



Client Alert August 2025

Reengineering current risk-based business licensing regime

Government Regulation Number 28 of 2025 regarding implementation of risk-based business licensing

Background

The enactment of Government Regulation Number 28 of 2025 (PP-28/2025) regarding implementation of risk-based business licensing on 5 June 2025 is expected to tackle some of the problems experienced by investors from its preceding regulation, i.e., Government Regulation Number 5 of 2021 (PP-5/2021). These problems, which are mainly related to a relatively complicated process in meeting the basic requirements (*persyaratan dasar*) and obtaining business licenses (*perizinan berusaha* (PB)), have inflicted an uncertainty for business owners in conducting their businesses.

The Coordinating Ministry for Economic Affairs calls PP-28/2025 the “last fight” to drive investment development through a simplified and more reliable licensing bureaucracy. PP-28/2025 revokes PP-5/2021 and is expected to be fully implemented by October 2025.

This Client Alert aims to provide information regarding new features and key differences introduced by PP-28/2025 as compared to PP-5/2021.

Overview

As an effort to simplify the issuance process of risk-based business licenses (i.e., basic requirement, PB, and supporting business licenses (*perizinan berusaha untuk menunjang kegiatan usaha* (PB UMKU)) and to provide greater assurance to investors regarding the current business licensing-related issues, PP-28/2025 is enacted as a mean to improve the business licensing system in Indonesia through its 14 chapters and 552 articles.

While both PP-5/2021 and PP-28/2025 promote the same regime of risk-based assessment (RBA) licensing services, the provisions under PP-28/2025 highlight the integrated references for the whole licensing process and aim to have a licensing process being completely centered through the Online Single Submission (OSS) system. Therefore, the issuance of PP-28/2025 is intended to be the single reference for provisions related to business licensing, and the OSS system is aimed to be the single issuer of such business licenses.

Among the key changes in this regulation, the following are worth noting:

- Addition of six sectors of business activity acknowledged in PP-28/2025;
- Incorporation of detailed provisions on the whole business licensing procedure (previously, PP-5/2021 only referred to other relevant regulations for detailed provisions);
- Adjustment to the business license issuance procedure (emphasizes on the implementation of service level agreement (SLA) and the tacit approval (*fiktif positif*) concept); and
- Specific provision imposing administrative sanctions on business owners that violate the business licensing procedure.

Key changes

• Additional sectors coverage

While PP-5/2021 covered 16 sectors of business activity assessed based on their respective risks, PP-28/2025 introduces six new covered sectors, resulting in 22 sectors that are bound by the risk-based business licensing regime under PP-28/2025.

Sectors	Business activities coverage
Creative economy	This sector covers the following business activities: communication and visual design, game/film/music design, creative content design, photography, voice recording, music and music book publishing, etc
Geospatial information	This sector covers the following business activities: <ul style="list-style-type: none"> • Planning and supervision of geospatial information services • Acquisition of geospatial data through terrestrial methods, photogrammetry and remote sensing, or hydrographic techniques • Processing and management of geospatial data and information
Cooperative	This sector covers the following business activities: <ul style="list-style-type: none"> • Primary savings and loan cooperatives (<i>koperasi simpan pinjam</i>) • Cooperatives rating activities
Investment	This sector covers the following business activities: <ul style="list-style-type: none"> • Law office • Intellectual property consultant • Translator or interpreter • Private library and archive • Holding company activity • Funeral and other related activities • Other management consulting activities
Electronic system and transaction	This sector covers the following business activities: <ul style="list-style-type: none"> • Software publishing activity as part of the business activities • Requirement to obtain PB UMKU for the following business activities: <ul style="list-style-type: none"> - Game product classification; and

Sectors	Business activities coverage
	- Private electronic system organizer registration for all sectors
Trade and legal metrology	<p>This sector covers the following business activities:</p> <ul style="list-style-type: none">• Domestic trade• National export development• Commodity futures trading, warehouse receipt system, and commodity auction markets

Similar to its preceding regulation, PP-28/2025 elaborates specific Indonesian standard classifications of business fields (*Klasifikasi Baku Lapangan Usaha Indonesia* (KBLI)), business activities scope, requirements, scale, and risk of business activities, PB type, terms, PB issuance period, conditions, relevant PB UMKU, parameters, and the authorized issuer of each business activity in the Appendix I to the regulation.

