

# PT PMA GUIDELINES

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**WHAT YOU NEED TO KNOW  
ABOUT STARTING A COMPANY  
IN INDONESIA**

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# SEVEN STONES INDONESIA | PT PMA GUIDELINES | DISCLAIMER

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# SO, YOU WANT TO DO BUSINESS IN INDONESIA?



**W**e advise our clients that the best way to do business in Indonesia is legally; by following the government's rules and regulations. However, these can sometimes change, as we've recently seen with the passing of the new Omnibus Laws, and they can be open to misinterpretation by those who either don't fully understand the laws or by unprofessional agents.

We will lay out the basic things you need to know, which were correct at the time of publication, but we still encourage you to conduct your own due diligence and research.

We hope this guide to setting up a company in Indonesia will be useful to any foreigner looking to do business and invest in this amazing country and if you have any questions, please feel free to contact us directly on [hello@sevenstonesindonesia.com](mailto:hello@sevenstonesindonesia.com)

# WHAT KIND OF BUSINESSES ARE OPEN TO FOREIGN INVESTMENT?

The first thing to get clear is what type of business structure best suits your needs and goals for your business and investment. The most common ways are through establishing:

- A Limited Liability Company
- A Representative Office
- A Joint Venture
- A Foreign Branch or subsidiary of an existing foreign company

This decision may be influenced by something called the Positive Investment List as regulated in Presidential Regulation (Perpres) Number 10/ 2021. Until very recently this used to be called the Negative Investment List (DNI) and it's worth noting that language change, which now clearly leans more towards encouraging Foreign Direct Investment (FDI).

BKPM (the Indonesian Investment Coordinating Board) and the agency charged with overseeing foreign investments into the country have been working closely with the government to create a list of prioritized industries and if you're planning to set up a company in one of these businesses streams you'll be eligible to receive incentives including "tax holidays, allowances, import duty exemptions, and or non-fiscal incentives in the form of ease of attaining business licenses, work permits, supporting infrastructure, and guaranteed energy supply or raw materials." (Source.)



# WHAT'S A PT PMA?

From our experience, many foreigners opt to establish something called a PT PMA as the best way to do business and invest in Indonesia. A PT PMA is a Foreign Investment Limited Liability Company. This can be either private or public and is recognized by BKPM as a legal business entity.

If your business falls under one of the categories under the Positive Investment List your PT PMA can be 100% foreign owned and you are eligible to receive a Foreign Direct Investment (FDI) license from BKPM so long as you pass the required background checks, have an investment plan, a tax number, called an NPWP, and meet the minimum capital requirements.

According to ASEAN Briefing the regulations around the Positive Investment List “presents one of the greatest liberalizations in foreign ownership limitations in Indonesia since the negative investment list was first introduced in the 1980s.” (Source.)

They go on to explain that those business sectors which have now had their foreign ownership restrictions lifted include:

- Telecommunications;
- Transportation;
- Energy;
- Distribution; and
- Construction services.

Business fields have been classified into four categories:

1. Priority sectors – 245 business lines open for foreign investment;
2. Business fields that stipulate specific requirements or limitations – 46 business lines open;
3. Business fields open to large enterprises, including foreign investors, but are subject to a compulsory partnership with cooperatives and micro, small, and medium-sized enterprises (MSMEs) – 51 business lines open; and
4. Business fields reserved for cooperatives and MSMEs (not open to foreign investment) – 112 business lines.

***You can find more details from ASEAN Briefing in Appendix 1.***



# **WHAT YOU NEED TO KNOW TO SET UP A PT PMA**



There are six important things you need to know in order to set up a PT PMA. These are:

1. You need to have a minimum total investment of IDR 10 billion;

*Note: If your business is NOT in the Real Estate sector, this amount does not include investments in land and buildings.*

2. You need to have a minimum paid up capital of 100% of the authorised capital projected in the Investment Plan, which must have a value of at least IDR 10 billion. This amount can be included in working capital (e.g. salaries and utilities), machines, and things like office rent, renovations and company vehicles.

