

Reminder - Mandatory Adjustment of Business Activities of Companies

As you may be aware, the Indonesian Ministry of Law and Human Rights (“**MOLHR**”) through its Directorate General of General Legal Administration and the Coordinating Ministry for Economic Affairs through its Online Single Submission (“**OSS**”) Agency have issued a joint announcement which was published on their respective websites on 11 October 2018. The joint announcement focuses primarily on the obligation of limited liability companies to adjust its purposes and objectives and business activities (under the Articles of Association – “**AOA**”) to be in line with the relevant description under the Indonesian Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha Indonesia* – “**KBLI**”) of 2017.

The reason of this mandatory adjustment is because there are discrepancies between MOLHR and OSS system i.e., the data of limited liabilities company in the Legal Entity Administration System (*Sistem Administrasi Badan Hukum*) maintained by MOLHR is using KBLI of 2015 while, the data in OSS system maintained by OSS agency is using KBLI of 2017. Such condition causes limited liability companies to be unable to continue the process to obtain Business Identity Number (*Nomor Induk Berusaha* – “**NIB**”) in the OSS system since these 2 (two) system are designed to be interconnected.

To solve this problem, companies that have obtained NIB are obligated to adjust their purposes and objectives and business activities to be in line with KBLI of 2017 within 1 (one) year as of the date of the joint announcement or by 11 October 2019.

This mandatory adjustment must be done through amendment to the AOA of the company which must be made in a notarial deed form and be approved by MOLHR. Failure to comply with the said requirement will result in suspension of companies’ NIB.

Given the deadline is approaching, please be reminded that checking purposes and objectives and business activities stated in the AOA is very recommended. If it is not yet inline with KBLI of 2017, the amendment to the AOA should be made in the near time. Note that it is our understanding that the amendment does not mean to change or revise the wordings of the purposes and objectives and business activities to be exactly the same with the wordings or descriptions in KBLI of 2017, as the description thereof can be too broad. However, the amended wordings only need to adopt the necessary wordings of KBLI of 2017 which mention and cover business activities that are actually carried out by the company.

This client alert is intended to provide an overview only, thus, cannot be deemed as a legal advice. If you need a more detailed discussion and/or advice, please do not hesitate to contact us.

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