• **Elaboration of basic requirements (*persyaratan dasar*)**

PP-28/2025 uses the same risk-based assessment licensing system introduced in PP-5/2021, which categorizes the process to obtain the license into three stages, i.e., basic requirement (*persyaratan dasar*), PB, and PB UMKU. With the same basic concept at hand, PP-28/2025 highlights the importance of meeting and obtaining the basic requirement as the entrance to commencing the next stage of obtaining PB. Afterwards, PB UMKU may be obtained following the evaluation of whether it is necessary to support PB.

The basic requirements, as regulated in both PP-5/2021 and PP-28/2025, include conformity of spatial utilization activities (*kesesuaian kegiatan pemanfaatan ruang* (KKPR)), environmental approval (*persetujuan lingkungan* (PL)), building approval (*persetujuan bangunan gedung* (PBG)), and certificate of functionality (*sertifikat laik fungsi* (SLF)). PP-28/2025 emphasizes that the basic requirements will be issued in accordance with the location of business activity. With this in mind, PP-28/2025 presents improvements related to the basic requirements, among others:

- An exemption from obtaining the basic requirements is granted to business owners, in the event that they carry out trading or service business activities in a shared commercial/service building or complex and the building/complex managers (*pengelola gedung/komplek*) have already secured the said basic requirements;
- For micro and low-risk businesses, KKPR for the business location is issued by the OSS system in the form of an independent statement from the business owners; and
- PP-28/2025 allows more conditions for KKPR approval to be automatically issued without an assessment of the proposed spatial utilization activity document.

The integrated provisions concerning the basic requirements stipulated in PP-28/2025 show the government's spirit and effort to provide more ease in implementing the risk-based business licensing process and promote the regulation as the single reference, as opposed to PP-5/2021 that merely provided references to other relevant regulations.

• **Simplified environmental licensing process**

As part of the basic requirements in both PP-5/2021 and PP-28/2025, obtaining a PL is mandatory prior to continuing to PB¹, regardless of whether the business activities have a significant or insignificant impact on the environment. Both under PP-5/2021 and PP-28/2025, PL consists of:

- Environmental impact analysis (*analisis mengenai dampak lingkungan* (AMDAL));
- Environmental management efforts and environmental monitoring efforts (*upaya pengelolaan lingkungan hidup dan upaya pemantauan lingkungan hidup* (UKL-UPL)); and
- Statement of capability for environmental management and monitoring (*surat pernyataan kesanggupan pengelolaan dan pemantauan lingkungan hidup* (SPPL)).

¹ See Art. 4 in conjunction with Art. 5(1) of PP-5/2021; Art. 3(3) of Government Regulation Number 22 of 2021 regarding organization of environmental protection and management (PP-22/2021); Art. 4(2) in conjunction with Art. 12(1)(b) of PP-28/2025.

It is noteworthy that through the issuance of PP-28/2025, the government aims to offer a more integrated and simplified PL process through the OSS system². This constitutes another difference from the PP-5/2021 regime, where the PL process was done through the environmental information system to the Minister of Environment and Forestry or relevant government/regent/mayor in accordance with their respective authority³.

Aside from the simplification through the OSS system as the single issuer of PL, PP-28/2025 attempts to streamline the process to obtain PL by allowing the application process and technical approval to be completed simultaneously⁴. This simultaneous application was unknown under PP-5/2021, as the technical approval is part of the requirements for the issuance of PL⁵. However, it is noteworthy that such completion of PL application process and technical approval is only allowable under the condition that:

- An assessment of the environmental carrying capacity and assimilative capacity at the proposed business location, indicating that the environment is still capable of supporting the business activities, has already been conducted; and
- Wastewater and hazardous and toxic waste are managed internally by the business.

Another simplification of PL under this PP-28/2025 is in the form of integrated PL. This means that integrated business activities having more than one KBLI code and located in the same business activity ecosystem may only comply with the PL document requirements of the KBLI that has the highest risk.

• **Procedural adjustments—introducing the SLA and tacit approval concept**

In an effort to accelerate licensing services and promote investments in Indonesia, PP-28/2025 aims to highlight the importance of certainty in business license issuance process for business owners. Aside from the simplified overall licensing procedure, PP-28/2025 introduces a significant change through the implementation of guaranteed timeframe within the licensing procedure, in the means of having a more specific SLA for the issuance of licenses. This SLA acts as a reference for the timeframe throughout the whole licensing process, from registration up until the issuance.

