

Indonesia company registration



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Since 2003, Healy Consultants has been effectively assisting our Clients with **i)** business registration **ii)** Indonesian corporate banking solutions **iii)** resident director and **iv)** accounting and legal requirements.

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Why set up a company in Indonesia?

- Indonesia is the world's 4th most populous country in the world;
- Indonesia's GDP is growing at a rate of 6% per year;
- Due to increase in purchasing power, local residents are willing to spend on high quality international products;
- Indonesia boasts the largest domestic market in Asia after China and India;
- Due to the transformation of Indonesia's service sectors, we encourage clients to invest in Indonesia's vast services sector;
- Cost of living in Indonesia is cheap in terms of food, transport, utilities, rent, wages, etc.;
- Indonesia has established 64 Double Taxation Avoidance Agreements (DTAAs);
- Indonesia's first Special Economic Zone (SEZ), Batam, provides tax incentives to businesses using the area for manufacturing products for export use. Most transactions to bring goods or services into Batam are exempt from VAT, import duty, and Local Service Tax;
- Indonesia is an excellent location for a manufacturing hub due to the abundance of labor and raw materials;
- Indonesia ranks 34th on the World Economic Forum's Global Competitiveness Rankings 2015. The report measures the set of institutions, policies, and factors that determine productivity of a country.



Business entity types in Indonesia

Wholly foreign owned entities (PMA)

- A wholly foreign owned business entity in Indonesia is known as Penanaman Modal Asing (PMA);
- For the first 15 years, a PMA can be foreign owned, however, in its 16th year, the PMA must hire a 5% resident shareholder;
- If a company has a 5% resident owner from the outset, they do not need to sell another 5% of the company in its 16th year;
- This business structure provides greater control to foreign entrepreneurs;
- A PMA is similar to standard limited liability companies (LLCs) in other countries;
- For PMA companies in the mining industry, a 20% resident shareholder must be appointed within 5 years of production commencement;
- For all foreign investors interested in setting up a company in Indonesia, the Investment Consulting Board (BKPM) requires the investor to present an investment plan for a minimum of US\$1.2 million, of which 25% (US\$300,000) must be paid up as initial capital;
- Depending on the business activity, a new company may need to require multiple licenses from different government bodies, thus extending set up time and increasing costs;
- Minimum requirements for a PMA:
 - One resident director must be appointed;
 - Two shareholders must be appointed;
 - One commissioner, otherwise known as a COO;
 - Minimum paid up share capital of US\$300,000;
 - (Optional) a 5% resident shareholder can be appointed any time within the first 15 years;
 - (Mining industry) a 20% resident shareholder must be appointed within 5 years of commencement of production operation.

Limited liability company

- This is the most common business entity used in Indonesia;
- The LLC is also known as Perseroan Terbatas (PT);
- If the LLC has a foreign shareholder, then the company is automatically classified as a PMA company;
- Before conducting business in Indonesia, the LLC must obtain approval from the Capital Investment Coordinating Board (BKPM).

Branch office

An Indonesian branch office is set up if one of the business objectives for the new entity is to consolidate the financial results of the parent company.

Representative office

- A representative office in Indonesia can be wholly foreign owned and controlled, however, it cannot make direct sales within Indonesia;
- This entity type is suitable for businesses looking to carry out marketing activities, market research, or to use it as a buying/selling agent;
- A representative office business license can only be obtained for two years;
- Minimum requirements for a representative office:
 - A registered office address;
 - A Representative Office Executive (of any nationality) must be appointed;
 - There is no minimum paid up capital requirement.

Nominee trading company

- A nominee trading company allows entrepreneurs to overcome foreign investment restrictions (e.g. purchase of Indonesian property);
- Land can be purchased by the company on behalf of the investor – land title deeds will be in the name of the nominee company;
- A 30 year business license can be obtained for a nominee trading company;
- Nominee companies must submit an annual tax return and audited financial statements;
- Minimum requirements for a nominee trading company:
 - Two directors must be appointed;
 - Two shareholders (of which 1 must be a resident) must be appointed;
 - Minimum paid up share capital of 50 million rupiah (US\$5,400);
 - A registered office address.



Joint venture

- The Indonesian government prefers when foreign companies form joint ventures with Indonesian resident companies;
- A joint venture is established in the form of a PMA (foreign investment limited company);
- Joint ventures allow foreign investors to acquire local market knowledge and expertise;
- Joint ventures must submit annual tax returns and audited financial statements to authorities;
- Minimum requirements:
 - Two directors must be appointed;
 - Two shareholders must be appointed;
 - At least 5% of the company must be owned by an Indonesian citizen;
 - A registered office address is required for a joint venture.

