

Client Alert

**Key Insights on Construction Services
Business Licensing and Foreign
Investment Requirement Updates**

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I. Brief

The construction services business in Indonesia primarily operates under the governance of Law No. 2 of 2017 on Construction Services as amended by Law No. 6 of 2023 ("**Construction Services Law**") and Government Regulation No. 2 of 2022 on the Implementing Regulation of the Construction Services Law as amended by Government Regulation No. 14 of 2022 ("**GR 2/2022**"). As like the majority of business sectors in Indonesia, the licensing of construction services business is centralized under the Minister of Investment and Downstreaming / Head of Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* – "**BKPM**") Risk-Based Online Single Submission ("**OSS RBA**") system.

As part of the efforts to reinforce the risk-based business licensing framework, the Government of Indonesia has issued the Government Regulation No. 28 of 2025 on the Implementation of Risk-Based Business Licensing ("**GR 28/2025**"), along with its implementing regulation, the BKPM Regulation No. 5 of 2025 on Guidelines and Procedures for the Implementation of Risk-Based Business Licensing and Investment Facilities through the Electronic Integrated Business Licensing System (Online Single Submission) ("**BKPM Reg 5/2025**"). The issuance of GR 28/2025 and BKPM Reg/2025 formally revokes and replaces the Government Regulation No. 5 of 2021 ("**GR 5/2021**") and BKPM Regulation No. 4 of 2021 ("**BKPM Reg 4/2021**").

In light of the above regulatory developments, the Ministry of Public Works ("**MoPW**"), as the technical authority responsible for administering business licensing in the construction services sector, has also updated its implementing regulations governing the risk-based business licensing regime. Accordingly, the MoPW issued Minister of Public Works Regulation No. 6 of 2025 on Business Activity Standards and/or Product/Service Standards, Supervision, and the Imposition of Administrative Sanctions in the Administration of Risk-Based Business Licensing in the Public Works Sector ("**MoPW Reg 6/2025**"), which formally revokes and replaces Minister of Public Works and Public Housing Regulation No. 6 of 2021 on Business Activity Standards and Product Standards in the Administration of Risk-Based Business Licensing in the Public Works and Public Housing Sector ("**MoPW Reg 6/2021**").

In light of this regulatory development, the following sections highlight key insights on updates to the business licensing regime applicable to the construction services business.

II. Construction Services Business Entities and Types of Construction Services

As a refresher, construction services business activities in Indonesia may be undertaken through several types of legal entities, namely:

1. National construction services business entity (*Badan Usaha Jasa Konstruksi Nasional* – "**BUJKN**"), which is a limited liability company established and wholly owned by Indonesian

citizens and/or fully domestic-owned Indonesian legal entities;

2. Foreign investment construction services business entity (*Badan Usaha Jasa Konstruksi Penanaman Modal Asing* – “**BUJK PMA**”), which is an incorporated joint venture between a BUJKN and a foreign construction services business entity or other BUJK PMA; and
3. Foreign construction services business entity representative office (*Kantor Perwakilan Badan Usaha Jasa Konstruksi Asing* “**KP BUJKA**”), which is a representative office established by a foreign construction services business entity seeking to conduct construction activities in Indonesia without incorporating a BUJK PMA.

Each entity type set out above is subject to distinct regulatory requirements and operational scopes under Indonesian investment and construction laws.

Further, under the Construction Law, construction services are categorized into three types of services as follows:

1. **Construction consultancy services** – which encompasses all or part of the activities including assessment, planning, design, supervision, and management of the construction implementation of a building.
2. **Construction work services** – which encompasses all or part of the activities that include construction, operation, maintenance, demolition, and reconstruction of a building.
3. **Integrated construction services** – which is encompasses the provision of both construction work and construction consultancy services in an integrated manner (e.g. EPC).

III. Key Insights

a. Foreign Investment Requirements

With respect to foreign investment requirements applicable to the construction business entities, whether in the form of a BUJK PMA or a KP BUJKA, we set out below comparison on the key requirements set out under the previous regime (GR 5/2021 and BKPM Reg 4/2021) and the current applicable regulations (GR 28/2025 and BKPM Reg 5/2025):

