

How to Register a Company in Indonesia:

A COMPLETE GUIDE

Picking the right company structure for your business is as important as any other business-related activity. The correct business structure will allow your enterprise to operate efficiently and meet your required business targets.

WHY SHOULD YOU CHOOSE INDONESIA TO START YOUR BUSINESS



Foreign investors or entrepreneurs interested in expanding their businesses in Southeast Asia will make a smart choice when choosing Indonesia as their ideal location for investment. By GDP PPP (Purchasing Power Parity), Indonesia is the seventh-largest economy in the world. Indonesia is also the world's fourth most populous country with a population of more than 273 million people and fourteen-largest country by area, making it an ideal place to start a business.

What are the advantages of Registering in Indonesia?

There are many advantages to starting your company in Indonesia. Some of them are as follows:



Demography

Concerning demographics, foreign investors should know that nearly 50% of the population in Indonesia live in urban areas, 70% of the population is under 39 years of age, and over 50% of the population belongs to the middle class.

When it comes to the labour force, Indonesia's labour force participation rate is much higher than the global average pace at 69.2%. Furthermore, its labour cost is lower than China, making it an enticing factor for foreign businesses to establish factories in and move their productions to Indonesia.



Great Market

The large domestic market of Indonesia offers limitless investment opportunities for investors, both foreign and domestic. The country's investment climate has been improved by the implementation of more and more business-friendly policies such as one-stop service for company registration and business licensing application provided by The Indonesia Investment Coordinating Board (BKPM), a streamlined process in Jakarta as domicile letter is no longer part of the requirements for business registration, and various tax incentives.



Democracy

Indonesia is also known for its democracy, taking pride in being the third-largest democracy in the world. Moreover, the country is blessed with abundant natural resources spread across the 17,508 islands that contribute to the status of Indonesia as the largest archipelago.

What are business structures available to Register in Indonesia?

The standard legal entity types available for foreign investors in Indonesia are:

- Foreign Limited Liability Company (PT PMA)
- Local Limited Liability Company (PT)
- Representative Office (RO)

As briefly mentioned above, the one-stop service through what is called the Online Single Submission (OSS) system has made it possible for a quicker company incorporation process.

Previously it took not less than two months for the whole company registration process to be completed. But now in the year 2020, a foreign investor can register a company in between one to 1.5 months only.

Foreign Limited Liability Company (PT PMA)

As the name says, a PT PMA allows foreign ownership, which ranges from as little as 1% to as much as 100%, which makes this legal entity type popular among foreign investors.

Foreign investors are recommended to read through the Negative Investment List to know about business sectors that are fully open, partially open and fully closed to foreigners or consult with a business incorporation specialist.

To be able to establish a PT PMA, which is allowed to hire foreign employees in Indonesia, there are several requirements to be satisfied. The structure of a PT PMA should consist of at least one director, one commissioner (one of which must be an Indonesian national) and two shareholders (can be foreign, local individuals or corporations, or a combination of both).

The minimum capital investment for a PT PMA is IDR 10 billion, and foreign investors are required to submit the paid-up capital amounting to 25% of the total wealth. A domicile letter is still necessary for company registration in Indonesia, except for Jakarta.

Local Limited Liability Company (PT)

Another legal entity type that is available for investors in Indonesia is the local limited liability company, also known as PT. Despite its nature that can only be owned by Indonesian nationals, a PT can become a viable legal entity option for foreign investors who are interested in starting a business in a sector that is restricted to the local people.

Since a PT only allows 100% local ownership, foreign investors are required to cooperate with a company that provides professional director, shareholder and commissioner services known as nominee arrangement in Indonesia to be able to go through with the company registration process.

Unlike a PT PMA that requires a minimum capital investment of IDR 10 billion, a PT requires much less, depending on the size of the company. A PT can be categorised into three dimensions:

- Small : above IDR 50,000,000 – 500,000,000
- Medium : above IDR 500,000,000 – 10,000,000,000
- Large : above IDR 10,000,000,000

Even though Indonesian nationals own a PT, it can recruit foreign employees. The size of the company must be at least medium, with paid-in capital above IDR 1,100,000,000. In general, the minimum requirement to establish a PT is having two shareholders, one local director and one commissioner.

