

## Client Alert

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### For More Information:

Mita Djajadiredja  
Senior Partner  
+62 21 2960 8689  
mita.djajadiredja  
@bakermckenzie.com

Daniel Pardede  
Partner  
+62 21 2960 8609  
daniel.pardede  
@bakermckenzie.com

Abimata Putra  
Senior Associate  
+62 21 2960 8549  
abimata.putra  
@bakermckenzie.com

### The Government Delivers the Long Awaited Draft Omnibus Law to the Parliament

In September 2019, several news outlets reported that the government of the Republic of Indonesia was preparing a new law that would regulate several provisions in various industry sectors in one law, with a view to strengthening the Indonesian economy, increasing competitiveness and creating jobs. This is the first time that the government has initiated this type of law, known as an omnibus law.

The government's plan covers two omnibus laws: (a) a job creation law (*RUU Cipta Kerja*), and (b) an omnibus tax law (*RUU Omnibus Perpajakan*). The draft of the omnibus tax law has not been made available to the public.

The draft of the job creation law was submitted to the parliament for further discussion on 12 February. The Coordinating Ministry of Economic Affairs has made the draft of the job creation law available to the public. We will issue subsequent client alerts that cover specific key changes in several sectors.

The draft of the job creation law:

- focuses on: (a) increasing the ease of doing business in Indonesia (e.g., simplifying licensing processes, simplifying land acquisition processes, introducing specific provisions on economic zones, creating a land bank supervisory authority, and removing several local filings and registrations such as disturbance permits (*izin gangguan*) and company registrations (*wajib daftar perusahaan*)), and (b) centralizing the government's investment activity (e.g., creating a government investment authority and fund)
- introduces key amendments to several sectors, notably trade, mining, forestry, mining, plantation, construction, education, transportation (including sea transportation), postal services and broadcasting services
- introduces several key amendments to the Labor Law, particularly on expatriate licensing requirements, employment termination, contract-based employment, post-termination benefit schemes, employees' rights when there is an acquisition, and severance pay/termination pay
- reiterates that the Capital Investment Law and investment list will be the main reference for all capital investment activities in Indonesia
- provides umbrella provisions for the central government to grant tax and fiscal incentives to specific sectors, particularly the tourism sector

- confirms that all licensing processes will be undertaken by the central government, rather than being allocated between the central government and local governments
- provides several incentives to micro and small enterprises:
  - Micro and small enterprises will be allowed to establish one-shareholder limited liability companies (*perseroan terbatas*), an exemption to one of the key principles under the Company Law that requires a limited liability company to have at least two shareholders.
  - Micro and small enterprises will be allowed to transfer the ownership of these limited liability companies.
  - Micro and small enterprises will be allowed to use their business assets as loan collateral (increasing the bankability of micro and small enterprises).

Most of the provisions of the law refer to the enactment of implementing regulations (e.g., government regulations and presidential regulations) as the implementing instruments of the key changes introduced by the law. This could mean that these key changes may not be implementable immediately after the law is enacted.

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HHP Law Firm  
Pacific Century Place, Level 35  
Sudirman Central Business  
District Lot. 10  
Jl. Jenderal Sudirman Kav. 52-53  
Jakarta 12190  
Indonesia

Tel : +62 21 2960 8888  
Fax: +62 21 2960 8999

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