



## **GUIDELINE**

# **Business Incorporation in Indonesia**

## About IZIN.co.id



IZIN.co.id is a company engaged in legal services for incorporate services. Since 2012, IZIN.co.id has helped more than 8000 entrepreneurs to incorporate their companies in Indonesia. IZIN.co.id intends to be the foremost among all for everyone who wants to start their business in Indonesia.



# Table of contents

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|                                      |     |
|--------------------------------------|-----|
| Local Owned Company (PT)             | 3-4 |
| Foreign Owned Company (PT PMA)       | 5-6 |
| General Representative Office (KPPA) | 7-8 |
| Immigration Services                 | 9   |

## Local Owned Company (PT)

A Company or Perseroan Terbatas is the most well-known company types in Indonesia. As local owned company, only Indonesian citizens and Indonesia legal entities are allowed to hold shares as registered shareholders.

A local owned company are allowed to conduct any business activity and there are also no obligation to produce a large initial capital investment.

### Requirement of Local Owned Company (PT)

To establish a Local Owned Company are as follows :

- ▶ Prepare company name (minimum three words in Bahasa Indonesia).
- ▶ Business activity of the company.
- ▶ Prepare company address (can use virtual office, dedicated desk and serviced office).
- ▶ Minimum investment value.

The required amount of paid-up capital is dependent on the size of the company :

| Micro companies                | Small companies                                    | Medium companies                                    | Large companies                     |
|--------------------------------|--|---|-------------------------------------|
| Require up to 1 Billion rupiah | Require more than 1 billion up to 5 billion rupiah | Require more than 5 billion up to 10 billion rupiah | Require more than 10 billion rupiah |

- ▶ Prepare structure of shareholder, directors and commissioners. The shareholders and commissioners should be local resident of Indonesia. Local Owned Company is required to have at least is 2 local shareholders (individual / local owned companies), 1 director and 1 commissioner.

If the shareholder is an individual, required documents are :

|                         |  |
|-------------------------|--|
| copy of ID Card (E-KTP) | copy of Tax Identification Number (NPWP) |
|-------------------------|--|

If the shareholder is a local owned company, required documents are :

|   |                            |                                    |                  |   |
|---|----------------------------|------------------------------------|------------------|---|
| All company deeds (Akta Perseroan) with the Ministerial | Tax Register Number (NPWP) | Business Registration Number (NIB) | Business License | Copy of ID Card & Tax Identification Number of all Shareholders, Directors and Commissioners. |
|---|----------------------------|------------------------------------|------------------|---|

#### Note :

If the company have plan to hire foreign employee must be minimum medium size company and have a paid-up capital of 1.5 billion rupiah.

## Steps to register a Local Owned Company (PT)

**1**

Register company name with the Ministry of Law and Human Rights

**2**

Notarize Article of Association.

**3**

Ratify the Deed of Establishment with Ministry of Law and Human Rights

**4**

Obtain company Tax Identification Number with the local tax authority

**5**

Obtain Business License from Online Single Submission

**6**

Obtain Business Registration Number (NIB) from Online Single Submission.

## Foreign Owned Company (PT PMA)

Foreign-owned companies are known as Penanaman Modal Asing (PMA) companies. PT PMA are limited liability companies. They may either be completely foreign-owned or established through a joint venture with Indonesian partners in accordance with the Negative Investment List. At least one shareholder of a PMA must be a foreigner.

Regarding the business location, Foreign Owned Companies are allowed to use virtual office, dedicated desk or serviced office as their business address.

### Negative Investment List

The Negative Investment List is compiled by the Indonesia Investment Coordinating Board (BKPM). It stipulates which sectors are open to foreign investment in Indonesia as well as the percentage of ownership permitted. Sectors which bar foreign investment in Indonesia are not open to the entry of PT PMA.