*Note: the business sector you choose will determine the amount of capital you will need, which can be higher for certain sectors.*

3. The minimum value of equity per shareholder is IDR 10 million;

*Note: there are exceptions to this rule for certain types of industries and businesses.*

4. The percentage of ownership must be calculated based on the nominal value of shares;

5. You need to have a minimum of two shareholders, which can be two individuals, two companies or a mixture of both;

6. You need to have a minimum of one Director plus one Commissioner. The Director must reside in Indonesia because they are the person running day-to-day business activities, while the commissioner is responsible for making sure the Director submits accountability reports at least once a year.

**HOW  
DO  
YOU  
SET UP  
A PT  
PMA?**



Setting up a PT PMA is not particularly difficult and it usually takes 15–30 days, so long as you follow all necessary procedures and you're clear on what business stream you want to pursue. The best way to do this is to sit down with us for a consultation to make sure your intended business complies with all necessary regulations.

As part of the process, you'll need an Investment Plan and the best way to do this is to develop an Investment Roadmap. Here's how we do that at Seven Stones Indonesia:

When you come to us, we'll ask you for:

- Your full name as it appears in your passport;
- A copy of your passport;
- The name you want to call your PT PMA;
- Your business field classification;
- The names of the Directors, Shareholders and a local manager and;
- Your intended office address



**We then help you with your Deed of Establishment by:**

- Applying for Investment Approval from BKPM and obtaining the standard Company Deed form;
- Providing legal proof the minimum capital has been paid. Any shares you wish to issue must be 100% paid up before you get approval from the Ministry of Law and Human Rights;
- Getting clearance for your PT PMA's name from the Ministry of Law and Human Rights;
- Having your company documents notarized before a notary public.



**“PARTNERS  
IN GROWTH”**

**The Deeds of Articles of Association are drawn up by a notary public who will need the following information:**

- Your company's name and domicile address;
- Your company's purpose, objectives and scope of business;
- Your company's period of incorporation;
- The amount of authorized capital, subscribed capital and paid up capital;
- The number of shares, classifications of shares, if any, including the number of shares for each classification, the rights attaching to each share and the nominal value of each share and the name of the shareholders;
- The name, positions and number of members of the Board of Directors and Board of Commissioners;
- The place and procedures your company will adopt for holding a General Meeting of Shareholders;
- Your company's procedures for the appointment, replacement, and dismissal of members of the Board of Directors and Board of Commissioners, and;
- Your company's procedures for the use of profits and allocation of dividends.

We then apply to the Ministry of Law and Human Rights for approval of your Deed of Establishment and once that is issued it is announced in a national newspaper.

The next step is to get your company's domicile letter from the District Government and your tax number NPWP along with your Taxable Entrepreneur Confirmation Number (NPPKP).

With all of this, we can apply for Investment Registration from the Online Single Submission System (OSS) system and get your Business Identification Number, or Nomor Induk Berusaha (NIB);

*Note: You cannot legally engage in business until the license becomes effective.*

*Applications for the relevant operational and commercial licenses are then submitted and we register everything with the related government departments; and you may also require post-licensing commitments.*

Finally, we apply for the Workers Social Security Program and Health Insurance Program (BPJS Ketenagakerjaan and BPJS Kesehatan,) any relevant visas and help you set up a local bank account.

Once all of this has been completed you can legally start your business activities.

# HOW DO I REGISTER MY BUSINESS WITH OSS?



All businesses are now required to obtain their business license by registering through the OSS (Online Single Submission system.) All relevant departments involved in the PT PMA set up process are now integrated into the OSS system making everything more efficient, transparent and easier.

All licences are issued immediately upon application as long as all information is submitted correctly.



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Dengan Undang-Undang Cipta Kerja akan memudahkan masyarakat, khususnya Usaha Mikro Kecil. Regulasi yang tumpang tindih dan prosedur rumit dipangkas.



Ir. H. Joko Widodo  
Presiden Republik Indonesia



OSS GUIDE



APPLY FOR MICRO & SMALL BUSINESS LICENSE



APPLY FOR MEDIUM & LARGE BUSINESS LICENSE



# The OSS process includes:

**2**  
Information on how you comply with permits, for example the post-audit requirements;

**4**  
Licensing administration.

**1**  
Registration and the issuing of permits;

**3**  
Information on certain fees to relevant technical ministries;



**T**his is actually much easier than most people think, which is why we inform our clients that they can in fact, do this on their own, without us. Most, however, will ask for our help as it lets them focus on more important aspects of their businesses.