Public companies

- If shares are offered to the public through an Initial Public Offering (IPO) or the company has 300 shareholders and paid up capital of at least 300 billion rupiah, it is a public company;
- Public companies are subject to more stringent regulatory provisions than an LLC;
- It is not necessary for public companies to be listed on the national stock exchange, PT Bursa Efek Indonesia (IDX).

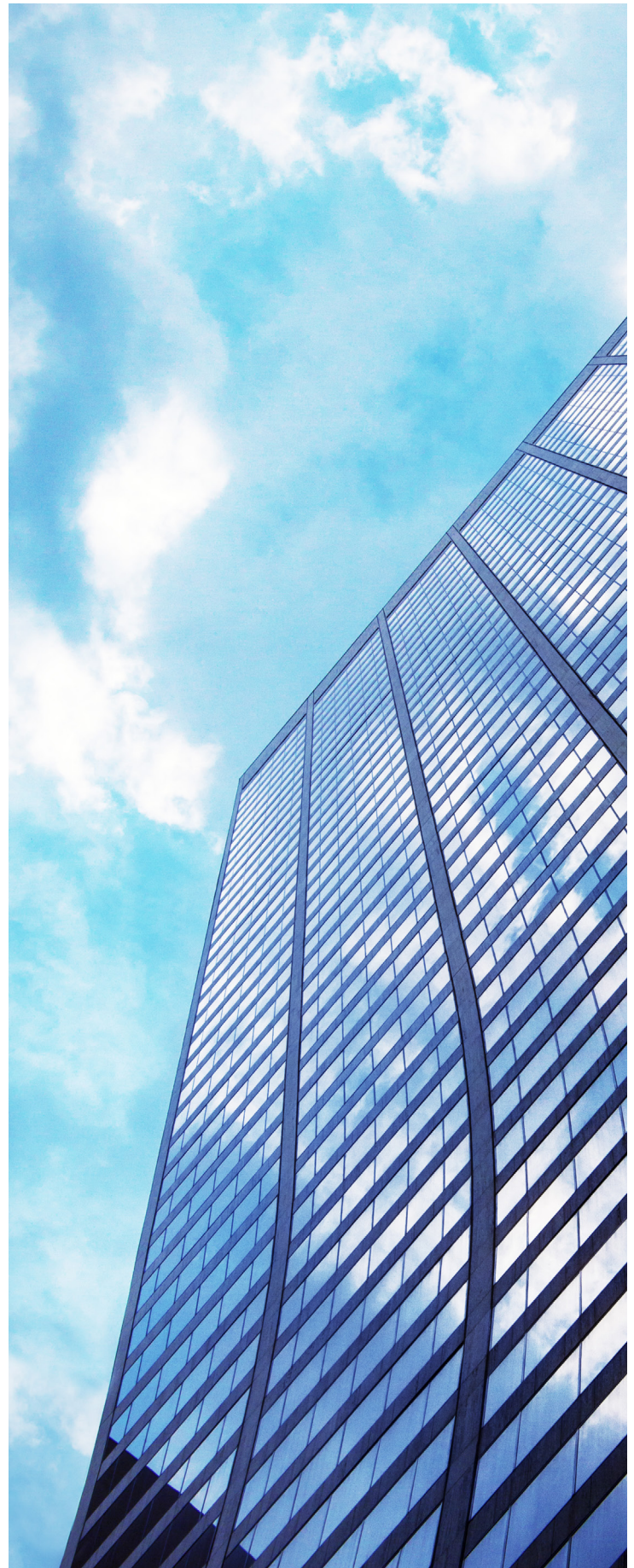


Table of comparison between Indonesian business entities

	PMA company	Representative office
Operations and logistics		
Do you need to visit Indonesia for company setup?	No	No
Is doing business in Indonesia permitted?	Yes	No
Allowed to sign sales contracts with local Clients	Yes	No
Allowed to invoice local Clients	Yes	No
Can rent local office premises	Yes	Yes
Tenancy agreement required before incorporation?	Yes	Yes
Allowed to import raw materials?	Yes	No
Allowed to export goods?	Yes	No
Accounting and tax		
Corporate tax payable	25%	None
Statutory audit required	Yes	No
Annual tax return to be submitted	Yes	No
Access to double taxation treaties	Yes	No
Company law		
Issued share capital required	US\$300,000	None
Resident director required?	Yes	No
Resident shareholder required?	No	No
Minimum number of directors	1	None
Minimum number of shareholders	2	None
Minimum number of Commissioners	1	None
Resident company secretary	No	No
Individual shareholders allowed	No	No
Corporate directors allowed	Yes	No
Corporate shareholders allowed	Yes	Yes
Public register of shareholders and directors	Yes	No
Immigration		
Can the entity hire expatriate staff?	Yes	Yes
Employment visa fees	US\$4,950	US\$2,950
How long to get work permit approved	3 months	3 months
Fees and timelines		
How long to set the company up?	3 months	3 months
How long to open corporate bank account?	4 weeks	3 weeks
Estimate of engagement costs	US\$30,740	US\$19,250