Following the SLA concept, PP-28/2025 also introduces a tacit approval (*fiktif positif*) policy that is carried out in the event that the relevant authorities, which are obliged to follow the applicable SLA during the stages to obtain business licenses, fail to complete the procedure within the timeframe provided by the SLA. When it occurs, the OSS system will automatically advance the process to the next stage. This concept is evident within the regulation, with an example on KKPR where, if within 14 days since the completion of required documents by the business owner the government does not provide the recommendation, the KKPR process will automatically be continued without such recommendation.

Despite the above, it is worth noting that the implementation of tacit approval concept will be prioritized for the issuance of basic requirements (i.e., KKPR, PL, PB, and SLF, and for technical sectors (e.g., Ministries of Manpower, Industry, Tourism, etc.)) and for the business licensing process for 258 KBLI selected by the Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* (BKPM)).

• **Administrative sanction imposed by PP-28/2025**

While PP-5/2021 only stipulated administrative sanctions for respective business sectors, PP-28/2025 presents a further shift from the preceding regulation by imposing administrative sanctions specifically on business owners that violate basic requirements, PB, and/or PB UMKU. These sanctions can be in the following forms:

- Warning;
- Temporary suspension of activities;
- Administrative fines;

² See Art. 78(4) of PP-28/2025.

³ See Art. 5(5) in conjunction with Art. 43 of PP-22/2021.

⁴ See Art. 84(1) of PP-28/2025.

⁵ See Art. 44(4) of PP-22/2021.

- Imposition of police coercive measures;
- Revocation of licenses/certifications/approvals; and/or
- Revocation of basic requirements, PB, and/or PB UMKU.

The imposition of administrative sanctions is carried out in accordance with the level of compliance of the business owners indicated during the supervisory activity.

Further actions and notable conditions following the enactment of PP-28/2025

As PP-28/2025 revokes and alters the risk-based licensing regime under PP-5/2021, it also raises certain requirements and conditions for the business owners and existing PB holders, as follows:

- **Requirement to update the access right:** business owners that have already secured the OSS access right (*hak akses*) prior to the issuance of PP-28/2025 are required to update their access right in the OSS system.
- **Requirement for business owners in the tourism sector:** in order to keep the validity of its standard certificate (*sertifikat standar*) for tourism business under the new PP-28/2025 regime, business owners in the tourism sector classified as having “medium-high” or “high” risk are required to:
 - Update their tourism business standard certificate through the tourism business certification institution that issued their standard certificate; and
 - Upload their valid standard certificate to the OSS system.
- **Validity of existing license:** PP-28/2025 is not applicable to business owners that have obtained their valid basic requirements, PB, and PB UMKU prior to the enactment of PP-28/2025, unless the provisions of PP-28/2025 are proven to be more beneficial to them.
- **Transitional conditions:**
 - Business owners’ basic requirements, PB, and/or PB UMKU that have been proceeded in the OSS system under the PP-5/2021 regime, will continue to be proceeded based on PP-5/2021;
 - Medium-high risk business owners’ unverified standard certificate and/or ineffective PB UMKU that have been proceeded to the OSS system under the PP-5/2021 regime will continue to be processed based on PP-5/2021; and
 - High risk business owners’ PB (for acceleration purpose but has yet fulfilled the requirements) and/or ineffective PB UMKU that have been proceeded to the OSS system under the PP-5/2021 regime will continue to be processed based on PP-5/2021.

Key takeaways and potential matters to be considered

- PP-28/2025 is expected to be fully implemented in October 2025, and it is worth observing whether any further detailed or administrative regulations from BKPM and/or sectoral governmental bodies will be issued in response.
- While PP-28/2025 adds six covered sectors as abovementioned (and having such additional sectors to be subject under its provisions), it should be anticipated that there may be some adjustments (both in the system and practical matters) to streamline all licensing regimes in the future.
- PP-28/2025 provides simplification in securing PL as part of the basic requirements. Business owners that have previously submitted PL-related documentation but have not obtained the PL (or prepared to do so) should take a closer look at any detailed provisions that may change the approach to securing the PL for more effective conduct.
- PP-28/2025 introduces SLAs and the implementation of tacit approval policy in every risk-based business licensing process, as part of the procedural adjustment. Reflecting on previous instances, the concept of SLA will be a game changer for more effective business licensing processes. In this regard, it is expected that there will be a readjustment of any current licensing process in the future.
- PP-28/2025 regulates general administrative sanctions to be imposed on business owner who fail to comply with the provisions on basic requirements, PB, and PB UMKU.

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