It's worth noting here that BKPM is there to help investors comply with Indonesian Law, which may be different from the laws of your home country. We recommend you get familiar with the relevant legal aspects for your business and if you have any questions, please feel free to ask.

*NOTE: sometimes OSS doesn't work as well as it should, which can lead to delays in the process. This is why we check the system every day so that we're aware of any potential delays and can inform our clients accordingly.*



### **To register with OSS you'll need:**

- The name and identity number (ID card or passport) of the company's representative;
- A residential address;
- A five-digit KBLI Code, which is your intended business field;
- The location of, and the amount of your capital investment;
- What you plan to do with your workers;
- A business or activity contact number, or both;
- Any request for fiscal, customs facilities, and/or other facilities; and
- The tax identification registration number (NPWP) of an individual business executive.





# WHAT HAPPENS NEXT?

**Once your PT PMA has been officially established you're going to have to deal with:**

- Mandatory Employment Reports;
- Tax Reports;
- Working Permits;
- Investment Activity Reports (LKPM);
- Annual Financial Reports (LKTP);
- Social security and medical programmes for your staff (BPJS) and;
- Human Resource activities like recruitment, payrolls, BPJS payment and management, and employee handbook, employee agreement.

# CONCLUSION

**W**e believe Indonesia is getting easier for foreign investors. Systems are more transparent, procedures have been improved and the time things take, arguably the most important aspect for any business owner, has been greatly reduced.

We are here to encourage you to invest in Indonesia and to help guide you through the process of doing so. An effective way to do this is by establishing a PT PMA.

We think Investment Roadmaps are the best ways to bring clarity, structure and accountability to businesses and we're more than happy to discuss any aspects of this and establishing a PT PMA with you.

If you'd like more information or want to arrange for a free consultation drop us an email at: [hello@sevenstonesindonesia.com](mailto:hello@sevenstonesindonesia.com)



# ***APPENDIX 1***

# UNDERSTANDING THE PT PMA

Details of Presidential Regulation 10 of 2021, and the Positive Investment List from ASEAN Briefing:

PR 10/2021 replaces Presidential Decree No.36/2010 (Indonesia's negative investment list) and is part of the government's ongoing economic reforms through the issuance of the Omnibus Law.

The general principle under the positive investment list is that a business sector is open to 100 percent foreign investment unless it is subjected to a specific type of limitation. The regulation presents one of the greatest liberalizations in foreign ownership limitations in Indonesia since the negative investment list was first introduced in the 1980s.

Important sectors that had previous foreign ownership restrictions, which have now been lifted include, among others:

- Telecommunications;
- Transportation;
- Energy;
- Distribution; and
- Construction services.

The design of the positive investment list

The government has classified business fields into four categories.

1. Priority sectors – 245 business lines open for foreign investment;
2. Business fields that stipulate specific requirements or limitations – 46 business lines open;
3. Businesses fields open to large enterprises, including foreign investors, but are subject to a compulsory partnership with cooperatives and micro, small, and medium-sized enterprises (MSMEs) – 51 business lines open; and
4. Business fields reserved for cooperatives and MSMEs (not open to foreign investment) – 112 business lines.

## Priority Sectors

To classify as a priority sector, business enterprises must meet the following criteria:

- Must be labor intensive;
- Must be capital intensive;
- Must be part of a national project/program;
- Must be export-oriented;
- Must involve a pioneer industry (renewables, oil refining, metals, etc.);
- Must utilize advanced technologies; and
- Must implement research and development activities.

There are 245 business fields under this category that can be found under Exhibit 1 of the positive investment list. Moreover, businesses in priority sectors are eligible for a range of fiscal and non-fiscal incentives.

Fiscal incentives include a 50 percent corporate income tax reduction for investments between 100 billion rupiah (US\$6.9 million) and 500 billion rupiah (US\$34.9 million) for a period of five years and 100 CIT reduction for investments over 500 billion rupiah (US\$34.9 million) for a period between five and 20 years.

In addition, there are tax allowances available in the form of a reduction in the taxable income of 30 percent of the total investment for six years, a special withholding tax rate on dividends of 10 percent, and tax losses carried forward for up to 10 years.