Indonesian industrial free zones

- Indonesia currently has one free trade zone – the Batam Free Trade Zone (FTZ);
- All companies registered within the Batam FTZ are subject to 30% corporate tax;
- Companies registered in Batam FTZ benefit from exemption from import and export duty on machines, spare parts, and raw materials for production. Imported goods will also be exempt from VAT;
- Batam FTZ companies have access to 64 DTAA's concluded by Indonesia, with countries including Australia, USA, UK, Germany, Vietnam, Philippines, Mauritius, Singapore, and Malaysia;
- The Batam FTZ is located between Indonesia, Malaysia, and Singapore, and is accessible by all modes of transportation, including air, sea, and land.

	Batam free trade zone
Operations and logistics	
Do you need to visit Indonesia for company setup?	No
Allowed to sign sales contracts with local Clients	Yes
Allowed to invoice local Clients	Yes
Tenancy agreement required before incorporation?	Yes
Allowed to import raw materials?	Yes
Allowed to export goods?	Yes
Accounting and tax	
Corporate tax payable	Yes
Annual audited financial statements	Yes
Access to double taxation treaties	Yes
Company law	
Minimum number of directors	1
Minimum number of shareholders	2
Individual shareholders allowed	No
Corporate directors allowed	Yes
Corporate shareholders allowed	Yes
Can the entity hire expatriate staff?	Yes
Fees and timelines	
How long to set the company up?	3 months
How long to open corporate bank account?	3 – 4 weeks
Average annual industrial space rent per 1000m ²	US\$24,400

Steps to incorporate in Indonesia

10 STEPS TO SETTING UP A BUSINESS IN INDONESIA



Indonesia company incorporation timeline



Total engagement period: 23 weeks

Expedited solutions for Indonesia

- Healy Consultants provides expedited solutions for companies looking to enter Indonesia quickly;
- Within two weeks, Healy Consultants will email you a company number and corporate bank account number;
- The name of the pre-approved corporate bank account is of an existing ready-made company. In order to maintain the corporate bank account, the name of the shelf-company cannot be changed;
- Only the business activity of the company can be changed;
- If the company name is changed, the bank will require a new bank account application under the new company name.

Steps to purchase a shelf company in Indonesia

1	The client provides the required corporate and personal due diligence information to Healy Consultants and confirms the planned corporate structure;
2	Healy Consultants provides our clients i) company name and number ii) company office address iii) corporate bank account number and iv) tax number;
3	Healy Consultants email the Indonesian shelf company director i) legal share allotment and legal share transfer ii) change of company address and iii) lease agreement in Indonesia (if required). These documents are then submitted to the Indonesia Company Registry for approval;
4	Once approved, Healy Consultants emails our Client i) certificate of incorporation ii) M&AA with new shareholders and directors;
5	The client (or Healy Consultants on behalf of the Client) will need to give a presentation about their business activity before the BKPM;
6	Healy Consultants and our Client (if required) attend a meeting with the Indonesian bank to change the bank signatory and submit the corporate bank package.



Summary

Despite the few drawbacks of setting up a company in Indonesia such as the high minimum paid up share capital, lack of regulatory transparency, and corporate tax rate of 30%, Indonesia is one of the key investment locations for businesses looking to enter the Asian market.

There are many key benefits of setting up a company in Indonesia including the option to own a wholly foreign owned company (PMA), access to DTAA's and the increasing purchasing power in the country.

If you are looking to expand your business to Indonesia, it is beneficial to have someone who understands the full business setup process. With experience since 2003 in registering businesses in Indonesia, Healy Consultants can provide Clients with the knowledge and expertise to ease the process of entering the Indonesian market. Healy Consultants also provides a wide range of support services for your business including resident director services, legal registered address, and corporate banking services.

Please visit <http://www.healyconsultants.com/indonesia-company-registration/> for more information.

References

- <http://www.healyconsultants.com/indonesia-company-registration/>
- <http://reports.weforum.org/global-competitive-ness-report-2014-2015/economies/#economy=IDN>
- <http://pajak.go.id/content/perjanjian>



For further information on setting up a business in Indonesia, please email us at email@healyconsultants.com. Alternatively, you can call us at (65) 6735 0120.

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