Representative Office (RO)

Before actual incorporation of a PT PMA or a PT, many foreign entrepreneurs prefer to get to know more about the Indonesia market, conduct research and explore marketing activities. Establishing an RO, then, is the ideal choice.

A Representative Office offers advantages such as can be owned 100% by foreign investors, no minimum capital requirement, no shareholder, director, commissioner requirement and an easy and quick setup process.

However, a Representative Office in Indonesia is not permitted to conduct direct sales and generate income in Indonesia. In other words, all financial transactions must be achieved through the parent company overseas.

Documents required to establish an RO

1. *Letter of Appointment from the parent company overseas*
2. *Articles of Association, the official company registration document (a copy)*
3. *Power of Attorney if the RO is represented by another company*
4. *Identity of the RO'S chief (a copy)*
5. *Letter of Intent and Letter of Statement stating that the RO chief will not perform other business activities in Indonesia*

What is the procedure for Company Incorporation?

Registering a company in Indonesia is now a simple 5 step process. Here is what the process looks like for each structure -

5 Step Process for a PT PMA:

1. Company name approval (one working days)

Submit a company name, which should consist of three words

2. Deed of Incorporation (six working days)

During this process, a notary must be present. The Deed of Incorporation should include an Article of Association.

3. Tax ID (NPWP) Registration (two working days)

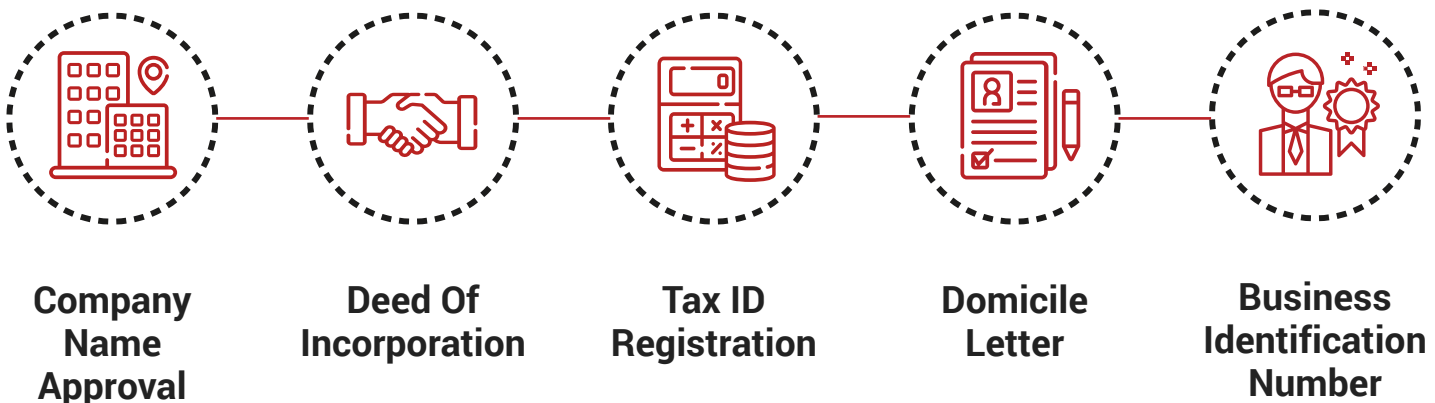
A valid NPWP is needed to support the application of additional licenses, compliance with tax obligations and banking activities, among others.

4. Domicile Letter (10 working days)

Submit a domicile letter to show that a company is operated in a valid business location, not a residential area.

5. Business Identification Number (NIB) Application and Additional License(s) Application (two working days)

Obtain a unique company profile number that guarantees an immediate operation, if no additional licenses are required. In addition to a NIB, business license(s) and a location permit will also be granted one day after the registration with the OSS. A NIB can also be used as an import license and customs identification number for the customs clearance process. Depending on the business sector and business activities, additional permits may be required. A hospitality business, for example, may require the application of a commercial license and a tourism license.



6 Step Process to Register a PT

1. Company name approval (one working day)

Submit a company name, which should consist of three words.

2. Deed of Incorporation (six working days)

During this process, a notary must be present. The Deed of Incorporation should include an Article of Association.

3. Tax ID (NPWP) Registration (two working days)

A valid NPWP is needed to support the application of additional licenses, compliance with tax obligations and banking activities, among others.

4. Domicile Letter (10 working days)

Submit a domicile letter to show that a company is operated in a valid business location, not a residential area.