Examples of non-fiscal incentives are the provision of supporting infrastructure, simplified business licensing procedures, and the guaranteed energy supply or raw materials.

We explore a few examples of the prioritized business lines and their incentives below

Examples of Priority Business Sectors and their Incentives	
Business line	Incentive type
Textile and garment industry	Tax allowance and investment allowance
Pharmaceutical industry	Tax allowance
Digital economy (hosting, data processing etc)	Tax holiday
Geothermal (exploring and drilling)	Tax allowance
Cooking palm oil industry	Tax allowance
Iron and steel industry	Tax allowance
Automotive industry	Tax allowance
Oil and gas refinery	Tax holiday
Cosmetics industry	Tax allowance
Coal gasification	Tax allowance

Graphic © Asia Briefing Ltd.

## Business fields that stipulate specific requirements or limitations

Under this category, business fields are open to foreign investments but are subject to the following types of restrictions:

- Lines of business reserved for domestic investors;
- Lines of business subject to foreign ownership limitations; and
- Lines of business that require special licenses.

## Business Fields with Specific Requirements

Business fields	Requirements
Publishing of newspapers, magazines (press)	100 percent domestic capital required for establishment, and up to 49 percent foreign capital ownership for business development and expansion
Private broadcasting agency	100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion
Subscription based broadcasting agency	100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion
Community radio agency	100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion
Community television agency	100 percent domestic capital required for establishment, and up to 20 percent foreign capital ownership for business development and expansion
Postal services	Maximum foreign capital ownership of 49 percent
Domestic scheduled air transportation	Foreign capital ownership of 49 percent. However, domestic capital ownership needs to be the single majority
Domestic non-scheduled air transportation	Foreign capital ownership of 49 percent. However, domestic capital ownership needs to be the single majority
Air transport activities	Foreign capital ownership of 49 percent. However, domestic capital ownership needs to be the single majority
Domestic passenger liner and tramp activities	Maximum foreign capital ownership of 49 percent
Domestic sea transport for tourism	Maximum foreign capital ownership of 49 percent
Domestic liner and tramp sea freights for goods	Maximum foreign capital ownership of 49 percent
Domestic sea transportation for special goods	Maximum foreign capital ownership of 49 percent
Pioneer domestic sea transportation of goods	Maximum foreign capital ownership of 49 percent
Domestic sea transportation using public shipping	Maximum foreign capital ownership of 49 percent
Overseas liner and tramp sea freights for goods	Maximum foreign capital ownership of 49 percent
Overseas sea transportation for special goods	Maximum foreign capital ownership of 49 percent
Interprovincial sea public transport	Maximum foreign capital ownership of 49 percent
Interprovincial sea public transport (pioneering)	Maximum foreign capital ownership of 49 percent
Interprovincial city/regency public transport	Maximum foreign capital ownership of 49 percent
Interprovincial city/regency public transport (pioneering)	Maximum foreign capital ownership of 49 percent
Inter-city and regency public transport	Maximum foreign capital ownership of 49 percent
River and lake transportation with non-fixed and irregular routes	Maximum foreign capital ownership of 49 percent
River and lake transportation with non-fixed and irregular routes for tourism	Maximum foreign capital ownership of 49 percent
River and lake transportation for general goods and/or animals	Maximum foreign capital ownership of 49 percent
River and lake transportation for special goods	Maximum foreign capital ownership of 49 percent
River and lake transportation for dangerous goods	Maximum foreign capital ownership of 49 percent



Weapons equipment industry	Capital ownership based on approval from Ministry of Defense
Liquor industry (alcohol)	Only businesses in this specific sector, who have licenses, can expand their operations
Beverage industry containing alcohol (wine)	Only businesses in this specific sector, who have licenses, can expand their operations
Beverage industry containing alcohol (malt)	Only businesses in this specific sector, who have licenses, can expand their operations
Horticulture	Maximum foreign capital ownership of 30 percent
Traditional medical products (for humans)	100 percent Domestic capital
Fish processing industry	100 percent Domestic capital
Wood based building products	100 percent Domestic capital
Coffee processing industry	100 percent Domestic capital
Rendang industry	100 percent Domestic capital
Ship industry • Outriggers; and • Traditional vessels	100 percent Domestic capital
Traditional handicrafts	100 percent Domestic capital
Traditional cosmetics	100 percent Domestic capital
Raw materials for traditional medicine (for humans)	100 percent Domestic capital
Batik industry	100 percent Domestic capital
Crackers and chips industry	100 percent Domestic capital
Alcohol or liquor retailers	Require special distribution network and merchants
Small alcohol or liquor retailers	Require special distribution network and merchants
Hajj and Umrah activities	100 percent Domestic capital and must be Muslim

Graphic © Asia Briefing Ltd.

