

## General Corporate

Versi Bahasa Indonesia

### Enforcement Date

14 July 2016

### Related ILB

- New Regulation on Minimum-Wage Formulation
- New Provision on Authorized Capital for Limited-Liability Companies
- Procedures for Validating Legal Entities and Amending Their Institutions Redefined
- New Procedures for Validating Legal Entities and Amending their Constitutions
- Bill on Limited-Liability Companies – A Fundamental Change – Definitions – Part I
- Bill on Limited Liability Companies – Reporting, Responsibility, Investigation – Part II

## Provision on Authorized Capital for Limited-Liability Companies Reregulated

In order to ease the startup process for entrepreneurs who are looking to establish new companies in Indonesia, as well as to boost the growth of micro-, small-, medium-scale enterprises, the Government has just issued the Government Regulation [No. 29 of 2016](#) on the Amendment to Authorized Capital for Limited-Liability Companies (“2016 Regulation”).

In short, the 2016 Regulation alters the provision relating to the authorized capital which must be held in order to establish a new limited-liability company.<sup>1</sup> Prior to the 2016 Regulation, this matter was addressed by Government Regulation [No. 7 of 2016](#) (“7/2016 Regulation”).<sup>2</sup>

### Authorized Capital

As general rule, newly established companies are required to allocate authorized capital pursuant to Law [No. 40 of 2007](#) on Limited-Liability Companies (“Company Law”). In this context, the 2016 Regulation makes a significant change to the amount of authorized capital needed in order to establish a limited-liability company, which is currently set at IDR 50 million under the Company Law.<sup>3</sup> According to the 2016 Regulation, the amount of authorized capital required is now to be determined based on an

agreement arrived at by the founders of a given company. This change has been incorporated as a response by the government to calls to respect the freedom-of-contract principle as regards the drafting of company deeds of establishment.<sup>4</sup>

On the other hand, the new provision outlined above does not apply to companies which are required to satisfy certain minimum authorized capital levels under prevailing laws and regulations,<sup>5</sup> for example: venture-capital companies<sup>6</sup> or banks.<sup>7</sup>

Previously, the 7/2016 Regulation made no changes to the required amount of authorized capital needed to establish a company, as set out under the Company Law, which remains set at IDR 50 million.<sup>8</sup>

<sup>1</sup> Recital and General Elucidation, 2016 Regulation.

<sup>2</sup> For further information regarding the 7/2016 Regulation, see ILB [No. 2856](#).

<sup>3</sup> Art. 1 (3), 2016 Regulation and Art. 32 (1), Company Law.

<sup>4</sup> Art. 1 (3) and general elucidation, 2016 Regulation.

<sup>5</sup> Art. 3, 2016 Regulation.

<sup>6</sup> See Financial Service Authority (“OJK”) Regulation [No. 34/POJK.05/2015](#) on Business Permits and Organizational Structures of Venture-Capital Companies.

<sup>7</sup> See, Bank Indonesia Regulation [No. 11/1/PBI/2009](#) on Commercial Banks.

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However, the 7/2016 Regulation offered exemptions to the minimum authorized capital requirement if one or more of a new company's founders turned a net profit at least equal to the criteria for the establishment of micro-, small-, and medium-scale business, as stated in Law [No. 20 of 2008](#) on Micro-, Small-, and Medium-Scale Businesses ("2008 Law").<sup>9</sup>

As a side note, the criteria for net profits for micro-, small-, and medium-scale businesses are as follows:<sup>10</sup>

Level of Business	Net Income <sup>11</sup>	Annual Sales Amount
Micro	IDR 50 million	IDR 300 million
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 7/2016 Regulation and the Company Law, which states that at least 25% of any authorized capital must be fully paid-up and proven with a valid transfer receipt.<sup>12</sup>

As an addition to the Company Law but similar to the 7/2016 Regulation, the 2016 Regulation mandates that this valid transfer receipt must be submitted electronically to the Ministry of Law and Human Rights within 60 days of the signing of a company's constitutional documents.<sup>13</sup>

The 2016 Regulation repeals and replaces the 7/2016 Regulation, and has been in force since 14 July 2016.

<sup>8</sup> Art. 1 (1), 7/2016 Regulation and Art. 32 (1), Company Law.

<sup>9</sup> Art. 1 (2), 7/2016 Regulation.

<sup>10</sup> Art. 6 (1), (2), and (3), 2008 Law.

<sup>11</sup> Land and fixtures are excluded.

<sup>12</sup> Art 2 (1), 2016 Regulation, Art. 2 (1), 7/2016 Regulation, and Art. 33 (1) (2), Company Law.

<sup>13</sup> Art. 2 (2), 2016 Regulation, Art. 2 (2), 7/2016 Regulation.

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### RECENTLY PUBLISHED ILB

- New Regulation on Decent Living Standards
- House Passes Bill on Patents
- Management of Repatriated Assets under Tax-Amnesty Program
- Procedure for the Securing of Natural-Gas Prices for Certain Industrial Sectors

### RECENT REGULATION

- Minister of Finance Regulation [No. 102/PMK.010/2016](#) on Determination of Non-Taxable Income Generated by Daily and Weekly Workers and Other Types of Temporary Workers
- Minister of Finance Regulation [No. 103/PMK.010/2016](#) on Amendment to Ministry of Finance Regulation No. 159/PMK.010/2015 on Income-Tax Deduction Facilities for the Organization of Taxpayers
- Minister of Energy and Natural Resources [No. 16 of 2016](#) on Procedures for the Determination of Natural-Gas Prices for Certain Users

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