

PwC Indonesia Legal Alert

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Foreign investment companies (*Penanaman Modal Asing* or **PMA**) established prior to the introduction of the Online Single Submission (**OSS**) licensing regime in early 2020 are likely familiar with the previous licensing framework. This earlier system required companies to obtain an in-principal approval or licence (*persetujuan atau izin prinsip*, or **IP**), followed by a definitive business licence (*izin usaha tetap*, or **IUT**), for both establishment and business expansion.

Although this legacy licensing regime has been replaced by the current risk-based licensing system, one key obligation under the IP and IUT remains valid and enforceable by the Ministry of Investment/Investment Coordinating Board (**BKPM**): mandatory divestment, provided such obligation was stipulated in the original IP or IUT.

This requirement is reaffirmed in the latest BKPM Head Regulation No. 5 of 2025 on Guidelines and Procedures for Implementing Risk-Based Business Licensing and Investment Facilities Through an Electronically Integrated Business Licensing System (OSS) (**BKPM Regulation No. 5/2025**), which supersedes three key investment-related regulations previously issued by BKPM. In essence, PMA companies whose IP or IUT includes a divestment requirement to Indonesian parties must still comply with this obligation.

While the new regulation does not specify a deadline for compliance, the original IP or IUT typically outlines a timeframe—usually a few years after the company becomes operational.

However, companies may request a waiver of this requirement, subject to BKPM's approval.

This obligation may seem trivial to some foreign investors, particularly given the historically lax enforcement. Nonetheless, once the divestment deadline has passed, non-compliance can raise regulatory concerns and expose companies to non-compliance issues.

It is advisable that PMA companies with outstanding divestment obligations to take proactive steps toward compliance.

Our team has extensive experience and a proven track record in assisting companies to successfully obtain BKPM approval for divestment waivers or fulfil their obligations.

Should you require assistance navigating this regulatory requirement, we are well-positioned and ready to support you.

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