

September 2025

NEW CHAPTER IN THE IMPLEMENTATION OF RISK-BASED BUSINESS LICENSING

Overview

The Government of Indonesia (“GOI”) has enacted Government Regulation No. 28 of 2025 on the Implementation of Risk-Based Business Licensing (“GR 28/2025”), which revokes Government Regulation No. 5 of 2021 (“GR 5/2021”).

GR 28/2025 introduces several changes to business licensing sectors, classifications, requirements, and systems. As a result, the GOI must once again adjust the Online Single Submission (“OSS”) system, as well as issue new implementing regulations by October 2025.

Some Key Changes

- **Business Sectors:** The number of sectors has increased from 16 to 22. Some are derived from existing sectors, e.g., the electronic system and transaction sector, which now falls under the Ministry of Trade (“MOT”). Others are entirely new, e.g., other management consulting activities (KBLI 70209), which are now included in the investment sector under the Ministry of Investment and Downstream Industry/the Indonesia Investment Coordinating Board (BKPM).
- **Reclassification of KBLIs and Reassessment of Business Risk Levels:** GR 28/2025 reclassifies several Indonesia Business Standard Classification Code (*Klasifikasi Baku Lapangan Usaha Indonesia* or “KBLI”) into more relevant sectors and reassesses their risk levels. For example, KBLI 71102 – Engineering and Technical Consulting Activities – for land survey activities, which was previously classified under the trading sector at the MOT, is now classified under the geospatial information sector at the

Ministry of Communication and Digital (“MCD”). Meanwhile, activities under KBLI 71102 other than land survey activities remain classified under the industrial sector at the Ministry of Industry (“MOI”), but the risk level has been adjusted from “high” to “medium high”.

- **New Divisions for Certain KBLIs:** GR 28/2025 divides certain KBLIs into multiple scopes of activities due to differences in the responsible ministries authorized to issue business licenses, as well as differences in risk levels and licensing processes. For example: (a) KBLI 58200 – Software Publishing – is now divided into two categories: (i) all activities except gaming publishing activities, which are classified under the industrial sector at the MOI, and (ii) gaming publishing activities, which are classified under the electronic system and transactions sector at the MOT. Both categories are classified as “medium-low” risk, and (b) KBLI 35111 – Power Generation – is now divided into two categories: (i) all activities except renewable energy power plants integrated with electric vehicle charging stations (*stasiun pengisian kendaraan listrik umum* or “SPKLU”), which are classified as “high” risk, and (ii) renewable energy power plants integrated with SPKLU, which are classified as “medium-low” risk.
- **New Approach to the Approval Mechanism: “Fictitious Positive (*Fiktif Positif*)”:** GR 28/2025 introduces a “fictitious positive” approval mechanism, under which if a government authority fails to issue a decision within a specific time frame, the licensing application shall be deemed approved.

- **Environmental Approval for Multiple KBLIs:** GR 28/2025 now requires any business actors conducting activities under multiple KBLIs that form one integrated business activity in the same location to comply with the strictest environmental document requirements when applying for environmental approval.
- **Technical Approval and its Exemption:** GR 28/2025 provides that a traffic impact analysis (*analisis dampak lalu lintas or andalalin*) must be included in the technical approval document for business activities that require an environmental impact analysis (*analisa mengenai dampak lingkungan hidup or AMDAL*) or environmental management efforts and environmental monitoring efforts (*upaya pengelolaan lingkungan hidup dan upaya pemantauan lingkungan hidup or UKL-UPL*), as applicable. Further, technical approval is not required for businesses located in industrial estates, special economic zones, or free trade zones and free port, provided that they do not discharge wastewater into water bodies or that any wastewater is treated through facilities provided by the area operator.
- **Harmonization of KKPR, PBG, and SLF:** GR 28/2025 consolidates the licensing processes and requirements for conformity of space utilization activities (*kesesuaian kegiatan pemanfaatan ruang or “KKPR”*), building approval (*persetujuan bangunan gedung or “PBG”*), and certificate of functional feasible (*sertifikat laik fungsi or “SLF”*). The objective is to provide clarity and minimize potential contradictions between implementing regulations.
- **PBG and SLF Applications:** GR 28/2025 provides that PBG and SLF applications will now be processed through the OSS system, replacing the Building Management Information System (*Sistem Informasi Manajemen Bangunan Gedung or SIMBG*), which is managed by the Ministry of Public Works and Public Housing.
- **PB-UMKU, and Import and Export Licenses:** Supporting business licensing (“PB-UMKU”) is now clearly regulated as business licenses required for: (i) product distribution (e.g., in the food and beverage sector), (ii) operational feasibility (e.g., in the transportation, electricity, and nuclear sectors), (iii) product/service standardization (e.g., business activities requiring national standards), and/or (iv) the smooth running of business activities not covered above (e.g., groundwater exploitation). Consequently, export and import licenses (other than import identification numbers or APIs) are no longer classified as PB-UMKU, and their processing will be transferred from the OSS system to the Indonesian National Single Window (INSW) system, along with compliance requirements relating to export and import prohibitions, restrictions, and commodity balances provisions.
- **New Concept for Supporting Business Activities:** In contrast with GR 5/2021, which restricts supporting business activities from generating income, GR 28/2025 allows such supporting activities to generate income. Nevertheless, these supporting business activities must still comply with the requirements under the applicable regulations, including the identification of the risk level. For foreign investment companies, KBLIs for supporting business activities do not need to be included in their articles of association and minimum capital and investment value requirements are exempted.
- **Sanctions:** GR 28/2025 expands the scope of administrative sanctions in certain business sectors, among other things, police coercive measure (*daya paksa*

polisional) and the cessation of government service. For example, in the transportation sector, administration sanctions in the form of police coercive measures can be imposed on business actors who commit violations that could lead to environmental damage, human casualties, and/or accidents. The police coercive measures may include, among other things, temporary suspension of activities, closure of business locations, and/or demolition of buildings.

- **Transitional Provisions:** Until the OSS system is fully adjusted to align with GR

Closing

GR 28/2025 aims to simplify business licensing processes and requirements while providing clarity and certainty on procedures and timelines.

28/2025, any ongoing applications in the OSS system will continue to be processed under GR 5/2021. Other provisions set out in existing regulations will also remain in force, provided that they do not conflict with GR 28/2025. Business actors whose basic licenses, business licenses, and PB-UMKU have already been issued, verified, or approved, and remain valid, do not need to comply with the provisions of GR 28/2025 if doing so would put them at a disadvantage. However, they may choose to adopt GR 28/2025 if its provisions are more favorable.

To ensure that this new regulation achieves its objectives, harmonization of implementing regulations, reliable systems, and effective coordination among government institutions are essential.

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