Table 1: Comparison of Foreign Investment Requirements

No	Requirement	Applicability	GR 5/2021, BKPM Reg 4/2021, MoPW Reg 6/2021 (Revoked)	GR 28/2025, BKPM Reg 5/2025, MoPW Reg 6/2025 (Current)
1	Domestic Shareholder	BUJK PMA	Must be a BUJKN holding a Business Entity Certificate (<i>Sertifikat Badan Usaha</i> – “SBU”) with a Large qualification ¹ , and engage in the same line of business as the foreign shareholder. ²	Maintained. However, under MoPW Reg 6/2025, these requirements may be waived provided that the BUJK PMA does not change its foreign investor/shareholder composition, business activities, or business sub-classifications. To rely on this exemption, the BUJK PMA must obtain a confirmation letter issued by the government authority responsible for investment and deregulation affairs.
2	Foreign Shareholder	BUJK PMA	Must be a legitimate construction services business entity in its country of origin, hold valid construction service certifications, qualify as “Large” qualification under Indonesian standards ³ , and engage in the same line of business as the domestic shareholder.	
3	Foreign Ownership Limitation	BUJK PMA	Maximum 70% for ASEAN countries, and 67% for non-ASEAN countries.	
4	Establishment Requirements	KP BUJKA	Principal must be a legally established construction service business entity in its country of origin.	Maintained.
5	Joint Operations Obligation	KP BUJKA	To undertake construction works in Indonesia, a KP BUJKA must form an unincorporated joint operations (<i>Kerja Sama Operasi</i> – “KSO”) with a BUJKN holding an SBU with Large-qualification SBU. The sub-classification of the KP BUJKA must be identical with the BUJKN.	Maintained and is further specified that the KSO must be formed prior to the procurement of contractors.

¹ A qualification relates to the scale and capacity of the construction business, and is assessed from the financial capacity, experience, technical personnel, equipment ownership of the construction services business entity. A construction services business entity may be qualified as small, medium or large. The larger and more complex the projects the construction services business entity is eligible to undertake. As for the criteria for a ‘Large’ qualification. Please refer to section III.c. below.

² The qualifying criteria for the ‘same line of business’ is not clearly defined under GR 5/2021 and BKPM Reg 4/2021. However, this is commonly understood as having the same construction services business sub-classification.

³ Please refer to section III.c. below for the criteria for a ‘Large’ qualification.

No	Requirement	Applicability	GR 5/2021, BKPM Reg 4/2021, MoPW Reg 6/2021 (Revoked)	GR 28/2025, BKPM Reg 5/2025, MoPW Reg 6/2025 (Current)
6	Minimum Local Work Portion (Construction Work or Integrated)	KP BUJKA	50% of project value must be performed domestically; and 30% of construction work value must be executed by the BUJKN.	Maintained.
7	Minimum Local Work Portion (Consultancy Services)	KP BUJKA	All consultancy work must be conducted within Indonesia; and at least 50% of the consultancy service value must be carried out by the Indonesian KSO partner.	Maintained.
8	Local Materials and Technology Priority	KP BUJKA	KSO must prioritize the use of Indonesian construction materials and local construction technologies.	No longer specified , but remains an obligation under GR 22/2020.
9	High-Standard Technology and Quality	KP BUJKA	Foreign entity must apply advanced, high-quality, efficient, and environmentally conscious technologies, taking local wisdom into account.	No longer specified , but remains an obligation under GR 22/2020.
10	Technology Transfer Obligations	KP BUJKA	KP BUJKA must implement technology transfer processes to enhance domestic capability.	No longer specified , but remains an obligation under GR 22/2020.
11	Priority Use of Indonesian Manpower	KP BUJKA	KP BUJKA must employ more Indonesian workers than foreign workers at every professional level.	No longer specified , but remains an obligation under GR 22/2020.
12	Restrictions on Foreign Workers	KP BUJKA	Foreign workers may only serve in supporting management or technical roles, and must be placed at least two levels below Indonesian personnel in equivalent classifications.	No longer specified , but open roles for foreign workers shall still comply with requirement set under manpower regulations.

b. Applicable Licenses

The primary OSS RBA licenses for construction service business entities remain unchanged under GR 28/2025 and BKPM Regulation 5/2025. Since most construction service activities fall within the “medium-low” to “medium-high” risk categories, the applicable OSS RBA licenses continue to consist of a Business Identification Number (*Nomor Induk Berusaha* or “**NIB**”) and a Standard Certificate. Regarding supporting business licenses, GR 5/2021 previously set out licensing requirements for construction sector participants, which included the Construction Business Entity Certificate (Sertifikat Badan Usaha or “**SBU**”), the Construction Work Competence Certificate (Sertifikat Kompetensi Kerja or “**SKK**”), and the registration of a KP BUJKA. However, GR 28/2025 removes the reference to KP BUJKA registration but maintains SBU and SKK.

Apart from the changes noted above, the detailed regulatory framework governing construction business activities, including requirements relating to SBU, SKK, and classification structures, remains the same following the issuance of GR 28/2025. As of current, these matters continue to be primarily governed by: (i) GR 22/2020; (ii) MoPW Reg 6/2025; and (iii) Minister of Public Works and Public Housing Regulation 8 of 2022 on Procedures for Implementing the Fulfillment of

Construction Service Standard Certificates to Support Business Licensing for Construction Service Providers (“**MoPWH Reg 8/2022**”).

c. Large Qualification Requirements

As noted in Part III.a (*Foreign Investment Requirements*) above, a BUJK PMA and a KP BUJKA are subject to a construction services business entity ‘Large’ qualification requirement. A qualification relates to the scale and capacity of the construction business, and is assessed from the financial capacity, experience, technical personnel, equipment ownership of the construction services business entity. A construction services business entity may be qualified as small, medium or large. The larger and more complex the projects the construction services business entity is eligible to undertake.

