



INDONESIA: WHAT'S NEW?

Latest report on Indonesia economic stimulus packages

Since September 2015 until early April 2016, the Indonesian government has issued 11 economic stimulus packages. As part of these economic stimulus packages the government has issued 169 regulations so far, whilst a few others are still in the process of further deliberation.

The economic packages focus on a wide range of sectors from property, construction, electricity, foreign investment, micro-small-medium enterprises, banking, export facilities, fiscal policy, logistics, seaports management to health and pharmaceuticals.

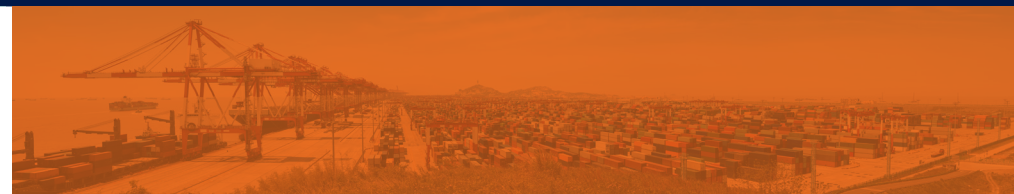
Proposed revision to the negative investment list

With respect to the highly-anticipated plan to revise the Negative Investment List, as part of the 10th economic stimulus package, the government has indicated that the new Negative Investment List should be finalised soon. Under the new regulation, the government will remove or lessen the foreign investment limitation on 35 businesses. Some of the sectors that are to be opened for full foreign ownership are cold storage businesses, the crumb rubber industry, raw

materials for medicines, direct selling and futures brokerage, toll roads and telecommunication equipment.

The new Negative Investment List will also simplify the investment requirements by synchronising them with other relevant regulations at the national or regional levels. Further details on the new Negative List are at this stage limited. However, Investors are advised to undertake further assessment and an in-depth review once the new Negative List is released.

Moreover, in line with the efforts to cut the red tape and enhance the efficiency for foreign investment licensing procedures, earlier this year the government launched the One Stop Service (OSS) Centre at Indonesian Investment Coordinating Board (Badan Koordinasi Penanaman Modal/BKPM) office. The OSS Centre is a joint operation between BKPM and 22 government bodies consisting of various ministries, government agencies and institutions. It is expected that the OSS Centre, will help to overcome the problem of overlapping regulations and expedite the licensing and setting up process.



The economic stimulus packages aim to make Indonesia's investment climate more attractive and improve the competitiveness of domestic industries. With this series of economic stimulus package, it is expected that Indonesia will see increased foreign investment in the near future.

Indonesia relaxed the authorised capital requirement for MSMEs

The Indonesian Government have recently issued Government Regulation No. 7 of 2016 (Regulation), which is aimed at promoting investment in micro, small and medium enterprises (MSME) in Indonesia by reducing the minimum authorised capital requirements for such companies.

The Regulation was introduced as a follow up action to the economic stimulus packages, which are aimed at increasing investment in MSMEs. The Regulation has also been enacted to implement certain provisions of the Indonesian Company Law No. 40 of 2007 (Company Law), in particular Article 32(3), that allows for the amendment of the minimum authorised capital of Rp50 million, equivalent to approximately US\$3,800 at the time of writing, based on a government regulation.

Authorised capital for MSMEs

The Regulation provides that in the event that a founder or all the founders of the company have net assets that fall within the category of an MSME, the amount of authorised capital is determined based purely on the agreement of the founders which may be lower than Rp50 million. Any such agreement has to be stated in the company's deed of incorporation.

Law No. 20 of 2008 on MSMEs generally categorises companies with maximum net assets of Rp50 million or with maximum annual sales of

Rp300 million as micro enterprises. Companies with net assets between Rp50 million and Rp500 million or annual sales between Rp300million and Rp2.5 billion are categorised as a small enterprise, whilst companies with net assets between Rp500 million and Rp10 billion or annual sales between Rp2.5 billion and Rp50 billion are deemed a medium enterprise. The calculation of net assets excludes the value of land and business premises of the company.

Evidence of payment of authorised capital

The Regulation requires evidence of payment of the authorised capital to be submitted electronically to the Minister of Law and Human Rights at the latest 60 days after the signing date of the deed of incorporation. This requirement clarifies the question as to when the shareholders are required to pay-up their capital. The Regulation further provides that 25% of the authorised capital must be fully paid up and issued, this requirement is the same to that under the Company Law, as proven by the evidence of payment.

Compliance with the regulation

The Regulation became enforceable on 21 March 2016. On-going company incorporation processes will still be processed pursuant to the Company Law, rather than the Regulation. Companies established pursuant to the Company law prior to the enactment of the Regulation may operate without having to adjust its authorised capital in accordance with the Regulation.

How HFW can help

It will be an interesting time for Indonesia following the announcement of numerous economic stimulus packages and various regulations. Despite current market conditions being impacted by falling oil and commodity prices, it is predicted

that business and operations in Indonesia will remain active and foreign investment opportunities will still be open as a result of the issuance of the economic stimulus packages.

Foreign investors are strongly advised to seek further clarification from the relevant government agencies or professional advice from legal advisers with familiarity in structuring the proposed Indonesian transactions, including the amendment of the authorised capital requirements for MSMEs. HFW has Indonesian qualified lawyers and lawyers who have worked on Indonesian transactions, including new entry investments for over 20 years, who can advise and direct you further on how the various new regulations may impact both your existing business and future business opportunities in Indonesia. HFW is also able to assist you in structuring foreign investment models, should you be interested in restructuring or starting your business in Indonesia, in compliance with all the regulatory conditions and requirements under the existing regulations and the various new enacted regulations.

Related publications

Indonesia: what's new?

<http://www.hfw.com/Indonesia-whats-new-October-2015>

The new Indonesia Investment Negative List

<http://www.hfw.com/The-New-Indonesia-Investment-Negative-List>



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