



**INFORMATION**

**Updates on the simplification of business licensing through the government regulation No. 5 Year 2021**

On July 21st, 2021, the Deputy of Climate Investment Development from the Investment Coordinating Board (Badan Koordinasi Penanaman Modal/BKPM), Yuliot Tanjung stated that the government seeks to simplify licensing for business actors, one way is by imposing a positive fictitious mechanism. This is based on Law No. 11 Year 2020 dated November 2nd, 2020 on Job Creation that later introduces Government Regulation No. 5 Year 2021 on the Administration of Risk-Based Business Licensing (GR 5/2021) dated February 2nd, 2021.

With the positive fictitious mechanism, submission of business licenses will be served virtually through the Online Single Submission (OSS) system, so that verification of requirements fulfillment by the Ministry or related Institution will be approved automatically by the system if it does not get a follow-up to exceed the time limit of the procedure operation standards. The OSS system itself is planned to be officially launched by President Joko Widodo in the near future.

By that, GR 5/2021 replaces and revokes Government Regulation No. 24 Year 2018 dated June 21st, 2018 on Electronically Integrated Business Licensing Service (GR 24/2018), and also highlighted two main points:

1. Article 52 of Omnibus Law has replaced the term “Construction Services Business License” or IUJK with the new terminology “Business License” thereby effectively revoked the existence of such a permit.
2. Article 81 sections 1 and Article 176 section 1 of GR 5/2021 underlined the new regulation by listing the business permits needed to perform Construction Services which consisted of Business Registration Number (NIB) and Standard Certificate. All of which are valid as long as the construction services are conducted and need not be extended to National Construction Companies (BUJKN) and/or Foreign Construction Companies, the said licenses are valid for three years and can be further extended.

The Standard Certificate is issued by OSS Institution to the companies by making a statement for which the obtainer shall meet the standards of conducting the related business activities and shall be willing to be verified by the authorized Government authority (Central or Regional). After the verification, the details will be updated in the system, and the verified Standard Certificate will be issued, which can be downloaded by the obtainer through OSS System. The simplification mentioned above was enacted alongside article 81 Section 1 of GR 5/2021, which required Construction Companies to obtain other supporting business licenses that include:

- Construction Business Entity Certificate (SBU);
- Construction Work Competence Certificate (SKK);
- Registration of Foreign Construction Companies Representative Offices (BUJKA);
- License from Construction Companies Certification Institution; and
- License from Construction Services Profession Certification Institution.

Overall, the concept of risk-based business licenses put forward the principle of Trust but Verify, namely by simplify the process of issuing business licensing but also strengthens the supervision of the implementation of business activities. Thus, this has also been boosting investment for Indonesia's economic sector.

Reference:

- The Government Regulation No. 5 Year 2021

If you require a copy of the reference document above, please do not hesitate to contact [research@ibai.or.id](mailto:research@ibai.or.id).

Thank you for your attention and hope this information would be valuable for you.

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