MoPW Reg 6/2025 sets out in detail the criteria that must be fulfilled in order for a construction services business entity to qualify for a ‘Large’ qualification, as can be seen in the table below:

Table 2: Large Qualification Requirements Under GR 5/2021

Type of Services	Annual Sales*	Financial Capability	Minimum Technical Personnel**	Equipment
Construction Work Services	> IDR 50 billion	> IDR 10 billion	1 Business Entity Person-in-Charge (PJBU) as the highest leader. 1 Business Entity Technical Person-in-Charge (PJTBU) certified with construction SKK with the minimum KKNI qualification level 8 (eight) or intermediate expert in accordance with construction worker subclassification. 1 Business Entity Sub-Classification Person-in-Charge (PJSKBU) per business subclassification certified with construction SKK with the minimum KKNI qualification at least level 7 (seven) or junior expert in accordance with the construction worker subclassification.	Minimum 2 main equipment for each sub-classification
Construction Consultancy Activities	> IDR 2.5 billion	> IDR 1 billion	1 PJBU as the highest leader. 1 PJTBU certified with construction SKK with the minimum KKNI qualification level 9 (nine) or main expert in accordance with construction worker subclassification, or possessing Association	N/A

Type of Services	Annual Sales*	Financial Capability	Minimum Technical Personnel**	Equipment
Integrated Construction Services			of South East Asian Nation (ASEAN) Architect or ASEAN Chartered Professional Engineer certification. 1 PJSKBU per business subclassification certified with construction SKK with the minimum KKNi qualification at least level 8 (eight) or intermediate expert in accordance with the construction worker subclassification.	
	> IDR 50 billion	> IDR 10 billion	1 PJBu as the highest leader. 1 PJTBU certified with construction SKK with the minimum KKNi qualification level 9 (nine) or main expert in accordance with construction worker subclassification. 1 PJKBU per business subclassification certified with construction SKK with the minimum KKNi qualification at least level 8 (eight) or intermediate expert in accordance with the construction worker subclassification.	Minimum 2 main equipment for each sub-classification

Notes

*In respect of the Annual Sales qualification requirement:

- For a **KP BUJKA**, the initial certification application is assessed based on the construction work experience of the founding foreign construction services company.
- For a **BUJK PMA**, the initial certification application is assessed based on the construction work experience of the founding construction services companies (both domestic and foreign).

In respect of the Minimum Technical Personnel qualification requirement, for a **KP BUJKA, the PJBu must be an Indonesian national. If the PJBu position cannot be held by an Indonesian national, the KP BUJKA is required to appoint an Indonesian national as the PJTBU.

IV. Types of Services Undertaken

Consistent with the framework under GR 22/2020, a construction services business entity is generally restricted from engaging in more than one category of construction services business. Accordingly, a construction services business entity that is licensed to undertake one category of construction services (i.e., construction consultancy services, construction works, or integrated construction works, as described in Section II above) may not simultaneously undertake another category of construction services, except as expressly permitted under the prevailing regulations.

In this regard, MoPW Reg 6/2025 further provides that:

1. A construction services business entity engaged in **construction consultancy services** is prohibited from engaging in **construction works** and/or **integrated construction works**.
2. Conversely, a construction services business entity engaged in **construction works** and/or **integrated construction works** is prohibited from engaging in **construction consultancy services**.
3. A construction services business entity engaged in **construction works** that intends to undertake **integrated construction works** must establish a KSO with a construction services business entity engaged in **construction consultancy services**. In such KSO for the provision of **integrated construction works**, the construction services business entity engaged in **construction works** must act as the lead member of the KSO.

V. Conclusion

The enactment of GR 28/2025, BKPM Reg 5/2025, and MoPW Reg 6/2025 introduces several structural and administrative adjustments to the regulatory framework governing construction services in Indonesia. However, the core substantive requirements applicable to domestic and foreign construction business entities remain largely consistent with the previous regime under GR 5/2021, BKPM Reg 4/2021, and MoPW Reg 6/2021. As such, the practical landscape for foreign investors operating through BUJK PMA and/or KP BUJKA remains broadly unchanged.

Although the latest regulatory reforms do not introduce significant substantive changes to the legal framework governing construction services, it is highly advisable for construction companies to reassess whether their existing licensing, certifications, and operational structures remain fully compliant under the updated regulatory regime. Given the evolving implementation of Indonesia's risk-based licensing system and the increased integration between OSS and sectoral regulators, early legal and regulatory reviews can help identify compliance gaps, avoid disruptions to ongoing projects, and ensure readiness for future licensing and supervisory requirements.

We will continue the development of this topic. Should you have any queries on this topic, please reach out to our key contacts:



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