The foreign ownership limitations (bullet point 2) do not apply in the following circumstances:

- The investments are conducted in special economic zones;
- Investments are in the form of non-direct investments taken through the Indonesian stock exchange;
- Investments subject to more favourable treatment under a treaty between Indonesia and the investor's country of origin; or
- Any investments approved prior to the issuance of the positive investment list. The positive investment list provides for this through a 'grandfathering policy'.

## Business fields open to foreign investors but are subject to a compulsory partnership with MSMEs

Business fields under this category are open to foreign investors or large-scale enterprises through a compulsory partnership agreement with an MSME.

There are 89 business lines for this category, and they cover businesses that are commonly carried out by MSMEs and/or sectors that have the potential to enter the larger supply chain.

The partnership arrangement can be in the form of operational cooperation, profit sharing, subcontracting, outsourcing, or distribution.

## Business fields reserved for cooperatives and MSMEs

This category stipulates that the business fields are reserved for local MSMEs and are not open for foreign investments.

There are 89 business lines under this category, being:

- Business lines that do not use advanced technology;
- Are labour-intensive businesses, characterized by a special cultural heritage; or
- The capital for the business activities does not exceed 10 billion rupiah (US\$701,000).

## What business activities are closed for investments?

There are six business sectors closed for investments for both domestic and foreign companies. These are:

1. Class-I narcotics and cultivation;
2. All forms of gambling activities;
3. Fishing of endangered species;
4. Utilization of corals found in nature for the production of jewelry, souvenirs, building materials, etc.;
5. Chemical weapons production; and
6. Industrial ozone-depleting substances industries and industrial chemicals.

To read the original article from ASEAN Briefing, follow this link.

(<https://www.aseanbriefing.com/news/indonesias-omnibus-law-the-positive-investment-list-and-the-liberalization-of-business-sectors/>)

Sources: Invest Islands, ASEAN Briefing, BKPM, KEMENKO, OSS, OJK, MOLHR

# APPENDIX 2 GLOSSARY OF TERMS

Sometimes jargon and acronyms are confusing and can result in the reader having no reference to what the message is supposed to be saying. Here's a list of things we think will help understand the most important aspects about starting a company in Indonesia.

**BKPM** - Capital Investment Coordinating Board;

**KEMENKO** - Coordinating Ministry of Economic Affairs;

**OSS** - Online Single Submission;

**OJK** - The Financial Services Authority;

**MOLHR** - The Ministry of Law and Human Rights;

**NPWP** - Tax identification registration number;

**MSME** - Micro, Small and Medium Enterprises;

**PT PMA** - Foreign Investment Limited Liability Company;

**PT PMDN** - Domestic Investment Limited Liability Company;

**FDI** - Foreign Direct Investment is defined as any capital investment activity to conduct business within the territory of the Republic of Indonesia by a foreign capital investor, whether using all foreign capital or in partnership with a domestic capital investor.

**PNBP** - Non-Tax state revenue

**NPPKP** - Taxable Entrepreneur Confirmation Number

**SKDP** - Certificate of Domicile of your company issued by the Local or District Government

**NIB** - Business Identification Number, or Nomor Induk Berusaha

**BPJS** - Workers Social Security Programme and Health Insurance Programme

**AHU** - General Law Online Administration

**IU** - Business licence, or Izin Usaha

**IKO** - Commercial licence, or Izin Komersial Operasional

**KBLI** - Standard Classification of Indonesian Business Fields

**DNI** - Negative Investment List

**Foreign Investor** - A foreign citizen, a foreign business entity or a foreign government conducting capital investment within the territory of the Republic of Indonesia.

**DOING  
GOOD  
IS ALWAYS  
GOOD  
BUSINESS**