



Client Alert December 2025

New BKPM regulation on investment guidelines and procedures

Background

On 2 October 2025, the Minister of Investment and Downstream Industry/Head of Indonesia Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* (BKPM)) issued BKPM Regulation Number 5 of 2025 regarding Guidelines and Procedures for Risk-Based Business Licensing and Investment Facilities through an Electronically Integrated Business Licensing System (Online Single Submission (OSS)) (BKPM Reg. 5/2025). This is an implementing regulation of Government Regulation Number 28 of 2025 regarding Implementation of Risk-Based Business Licensing (GR-28/2025) issued on 5 June 2025, which replaces the regime previously stipulated by Government Regulation Number 5 of 2021 (GR-5/2021). BKPM Reg. 5/2025 aims to refine the current business licensing process under the OSS risk-based approach (OSS-RBA) system. Specifically, there are several new standards for capital and investment requirements introduced to enhance the ease of doing business in Indonesia. BKPM Reg. 5/2025 revokes three previous regulations, namely:

- BKPM Regulation Number 3 of 2021 regarding Electronically Integrated Risk-Based Business Licensing System (BKPM Reg. 3/2021);
- BKPM Regulation Number 4 of 2021 regarding Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities (BKPM Reg. 4/2021); and
- BKPM Regulation Number 5 of 2021 regarding Guidelines and Procedures for Supervision of Risk-Based Business Licensing (BKPM Reg. 5/2021).

Under this new regime, all business licensing and investment facility processes in Indonesia are now centralized through the OSS-RBA system, with the aim of being a single issuer for every business licensing process. The reform intends to streamline the licensing process, enhance legal certainty, and integrate all levels of government and business sectors into a unified digital platform.

This Client Alert aims to provide information regarding new features and key differences introduced by BKPM Reg. 5/2025 as compared to the previous BKPM regulations.

Key changes

- **Reduction in the minimum capital requirement for foreign investment companies**

One of the most highlighted changes introduced by BKPM Reg. 5/2025 is the reduction of minimum issued or paid-up capital requirement for foreign investment companies (*Perseroan Terbatas Penanaman Modal Asing* (PT PMA)). Under BKPM Reg. 4/2021, PT PMA were required to have a minimum issued or paid-up capital of IDR 10 billion. This requirement is reduced to IDR 2.5 billion in BKPM Reg. 5/2025. Meanwhile, the minimum investment value requirement remains above IDR 10 billion for each 5-digit Indonesian standard classification of business fields (*Klasifikasi Baku Lapangan Usaha Indonesia* (KBLI)) per business location. An additional obligation is also introduced specifically for the property development and management sector, where PT PMA must retain the funds used for the paid-up capital in the company's bank account for at least 12 months after its deposit, except for asset purchases, business development, and/or operating costs that align with the approved investment plan. PT PMA must declare the retention of the funds in the form of a commitment, namely a self-statement, when applying for a business license through the OSS-RBA system. The template for such declaration is available in Appendix I to BKPM Reg. 5/2025.

- **Minimum investment value**

In general, business entities categorized as PT PMA and large-scale businesses are still required to comply with the minimum investment value provisions, namely greater than IDR 10 billion, excluding land and buildings, for each 5-digit KBLI per project location. Under BKPM Reg. 5/2025, specifications are added for the minimum investment value requirement in which the location point per district/city becomes an additional factor in determining exceptions to the minimum investment value requirement in the food and beverage services sector.

Previously, the investment value plan excluded land and building calculations except for the property development sector. Now, BKPM Reg. 5/2025 stipulates an additional exemption applicable to PT PMA that are conducting certain business activities, whereby the investment value criteria shall include land and building calculations. The specific business activities are as follows:

- Property development involving construction, sales, and/or leasing;
- Short-term and long-term accommodation services;
- Agriculture;
- Plantations;
- Livestock farming; and
- Aquaculture.

Furthermore, for business activities in a special economic zone, the minimum investment value must follow the provisions of the presidential regulation governing investment business sectors.

- **Transitional provisions related to capital and investment requirements for PT PMA**

Specific treatments apply to minimum capital and investment requirements for PT PMA, both before and after the enactment of BKPM Reg. 5/2025. In particular, PT PMA established after the enactment of BKPM Reg. 5/2025, namely 2 October 2025, must follow the new minimum capital and investment value requirements under BKPM Reg. 5/2025.

