

General Corporate

Versi Bahasa Indonesia

Enforcement Date

22 March 2016

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New Provision on Authorized Capital for Limited-Liability Companies

In order to improve the ease with which people can establish new companies in Indonesia, as well as to accelerate economic development across the country, the Government has issued Government Regulation [No. 7 of 2016](#) on the Amendment to Authorized Capital for Limited-Liability Companies ("2016 Regulation"). In essence, the 2016 Regulation changes the provision relating to the authorized capital which must be held in order to establish a new limited-liability company.

The 2016 Regulation is of relevance to parties which are intending to establish new limited-liability companies ("Company").

Authorized Capital

In general, the 2016 Regulation makes no changes to the amounts of authorized capital needed in order to establish a limited-liability company, as set out under Law [No. 40 of 2007](#) on Limited-Liability Companies ("Company Law") and which remains set at IDR 50 million.¹

However, the 2016 Regulation also sets out an additional provision, which states that if one or more of a company's founders turns a net profit at least equal to the criteria for the establishment of micro-, small- and medium-scale businesses, as stated in Law [No. 20 of 2008](#) on Micro-, Small-, and Medium-Scale Businesses ("2008 Law"), then the amount of authorized capital is to be determined based on an agreement made between the founders.² In other words, the founders of the company are exempt from having to comply with the IDR 50 million minimum requirement.

As a side note, the criteria for net profits for micro-, small-, and medium-scale businesses are as follows:³

Level of Business	Net Income ⁴	Annual Sales Amount
Micro	IDR 50 million	IDR 300 million

¹ Art. 1 (1), 2016 Regulation and Art. 32 (1), Company Law.

² Art. 1 (2), 2016 Regulation.

³ Art. 6 (1), (2), and (3), 2008 Law.

⁴ Land and fixtures are excluded.

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Small	IDR 50 - 500 million	IDR 300 - 2.5 billion
Medium	IDR 500 million - IDR 10 billion	IDR 2.5 - IDR 50 billion

Paid-up Authorized Capital

In terms of the provision on paid-up capital, the 2016 Regulation sets out a similar provision to the one laid out in the Company Law, which states that at least 25% of the authorized capital must be fully paid-up and proven with a valid transfer receipt.⁵

As an addition to the Company Law however, the 2016 Regulation mandates that this valid transfer receipt must be submitted online to the Minister of Law and Human Rights within 60 days of the signing of the company's constitutional documents.⁶

Transitional Provisions

It should be noted that when this new regulation entered into force, limited-liability companies which were originally established under the Company Law were still allowed to operate normally without having to adjust their levels of authorized capital.⁷ Moreover, limited-liability companies which are currently in the process of being legalized will continue to be processed under the Company Law.⁸

The 2016 Regulation has been in force since 22 March 2016.

⁵ Art. 2, 2016 Regulation and Art. 33 (1) (2), Company Law.

⁶ Art. 2 (2), 2016 Regulation.

⁷ Art. 4 (a), 2016 Regulation.

⁸ Art. 4 (b), 2016 Regulation.

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Puri Imperium Office Plaza G-7 Kuningan, Jakarta 12980
to subscribe, call 62-21-83701827 or fax to 62-21 83701826 or email layanan@hukumonline.com
for feedback email english@hukumonline.com

Editor-In-Chief: **Davidson Samosir** | Editors: **Robert Sidauruk**; **Simon Pitchforth**
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