

CLIENT UPDATE

21 APRIL 2016

MERGERS & ACQUISITIONS

Government Reduces Authorized Capital Requirement for MSMEs

As part of the overall effort to encourage more micro, small and medium enterprises (“**MSME**”) to incorporate, the government, by virtue of Government Regulation No. 7 of 2016 (the “**Regulation**”), has relaxed the authorized capital requirement for such enterprises in a situation where the net assets of one or all of the founders of an enterprise satisfy the criteria for classification as an MSME.

In such circumstances, the amount of the new company’s authorized capital shall be agreed between the founders, as set out in company’s deed of incorporation. This represents an exemption to Article 32(1) of the Companies Law (No. 40 of 2007), which stipulates that a company’s authorized capital should be at least Rp 50 million. Such an exemption is possible as Article 32(3) provides that changes in the required amount of authorized capital may be made by way of government regulation.

Under the Micro, Small and Medium Enterprises Law (No. 20 of 2008), for an enterprise to be classified as an MSME, the following financial criteria must be satisfied:

- (1) Micro Enterprise:
 - a. Net assets of not more than Rp 50 million, excluding land and business premises; or
 - b. annual sales of not more than Rp 300 million.
- (2) Small Enterprise:
 - a. Net assets of between Rp 50 million and Rp 500 million, excluding land and business premises; or
 - b. annual sales of between Rp 300 million and Rp 2.5 billion
- (3) Medium Enterprise:
 - a. Net assets of between Rp 500 million and Rp 10 billion, excluding land and business premises; or
 - b. annual sales of between Rp 2.5 billion and Rp 50 billion.

As with the Companies Law, the Regulation requires that at least 25 percent of authorized capital must be fully paid up, as evidenced by proof of payment. In addition, the Regulation stipulates that such proof of payment must be sent electronically to the Minister of Law and Human Rights within not more than 60 days of the signing of the company’s deed of incorporation.

Existing companies are unaffected by the Regulation, while companies that are in the process of incorporation will continue to be processed under the provisions of the Companies Law.

The Regulation entered into effect on 22 March 2016.

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ASEAN Economic Community Portal

With the launch of the ASEAN Economic Community (“AEC”) in December 2015, businesses looking to tap the opportunities presented by the integrated markets of the AEC can now get help a click away. Rajah & Tann Asia, United Overseas Bank and RSM Chio Lim Stone Forest, have teamed up to launch “Business in ASEAN”, a portal that provides companies with a single platform that helps businesses navigate the complexities of setting up operations in ASEAN.

By tapping into the professional knowledge and resources of the three organisations through this portal, small- and medium-sized enterprises across the 10-member economic grouping can equip themselves with the tools and know-how to navigate ASEAN’s business landscape. Of particular interest to businesses is the “Ask a Question” feature of the portal which enables companies to pose questions to the three organisations which have an extensive network in the region. The portal can be accessed at <http://www.businessinasean.com/>.

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