in Indonesia by establishing a foreign company ("PMA Company"). The PMA Company is possible to establish by 100% ownership by foreigner or joint venture with domestic person, subject to the Negative List. The Negative List contains the area of business which is possible or impossible for foreigner to invest in Indonesia. Some areas are impossible for foreigner to participate and some areas are possible for foreigner to participate with the condition of joint venture with domestic investor and opened areas for investment.

The joint venture PMA Company shall allow the domestic investor up to 5% out of the total issued capital in the PMA Company in certain areas as listed in Negative List and some areas of maximum, on the other hand some areas only permitted the foreigner to own the PMA Company for not more than 49% out of the total issued capital in the PMA Company.

The PMA Company is established and licensed for the maximum of 30 years operation. The licensed is granted by the Indonesian Investment Coordinating Board ("BKPM"). In practice, the license shall be granted approximately of 2 months since the submission of application to the BKPM. Actually, there is no cost to bear other than the capital to be injected on the PMA Company, but there is some administration fee to bear and the amount of the fee is depend on the type and areas of business to participate.

In general there are certain procedures to be accomplished to establish a PMA Company under Indonesian Law. Those are :

1. The future shareholder of the PMA Company shall make a joint venture agreement as the underlying document to be made as the deed of establishment. This is subject to the shareholder of the PMA itself, whether it will be 100% ownership by the foreigner or having Indonesian partner, subject to the negative list of foreign investment in Indonesia.
2. Submission to the Indonesian Foreign Investment Coordinating Board (BKPM) for the approval for such establishment of PMA Company.
3. Submission to the Minister of Justice for the legalization of the establishment of PMA Company.
4. Submission for the registration to the Office of Company's Registration and announcement in the State Gazette regarding the established PMA Company.
5. In line with the procedure in number 3 & 4 above, submission to any other government agency regarding the license and permit to be obtained, subject to the nature of the business of the PMA Company.

Address:

Anakida Building, 6th Floor
Jl. Prof. Dr. Soepomo, S.H., No. 27
Tebet - Jakarta 12810
Indonesia

Phone: (62-21)8370 5820
Fax: (62-21) 8370 5821
E-mail: dlp@dlplawoffices.com
www.dlplawoffices.com

Dwipo, Lubis & Partners

Advocates, Solicitors and Intellectual Property Attorneys

There are certain documents and applications to be made and submitted during the process of the establishment of PMA Company, those documents are subject to the nature of the business of the PMA Company, but one thing for sure we shall need the power of attorney to conduct the submission as describe above to act on behalf of the future shareholder of the PMA Company or the Company itself once it is established.

The main documents to be provided by the future shareholder are as follow, including but not limited:

1. The passport of the future shareholder or the deed of establishment of the company, in the event that the shareholder shall be the legal entity;
2. The joint venture agreement among the future shareholder;
3. The power of attorney to sign the application, in the event that the submission shall be represented by another party;
4. Description Explanation of business activity for services sector; and
5. Agreement with the local partnership, i.e. for vendor agreement.

Address:

Anakida Building, 6th Floor
Jl. Prof. Dr. Soepomo, S.H., No. 27
Tebet - Jakarta 12810
Indonesia

Phone: (62-21)8370 5820
Fax: (62-21) 8370 5821
E-mail: dlp@dlplawoffices.com
www.dlplawoffices.com