

The background of the entire page is a photograph of two business professionals shaking hands. One person is wearing a red blazer and holding a brown folder, while the other is wearing a blue blazer. The background is slightly blurred, showing an office setting with a desk and a plant.

Legal Insight

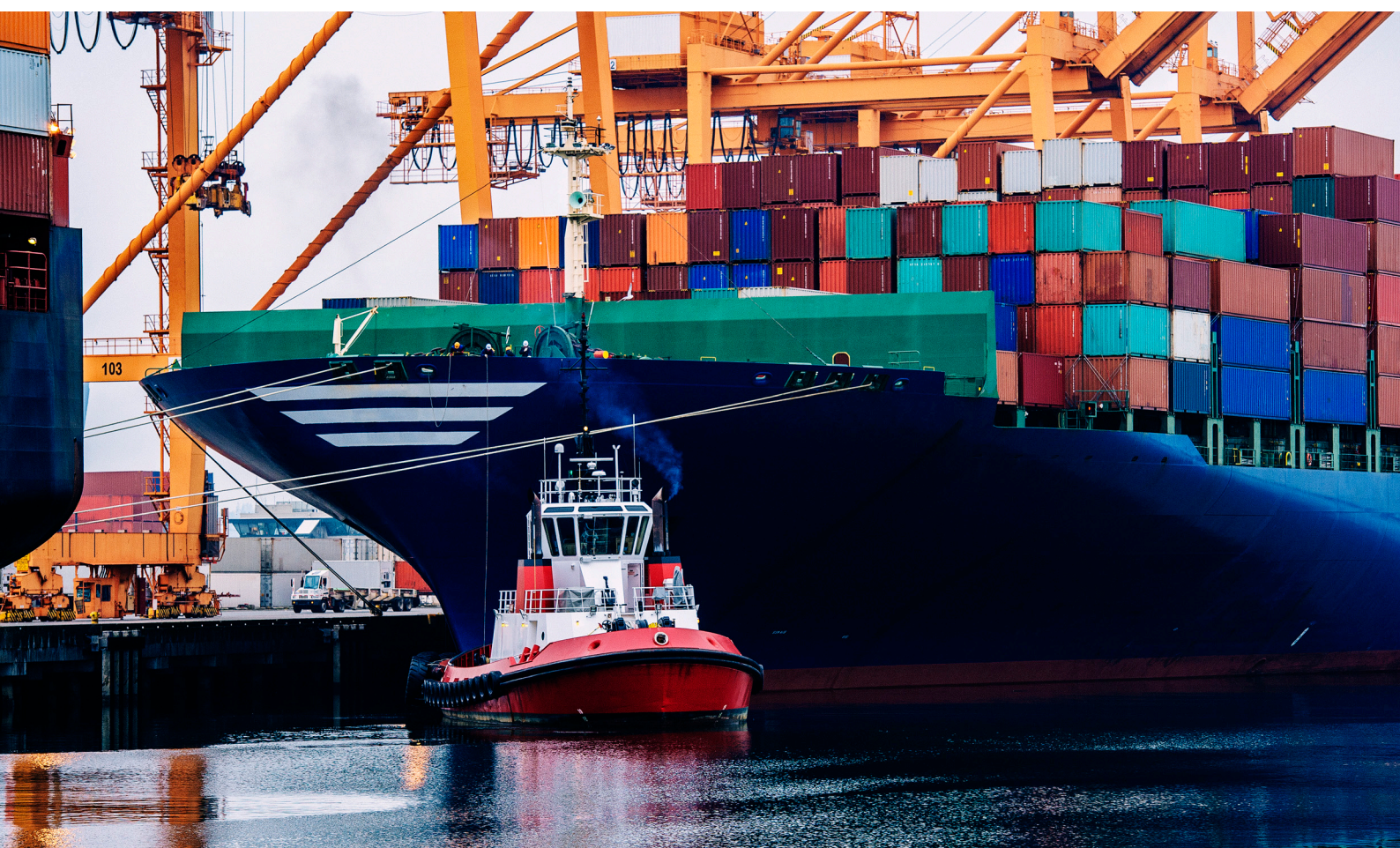
**The Deemed Approval Mechanism
in Indonesian Business Licensing:
Enhancing Legal Certainty and
Administrative Efficiency**

The Deemed Approval Mechanism in Indonesian Business Licensing: Enhancing Legal Certainty and Administrative Efficiency

The business community in Indonesia now benefits from new facilitation through the introduction of the Deemed Approval mechanism in the business licensing system. This concept provides better legal certainty for business operators through a simple yet highly beneficial principle: if the government fails to process a license within the prescribed time limit, such license shall be deemed automatically approved.

