MOCHTAR KARUWIN KOMAR

SIGNIFICANT CHANGES IN THE IMPLEMENTATION OF LOCAL CONTENT (“TKDN”) RULES

October 2025

Summary

The long-awaited implementing regulation related to local content (*Tingkat Komponen Dalam Negeri*/ “**TKDN**”) rules has been passed and comes into effect on 11 December 2025.

What has happened?

On 11 September 2025, Government of Republic Indonesian enacted Minister of Industry Regulation No. 35 of 2025 regarding Provisions and Procedures for Certification of Local Content Level and Company Benefit Score (“**MOI 35/ 2025**”) which comes into effect 3 (three) months as of the enactment.

MOI 35/ 2025 is the long awaiting implementing regulation of Government Regulation No. 29 of 2018 regarding Industry Empowerment. By the effectiveness of the regulation, it revokes and replaces the earlier local content rules regulations, including Minister of Industry Regulation No. 16/M-IND/PER/2/2011 (“**MOI 16/2011**”).

The Detail

Methodology shift (goods and combined goods-services):

Under the previous regime, compliance with local content requirements involved a company breaking down detailed production costs (materials, labor, factory overhead, etc.) on a “per unit” basis – a complex and time-consuming process. MOI 35/2025 is more practical, focusing on the origin of components and added local value without requiring full cost allocation (especially within the labor component which is simplified to the proportion of local components and local workforce involvement).

MOI 35/2025 moves away from a cost allocation calculation method under the previous MOI 16/2011 regime. Nonetheless, the calculation of local content levels of *industrial services* still retains the use of “full cost basis” methodology.

Clearer Incentive for Research and Development:

MOI 35/2025 also provides additional credit up to 20% local content level for domestic research and development contributions. This incentive did not exist under MOI 16/2011 and is intended to attract genuine localization and technology transfer.

Expanded Company Benefit Score (*Bobot Manfaat Perusahaan/* “BMP”):

To capture a company’s broader economic contributions, the BMP concept has been expanded to 15 criteria under MOI 35/2025 including labor absorption, new investment, partnering and supply chain reinforcement, export performance, to ESG (environmental, social, governance) initiatives improving the avenues open to a company to reach the maximum 15% BMP contribution.

11th Floor WTC 1 | Kav. 29-31 Jl. Jend. Sudirman | Jakarta 12920 Indonesia | P.O. Box 2844 Jakarta 10001 | Tel. + 62 21 571 1130 | Fax. + 62 21 571 1162, 570 1686 | mail@mkklaw.net | www.mkklaw.net

Longer validity period of certificate:

TKDN certification has been extended from three years to five years improving business confidence and reducing compliance costs.

Certification Timeline:

The new regime stipulates clearer procedural pathways and timelines for certification.

Application through SIINas (*Sistem Informasi Industri Nasional*):

MOI 35/2025 removes a regulatory gap from the previous regime by codifying that the current practice that TKDN certification application is to be conducted through SIINas.

Stricter Oversight and Sanctions:

MOI 35/2025 introduces clearer administrative sanctions for false claims or misuse of certificates. The administrative sanctions set out under MOI 35/2025 apply not only to the company (holder of local content certificate) but also to the involved official (the verifier). This provides legal certainty and aligns with GR No. 29/2018 which empowered the MOI to verify TKDN and enforce compliance.

For further assistance, please contact Partner Emir Kusumaatmadja ek@mkklaw.net, Senior Associate Aka Fajaretta Nurafia aka.fajaretta@mkklaw.net or Tommy Gunarsa Handono tommy.gunarsa@mkklaw.net