



On August 2021, the Dezan Shira & Associates has held a webinar regarding Crash Course on Starting a Business in Indonesia. From the explanation about setting up a foreign-owned business in Indonesia, the Senior Associate and International Business Advisory, Jennifer Halim elaborated on the types of legal entities for foreign businesses in Indonesia. There are three types of eligible entities for business licensing process in Indonesia, especially for foreign businesses. Here, it consist of;

1. Legal Entity
 - a. Foreign Limited Liability Company (Perseroan Terbatas Penanaman Modal Asing/PT PMA), which established under Indonesian law intended for foreign investors, both those who use foreign capital wholly or in joint ventures with domestic investors to conduct business in the territory of the Republic of Indonesia; and
 - b. Foreign Foundation, which is for the non-profit or non-governmental organization
2. Representative Office
 - a. General Representative Office (KPPA), which is dedicated for business in management consulting and general business in Indonesia;
 - b. Foreign Trade Representative Office (KP3A), which is suitable for foreign manufactures industries in Indonesia;
 - c. Foreign Construction Representative Office (BUJKA), which is dedicated for construction companies and suitable for temporary project in Indonesia; and
 - d. Representative Office of Foreign Electric Power Support Services, which is dedicated for electricity and power supply business in Indonesia.
3. Foreign Legal Entity.

It is specifically categorized for foreigner businesses who haven't established any legal entities in Indonesia but already conduct business activity in Indonesia, including:

 - a. Franchisers;
 - b. Foreign Electronic System Operator for Private Sector; and
 - c. Permanent Establishment (such as oil and gas sector).

As for the most common type of legal entity that exist in Indonesia, below is the comparison between the KPPA and PT PMA:

Corporate Establishment Options	General Representative Office (KPPA)	Foreign Limited Liability Company (PT PMA)
Setup Timeline	2 – 4 weeks	3 – 4 weeks
What I can use it for	Market research and scouting for business	No limitation of business conduct
Suitable for	Liaison activities with HQ, 3 years and can be extended two times with one year each	Full or partial ownership, allowed to operate without any limitation of time otherwise regulated within the deed of establishment
Restriction	No income-generating activities	Some sectors are still closed or limited
Minimum capital	none	Minimum authorized capital above 10B IDR (approx. 720k USD/570k EUR) Minimum paid-up capital above 10B IDR (approx. 720k USD/570k EUR)
Pros	Limited activities but no capital requirements	Full ownership
Cons	Time-based	SME-prohibitive capital requirements

Furthermore, particularly talking about the PT PMA, several advantages that can be taken into consideration for foreign investors to enter Indonesia are:

- Special financial and non-financial incentives, particularly in pioneer industries;
- Incentives for setting up in special economic zones (SEZs);
- Foreign investors can own as little as one percent and as much as 100 percent of the company (depending on the industry);
- Able to participate in government-sponsored business tenders in the country;
- Ease of processing for business licenses;
- Ease of processing for work permits;
- Lower tax and imports duties;
- Simple organization structure (requiring only one director, one commissioner, and two shareholders); and
- Ability to sponsor foreign executives

Reference:

- Starting a Business in Indonesia

If you require a copy of the reference document above, please do not hesitate to contact research@ibai.or.id. Thank you for your attention and hope this information would be valuable for you.

Italian Business Association in Indonesia (IBAI)

c/o Istituto Italiano di Cultura Jakarta
Jl. HOS Cokroaminoto No. 117 Menteng Jakarta 10310 INDONESIA
P: +6281 1979 4262 E: ibai@ibai.or.id