Therefore if you want to set up company which foreign investment is not allowed, IZIN.co.id can assist you in set up Local Owned Company (PT). PT must be completely owned by Indonesian citizens. Therefore, if you are not an Indonesian citizen, you will need a local nominee director. We will assist you to arrange nominee agreement between you and the local nominee.

### Requirement of Foreign Owned Company (PT PMA)

To establish a Foreign Owned Company are as follows :

- |   |   |                                     |
|---|---|-------------------------------------|
| ▶ Prepare company name (minimum three words)            | ▶ Business activity of the company  | ▶ Prepare company address           |
| ▶ Minimum investment value more than 10 billion rupiah. | ▶ Repare structure of shareholder, directors and commissioners. PT PMA is required to have at least 2 local shareholders (individual / legal entity), 1 director and 1 commissioner | ▶ Shareholder documents requirement |

#### Notes :

- It is possible for a foreigner to serve as the director of a PMA. However, before doing so, the director of the PMA must first have obtained a work permit which is valid in Indonesia.
- To prove that such an amount exists, the PMA can deposit all of it as paid-up capital or send a financial balance sheet of the total amount to any relevant authorities. The amount of capital will be stated in the Deed of Establishment and confirmed by a notary. The paid-up capital can be used to pay for employees salaries, operational fees, product costs, or any other necessary business expenses.

## Steps to register a Foreign Owned Company (PT PMA)

**1****2**

Register company name with the Ministry of Law and Human Rights

Notarize Article of Association

**3****4**

Ratify the Deed of Establishment with Ministry of Law and Human Rights

Obtain company Tax Identification Number with the local tax authority

**5****6**

Obtain Business License from Online Single Submission

Obtain Business Registration Number (NIB) from Online Single Submission

## Representative Office (KPPA)

Representative Office is also known as Kantor Perwakilan Perusahaan Asing. Representative Office is created to have a market presence without capital requirement before starting business in Indonesia. Representative offices are not allowed to generate money or make transactions in Indonesia. The parent company makes all the transactions on their behalf.

Regarding the business location, Representative Office are allowed to use virtual office, dedicated desk or serviced office as their business address.

### Why you should set up Representative Office?



Does not need much capital



Creates a legal entity in Indonesia



Quick and simple incorporation



Can operate without any directors/shareholder



Allows parents company to know about the market



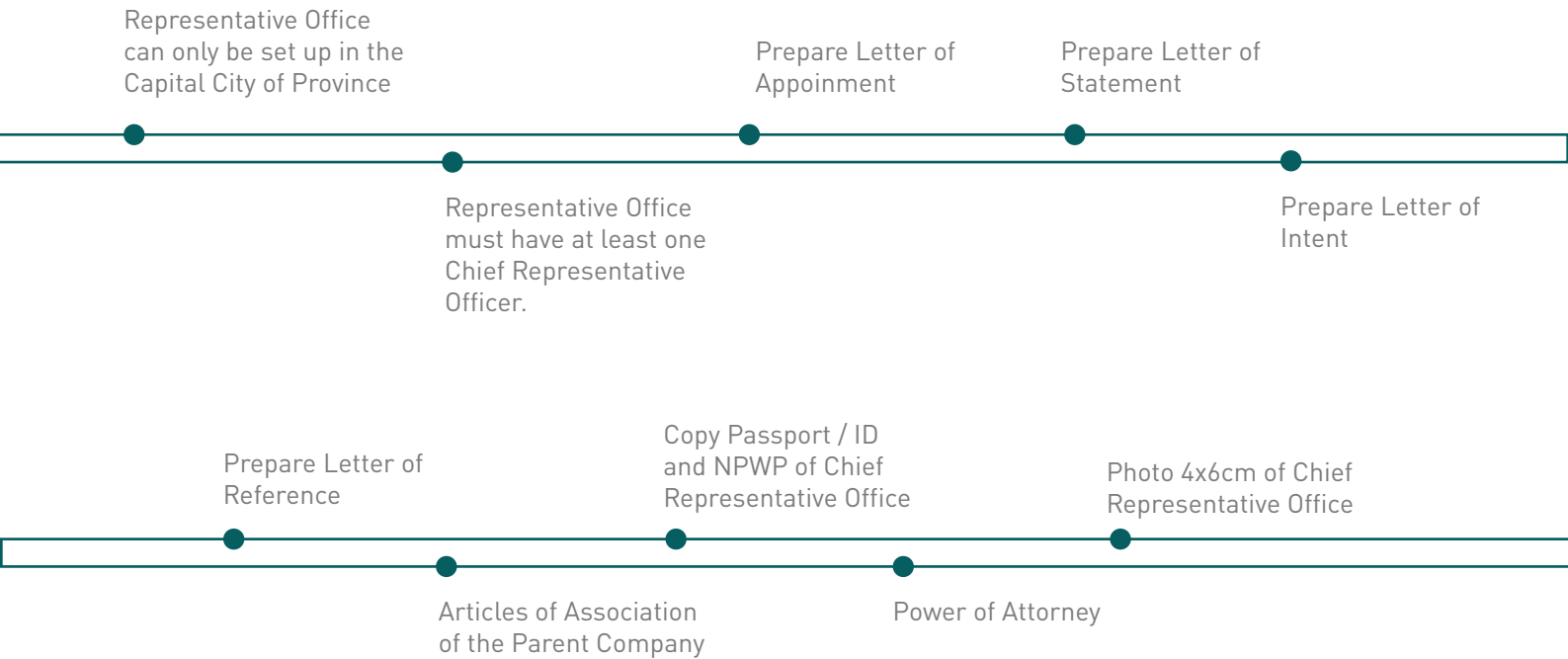
Eligible to have Limited Stay Permit in Indonesia (KITAS)