Meanwhile, existing PT PMA must follow the previous minimum capital and investment value requirements under the BKPM Reg. 4/2021 regime, if the following conditions are met:

- Change to the location of business activities with an existing business license that has been issued and verified; and/or
- Extension of business license that has been issued before the enactment of BKPM Reg. 5/2025.

Similarly, PT PMA that are expanding their existing business activity (that already holds a business license) with the same business activity must follow the previous minimum capital and investment value requirements under the BKPM Reg. 4/2021 regime. It is important to note that only the expansion of the same business activity will trigger the previous capital and investment value requirements.

Under BKPM Reg. 5/2025, business expansion is defined as the increase in the annual volume/capacity of goods/services produced, new location of business activities, and/or expansion of business activities. The detailed scope of business expansion is as follows:

- Increase in the volume/capacity of goods/services of the same business activity at the same location for which the business license has been issued;
- Increase in the volume/capacity of goods/services of the same business activity, together with an additional area bordering the location of the business activity already in operation;
- Addition of the same business activity at a location different from that of the previous business activity;
- Addition of a different business activity at the same location as that of the previous business activity; or
- Addition of a different business activity at a location different from that of the previous business activity.

• **New schedules for LKPM submission**

The government has officially extended the deadline for the submission of investment activity report (*Laporan Kegiatan Penanaman Modal* (LKPM)) from the 10th to the 15th of the reporting month. Small-scale businesses submit LKPM reports every six months, while medium and large-scale businesses submit reports every three months, all of which must be no later than the 15th of the reporting month. LKPM report submission is made through the OSS-RBA system. If the LKPM submission period coincides with a national holiday, the reporting schedule will be adjusted through an official notification sent to business entities via the OSS-RBA system. BKPM Reg. 5/2025 requires LKPM to be submitted by every business entity, except:

- Micro-scale business entity; and/or
- Business entity of which the financing is sourced from the state budget (*Anggaran Pendapatan Belanja Negara* (APBN)) or regional budget (*Anggaran Pendapatan Belanja Daerah* (APBD)).

Prior to the enactment of BKPM Reg. 5/2025, exemptions from submitting LKPM reports were granted to the upstream oil and gas, banking, nonbank financial, and insurance sectors. Now, businesses in such sectors are also required to submit LKPM reports through the OSS-RBA system.

• **Obligation to include supporting KBLI in the company's articles of association**

Prior to the enactment of BKPM Reg. 5/2025, the common practice was that only the main KBLI had to be listed under the purposes and objectives section of a company's articles of association. BKPM Reg. 4/2021 defined a “supporting KBLI” as a business activity that strictly assisted the main business activity without being a primary source of income for the business entity.

Meanwhile under the BKPM Reg. 5/2025 regime, a “supporting KBLI” is defined as a business activity that generate income or profit for the business entity. In the event that the supporting KBLI generates income or profit, the business entity is required to include such KBLI in its articles of association. Additionally, the business entity must meet the minimum investment and capital requirements stipulated in BKPM Reg. 5/2025. Therefore, supporting KBLI classified as commercial activities may now be equated with the main business activity and becomes part of the company’s purposes and objectives.

Key takeaways and potential matters to be considered

- The reduction in the minimum paid-up capital from IDR 10 billion to IDR 2.5 billion can potentially lower the entry barrier for new foreign investors and increase investment inflows into Indonesia. PT PMA needs to pay attention to the transitional provision under BKPM Reg. 5/2025 as they set out certain conditions for PT PMA to maintain the previous minimum capital and investment requirements. Moreover, there is an obligation to retain the issued or paid-up capital for the property development and management sector in the company's account for at least 12 months after its deposit.
- Additional provisions are included for minimum investment value for the purpose of easing PT PMA in certain business sectors and business activities in special economic zones.
- Since supporting KBLI may be considered as a source of income, companies have to ensure that their corporate documents, particularly the articles of association, reflect any income-generating supporting KBLI to avoid noncompliance. Such supporting KBLI must also comply with the minimum capital and investment value requirements under BKPM Reg. 5/2025.
- The extended LKPM report submission deadline provides more time for its preparation, though companies must still ensure timely compliance via the OSS-RBA system. Additionally, the reporting obligation now includes sectors previously exempted, such as upstream oil and gas, banking, nonbank financial, and insurance sectors.
- Fundamentally, BKPM Reg. 5/2025 streamlines previous BKPM regulations with the aim to support the OSS-RBA system as the single electronic platform for all business licensing and investment facilities, ensuring efficiency, traceability, and legal certainty.

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