

CLIENT UPDATE

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Government Regulation 28/2025 on Implementation of Risk-Based Business Licensing: Industrial Sector Analysis

On 5 June 2025, the Government of Indonesia enacted Government Regulation No. 28 of 2025 concerning the Implementation of Risk-Based Business Licensing (“**GR 28/2025**”), which formally replaces the previous regulations, namely the Government Regulation No. 5 of 2021.

The purpose of the enactment of GR 28/2025 is to refine and simplify risk-based business licensing in Indonesia, with the aim of facilitating business entities in conducting their business activities. GR 28/2025 introduce several changes across multiple sectors, including the **industrial sector** which is among the rapidly growing sectors in Indonesia.

Comparison of Business Licensing in the Industrial Sector

Based on Article 5 paragraph (1) GR 28/2025, the implementation of Business Licensing (*Perizinan Berusaha* or “**PB**”) and/or Business Licensing to Support Business Activities (*Perizinan Berusaha Untuk Menunjang Kegiatan Usaha* or “**PB UMKU**”) covers various sectors, one of which is the industrial sector. GR 28/2025 introduces several significant

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changes in industrial sector licensing, aimed at improving efficiency, legal certainty, and transparency in the licensing process. This regulation is also aligned with the development of a risk-based approach and strengthens the role of the OSS System in expediting the licensing process.

In this regard, the following is a comparison between GR 5/2021, which has been repealed by GR 28/2025, to provide a deeper understanding of the key changes that are relevant to the industrial sector.

Aspects	GR 5/2021	GR 28/2025	Analysis
Implementation of PB	Including activities that process raw materials and/or utilize industrial resources, as well as industrial estates. (Article 60 paragraph 1)	Including the operation of industries that process raw materials, utilize industrial resources, as well as industrial estates. (Article 149)	GR 28/2025 expands the scope of PB in the industrial sector by explicitly covering not only processing activities but also industrial services. This means that companies engaging in service-oriented industrial activities—such as logistics, maintenance, or technical support—may now be subject to PB requirements. The expansion provides regulatory certainty for previously unregulated or ambiguously categorized service-based operations.
PB UMKU	PB UMKU in the industrial sector includes: a. recommendations, technical considerations, approval letters, establishment letters, registration certificates, and/or operational business certificates for certain industrial activities; b. technical verification of fulfilling business licensing requirements for industry; and c. technical verification of fulfilling licensing requirements for industrial estates. (Article 61)	PB UMKU in the industrial sector includes operational and/or commercial support activities for business operations, such as: a. recommendations; b. technical considerations; c. approval letters; d. establishment letters; e. registration certificates; f. valid certificates; and/or g. statements supporting operational and/or commercial activities for certain industrial business activities. (Article 149 paragraph 2)	GR 28/2025 introduces a more comprehensive list of documents and requirements for PB UMKU in the industrial sector, including operational and commercial support functions. This change clarifies what applicants must prepare, thereby reducing uncertainty during the licensing process and improving administrative consistency. Businesses offering support services within industrial activities may now need to comply with PB UMKU requirements.
Location Requirements	Industrial business activities must be located in industrial estates, with exceptions, including but not limited to small and	Industrial business activities must be located in industrial estates, with more specific exceptions, including but not limited to	GR 28/2025 may be interpreted as allowing all small industries to be located outside industrial estates , which, under GR

	medium industries that do not cause major environmental pollution. (Article 65)	(1) small industries; and (2) medium industries that do not cause major environmental pollution. (Article 151)	5/2021, is still permitted as long as the industry does not have the potential to cause widespread environmental pollution.
Industrial Estate Licensing	PB for industrial estate activities is granted only to non-individual businesses, state-owned enterprises, regional-owned enterprises, cooperatives, and limited liability companies, located within designated industrial areas in accordance with National Spatial Planning (<i>Rencana Tata Ruang</i> or “RTR”), provincial RTR, or district/city RTR. (Article 72)	PB for industrial estate activities is granted only to state-owned enterprises, regional-owned enterprises, cooperatives, and limited liability companies, located within designated industrial areas according to RTR. (Article 154)	Compared to GR 5/2021, GR 28/2025 narrows the types of business entities eligible to obtain a business license. While more restrictive, it offers clearer legal certainty.
Expansion of Industrial Estates	a. Expansion of industrial estates requires PB, and land ownership. b. Expansion is granted only for land that is ready for use and owned, evidenced by land release certificates or deeds. (Article 76)	a. Expansion of industrial estates requires PB, basic requirements, and land ownership. b. Expansion must be conducted within a contiguous plot of land and located within a designated industrial zone in accordance with the RTR. (Article 155)	GR 28/2025 adds a spatial planning condition that any expansion of an industrial estate must be carried out within a single, contiguous land area that falls within a designated industrial zone according to the prevailing RTR (spatial plan). This aims to ensure structured and coordinated development, but may increase planning and land consolidation burdens for estate developers seeking to expand incrementally or across fragmented plots.

According on the comparison above, GR 28/2025 makes a number of significant changes to simplify and enhance the business licensing process for the industrial sector. The new regulation expands the types of activities covered by licensing, now including industrial services in addition to raw material processing and resource use. It also provides more detailed requirements for PB UMKU, with clearer documentation needed for compliance.

GR 28/2025 also introduces stricter rules for expanding industrial estates. The expansion now requires businesses to own the land and carry out the expansion within a contiguous plot, located in a designated industrial zone, in line with RTR. In addition, several important changes in GR 28/2025 include:

a. **Parallel Submission of Environmental and Technical Approvals**

Previously, environmental and technical approvals were processed sequentially. However, under GR 28/2025, both processes can now be submitted in parallel through the OSS system, provided certain requirements are met by the business actors, as referred to in Article 84 paragraph (1) of GR 28/2025.

b. **Environmental Approvals for Tenants in Industrial Estates or SEZ**

Tenants operating in SEZ or industrial estates are required to comply with the applicable environmental requirements, including the preparation of an Environmental Management and Monitoring Plan (*Rencana Pengelolaan Lingkungan-Rencana Pemantauan Lingkungan Hidup* or RKL-RPL), if the area already holds Environmental Impact Assessment (*Analisis Mengenai Dampak Lingkungan Hidup* or AMDAL) or area-based environmental approvals, as regulated in Article 102 of GR 28/2025.

c. **Changes in Environmental Management and Monitoring**

According to Article 78 paragraph (6) of GR 28/2025, if a business actor conducts activities with more than one Indonesian Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha Indonesia* or KBLI) code, which are part of integrated business activities within a single ecosystem, the environmental approval must refer to the fulfilment of the highest-level environmental document.

Conclusion:

In conclusion, it is anticipated that the implementation of GR 28/2025 will streamline the licensing procedure for the industrial sector as well as other business sectors, making it easier to conduct business in Indonesia. Although GR 28/2025 went into effect on June 5, 2025, within 4 (four) months from its effective date, further amendments and/or implementing regulations are anticipated to be issued to ensure the full and proper implementation of GR 28/2025 pursuant to the Government's objectives.

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