Allows to open a bank account



## Requirement of Representative Office



## Steps to register a Representative Office



Obtain SIUPA (Surat Izin Usaha Perwakilan Perusahaan Asing) Approval of Representative Office from Investment Coordinating Board (BKPM)



Obtain company Tax Identification Number with the local tax authority



Obtain Business Registration Number (NIB) from Online Single Submission

# Immigration Services

## Types of Visas in Indonesia:

- ▶ Business Visa
- ▶ Work Visa / Limited Stay Permit (KITAS)

## Business Visa

### There are two types of Business Visa:

- ▶ Single Visit
- ▶ Multiple Visit Visa

Both single visit visa and multiple visit visa enable foreigners to come to Indonesia for business reasons such as conferences, training or workshops. A business visa holder is allowed to stay in Indonesia for up to 60 days per visit.

## Limited Stay Permit / KITAS

KITAS (Kartu Izin Tinggal Terbatas) is a permit that allows foreigner to work or stay in Indonesia legally that issue from Indonesian government. You need sponsorship from a company (PT, PT PMA, Representative Office) to get KITAS. The validity of KITAS range from six to twelve months. However you can extend KITAS every twelve months for up to five times.

The length of KITAS depend on the position in the company, specifically :

- ▶ Directors, Commissioners, and people stated in the company incorporation documents usually will get a twelve months KITAS
- ▶ Manager and below usually will get six months KITAS


## Steps to get KITAS

- Get government approval for your Foreign Manpower Utilization Plan (RPTKA – Rencana Penempatan Tenaga Kerja Asing) that allows your company to use foreign employees
- Get a notification from the Ministry of Manpower that gives you a work permit (IMTA – Izin Memperkerjakan Tenaga Kerja Asing)
- Apply for a Limited Stay Visa (Telex visa) and a Limited Stay Permit (KITAS) to the Indonesia Investment Coordinating Board
- Convert your Telex Visa into a KITAS upon your arrival in Indonesia with Multiple Exit Re-Permit (MERP)
- Get a Police Report Letter (STM) from the local police department
- Submit an Expatriate Remittance Report to the Ministry of Manpower

Want to start business in Indonesia?

**IZIN.co.id will help you to incorporate your business in Indonesia.**

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