The legal basis for deemed approval is enshrined in Law No. 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law No. 2 of 2022 concerning Omnibus Law into Law (hereinafter referred to as "**Omnibus Law**"), which regulates Deemed Approval in Chapter XI on Government Administration Implementation to Support Job Creation. Article 175 paragraph 7 of the Omnibus Law defines Government Administrative

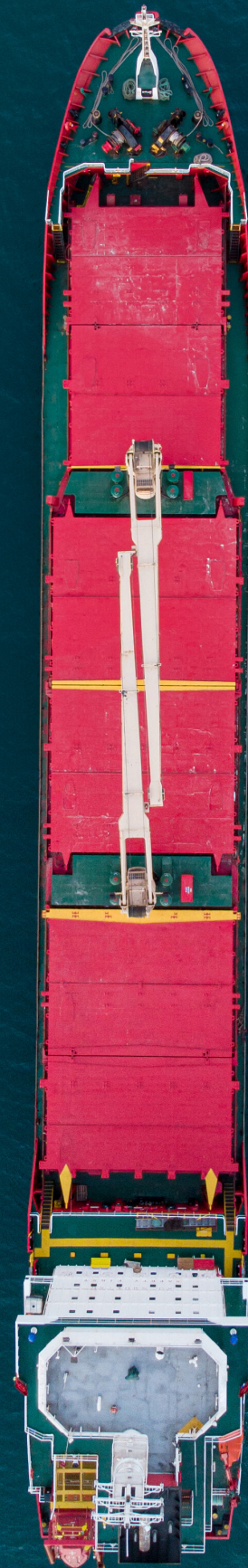
Decision as "Government Administrative Decision, also referred to as State Administrative Decision or Administrative Decision, hereinafter referred to as Decision, is a written stipulation issued by Government Bodies and/or Officials in the conduct of governance." This definition provides a clear legal framework regarding the form and nature of administrative decisions that constitute the object of deemed approval implementation.



The operational provisions for deemed approval are more specifically regulated in Article 53 of the Omnibus Law. Article 53 paragraph (1) of the Omnibus Law states that "Time limits for the obligation to establish and/or take decisions and/or actions shall be provided in accordance with the provisions of laws and regulations." Furthermore, Article 53 paragraph (2) of the Omnibus Law provides that "Where the provisions of laws and regulations do not determine the time limit for obligations as referred to in the time limit for the obligation to establish and/or take decisions and/or actions provided in accordance with the provisions of laws and regulations, government bodies and/or officials shall be obligated to establish and/or take Decisions and/or actions within a maximum period of 5 (five) working days after the application is completely received by the Government Agency and/or Officials."

Article 53 paragraph (3) of the Omnibus Law also accommodates technological developments by stating that "In the event that applications are processed through electronic systems and all requirements in the electronic system have been fulfilled, the electronic system shall establish decisions and/or Actions as Decisions or Actions of the competent Government Bodies or Officials." This provision enables automation of decision-making processes through electronic systems, which serves as the foundation for implementing the Online Single Submission (OSS) system.

The most crucial aspect of these provisions is contained in Article 53 paragraph (4) of the Omnibus Law, which affirms that "If within the time limit of 5 (five) working days, Government Bodies and/or officials do not establish and/or take Decisions and/or actions, the application shall be deemed legally granted." This provision creates an automatic mechanism for license approval when government agencies do not respond within the stipulated timeframe, effectively shifting the burden of action from applicants to government institutions and ensuring that administrative delays do not hinder business development.



Deemed approval may be applied to three types of licensing within the business licensing ecosystem. First are Basic Requirements, which include Spatial Utilization Activity Conformity, Environmental Approval, as well as Building Approval and Certificate of Functional Compliance. Second is Business Licensing, which is adjusted according to the risk level of business activities, ranging from Business Identification Number for low risk to, and for low-medium risk namely NIB and Standard Certificate, then for medium-high risk level in the form of NIB and Standard Certificate, then for high-risk PB in the form of NIB and permit, combination of NIB and permit. Third is Business Licensing for Supporting Business Activities required for business operational support activities.

Article 12 of Government Regulation No. 28 of 2025 concerning Implementation of Risk-Based Integrated Licensing (hereinafter referred to as “**GR No. 28/2025**”) states that the implementation of basic requirements issuance is conducted by the OSS Institution. This provision demonstrates the central role of the OSS Institution as the primary implementer in the risk-based licensing system, particularly at the initial stage of licensing, namely fulfillment of basic requirements. Furthermore, Article 138 of GR No. 28/2025 clarifies that not only basic requirements, but also business licensing and business licensing for supporting business activities are issued by the Central Government and Regional Governments,

through the OSS Institution or authorized officials, in accordance with norms, standards, procedures, and criteria established by the Central Government.

The provisions in Articles 12 and 138 of GR No. 28/2025 structurally form the legal basis for implementing the deemed approval system, where licensing issuance authority is exercised digitally through OSS, including in the application of automated license issuance when there is no response from agencies within a certain period. When all documents have met completeness standards as regulated in the NSPK and verified through OSS, the system will count down 5 working days before issuing licenses automatically through the deemed approval mechanism.

Nevertheless, although Articles 12 and 138 of GR No. 28/2025 facilitate procedures through digitalization and clear delegation of authority, substantive control mechanisms remain held by relevant technical ministries and institutions. This means that licenses issued through deemed approval may still be evaluated and even revoked if substantive non-compliance is found during post-issuance review. This dual approach ensures that while administrative processes are streamlined and expedited, the integrity of regulatory oversight is maintained. The system thus affirms that administrative facilitation through OSS must not be interpreted as disregard for compliance with applicable substantive law.



Should you need more information about the topic, or you need support regarding legal matter, kindly contact our legal partners:

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