



INVESTMENT IN INDONESIA

B. ESTABLISHING REPRESENTATIVE OFFICE IN INDONESIA

A Foreign Company could not establish a branch office in Indonesia for purpose of conducting the operational activities of its principal company such as trading or business transactions. In order to conduct those activities in Indonesia, a Foreign Company must establish an Indonesian legal entity. It is so-called a Foreign Investment Company or *PT Penanaman Modal Asing* (“PT PMA”).

Moreover, a Foreign Company that wishes to assess the potential market in Indonesia may establish a Representative Office and not a branch office.

There are several types of representative office currently allowed to be set up in Indonesia e.g.:

1. Foreign Company Representative Office (*Kantor Perwakilan Perusahaan Asing*);
2. Foreign Trade Company Representative (*Perwakilan Perusahaan Perdagangan Asing*); and
3. Construction Service Provider Representative Office.

Foreign Company Representative Office

A foreign company or a group of foreign companies may open a representative office in Indonesia to manage its interest, or to prepare the establishment and development its business in Indonesia (refer to Article 1 Presidential Decree No. 90 of 2000 jo Article 1 Decree of the Chairman of BKPM No.2001). A foreign company or a group of foreign companies must submit application to the Indonesia Investment Coordinating Body (“BKPM”).

A Foreign Company Representative Office’s (“Rep.Office”) activities are limited to the role of supervisor, intermediary, coordinator or manager of such foreign company group’s interest. Further a Rep.Office may not participate in managing the foreign company, its subsidiary or its branches in Indonesia and it’s not allowed to generate revenues from Indonesia. A Rep.Office may not engage in an agreement or transaction in the sale and/or purchase of goods and services with an Indonesian company or Indonesian nationals.

Foreign Trade Company Representative Office

A Foreign Trade Company (“FTC”) is established by a foreign company or a group of foreign companies to act as its representative in Indonesia. A FTC may be established as either: a selling agent; manufacturer agents; and/or a purchasing agent.

FTC is prohibited from conducting trades, transactions or sale activities which represent a full-blown transaction from beginning to the end (e.g. from submission of tender documents, signing of contract and settlement of claims) (refer to Art.4 Ministry of Trade Regulation No.10 of 2006 regarding *the Procedure of Issuing the License of Foreign Trade Representative Office* (March 29,2006) (“Permen 10/06”).



The scope of a Foreign Trade Company Representative Office is limited to the following (refer to Art.3 Permen 10/06): such as introduction and promotional

activities, market research and supervision of domestic sale; and close of contract for and on behalf of the appointing foreign company with domestic companies relating to exports.

Foreign Construction Service Provider Representative Office

A Foreign Construction Service Provider that wishes to conduct construction activities in Indonesia must apply the Representative Construction Service Provider License from the Ministry of Public Works. This license is only valid for three (3) years and can be extended.

Decree of Ministry of Public Works No. 28 of 2006 has actually replaced the former regulation, Decree of Ministry of Public Works No. 50 of 1991; however, as no implementing regulations related to the new regulation has been issued, in practice the older regulation is still applicable.

This type of Representative Office is only allowed to conduct projects in Indonesia through the Joint Operation with locals. This Joint Operation is only permitted to join the tender and conduct the Government projects funded by the Foreign Aid, projects in the frame of Foreign Investment and Domestic Investment as well as the projects funded by private funds.