5. Trading Business License (SIUP) Application (10 working days)

A SIUP is required to start business operations in Indonesia.

6. Company Registration Certificate Acquisition (10 working days)

Apply and wait for the Indonesian nationals to get approval.

Company Name
Approval

Deed Of
Incorporation

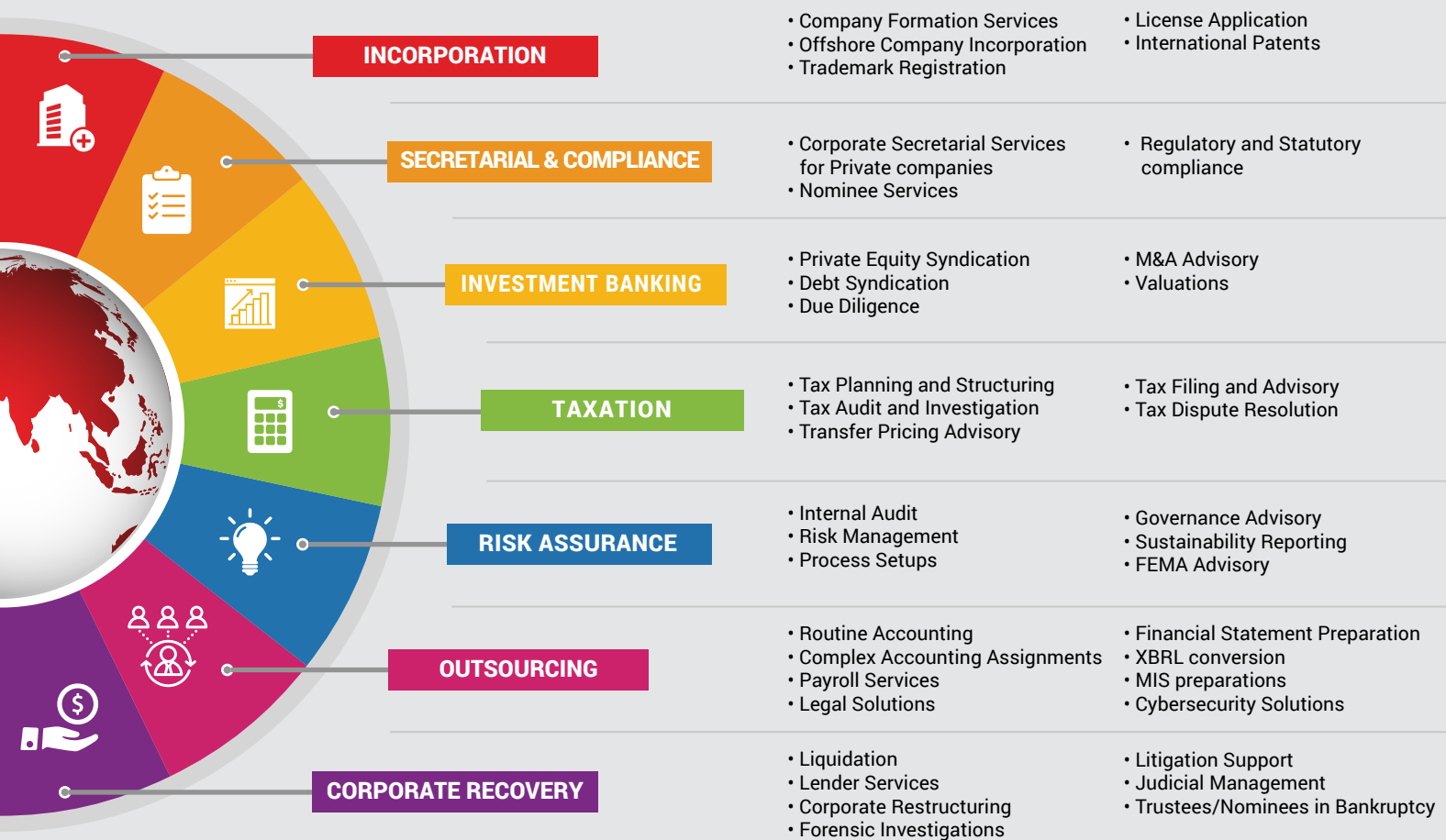
Tax ID
Registration

Domicile
Letter

Trading Business
License

Company Registration
Certificate

Our Services



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