

CLIENT UPDATE

Competition & Antitrust

Indonesia sets stage for biggest competition law reform in 25 years

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*This update is based on our review of the latest Bill on Competition Law Amendments (**Bill**) dated 22 September 2025 that was recently made available. As the legislative deliberation process is still ongoing, the provisions discussed below remain subject to further change by the Indonesian House of Representatives and the Government.*

Any commentary or preliminary views expressed in this update are based on the Bill's current wording and may need to be reassessed if subsequent revisions materially change the content.

Over past years, the Indonesia Competition Commission (*Komisi Pengawas Persaingan Usaha, KPPU*), together with academics and business associations, has been actively participating in discussions with the House of Representatives concerning the proposed third amendment to Law No.5 of 1999 on the Prohibition of Monopolistic and Unfair Business Competition Practices (**Competition Law**).

These discussions signal that the Competition Law may soon undergo significant changes to many key aspects of Indonesia's competition regime, including:

1. the introduction of mandatory pre-merger notification;
2. the introduction of a leniency program;
3. new criteria for determining a dominant position;
4. the concept of abuse of dominant bargaining position;
5. the expansion of KPPU's authority; and
6. institutional reform.

Key changes

Given the Bill's wide-ranging nature, this client update explores only the above six proposed key changes, highlighting their potential implications.

1. Mandatory pre-merger notification

One of the most significant changes introduced in the Bill concerns the shift from a post-merger notification regime to a pre-merger approval regime.

Under the current legal framework, transactions that meet certain turnover or asset thresholds may be signed first, and notified to KPPU **after** the transaction has become legally effective according to the relevant regulations. By contrast, under the Bill, businesses must secure KPPU's approval **before** proceeding with transactions (merger clearance), as an essential condition precedent. Without such prior approval, any transaction approval issued by any other government institution will be legally invalid.

This shift gives rise to several important implications under the Bill:

Transaction timeline	: Parties will need to allow time for the pre-merger approval process before the regulated effective date, which could slow down the overall deal process. Completion will depend not only on the parties being ready contractually, but also on obtaining KPPU prior approval.
Execution risk	: The key risk shifts from dealing with consequences after the regulated effective date (such as fines or remedies) to uncertainty before the regulated effective date. Approval might take longer than expected, come with conditions or not be granted at all.
Deal structuring	: Transaction documents will need to deal more carefully with merger clearance as a condition precedent, including appropriate long-stop dates and clearer provisions on which party bears the regulatory risk.

2. Introduction of a leniency program

The Bill introduces a leniency program, encouraging businesses to voluntarily disclose any violations of the Competition Law they may have committed. Under this program, businesses that admit and report their involvement in certain anti-competitive conduct and cooperate with KPPU may receive reduced administrative fines or even full immunity.

The level of fine reduction depends on the order in which businesses come forward to admit and report their involvement in a violation. The first applicant to report the violation may be granted full immunity from administrative fines. The second applicant may receive a reduction ranging from 50% to 75%, while any third applicant may obtain a reduction of 25% to 50%. The regulation does not contemplate fine reductions for any more than the first three applicants.

However, the leniency program only applies to the following violations: (i) price fixing cartels (Article 5); (ii) market allocation (Article 9); (iii) cartels involving production or supply restrictions (Article 11); (iv) exclusive dealings (Article 15); and (v) conspiracies (Article 16).

3. New criteria for determining dominant position

The Bill introduces additional criteria for assessing dominant position and considers broader market conditions. For ease of reference, we set out below a comparison between the Competition Law and the Bill:

Article 25(2) of Competition Law	Article 25(1) of Bill
<p>Businesses shall be deemed to hold a dominant position if:</p> <ol style="list-style-type: none"> 1. a single businesses or a group of businesses controls more than 50% of the relevant market for a particular type of goods or services; or 2. two or three businesses or a group, control 75% or more of a particular type of goods or services. 	<p>Businesses shall be deemed to hold a dominant position if one, two or three businesses, or one group of businesses, control 50% or more of the market share of a particular type of goods or services <u>in a market characterised by high barriers to entry and low buyer bargaining power</u></p>

Unlike the Competition Law which sets two market share threshold criteria, the Bill adopts a single 50% threshold regardless of how many businesses are involved. It also makes clear that reaching the 50% level **does not automatically** mean a business is dominant, as dominance must be assessed on the overall market structure, the level of entry barriers, and the degree of buyer bargaining power.

4. Abuse of dominant bargaining position

The Bill introduces a new chapter addressing the abuse of a dominant bargaining position, prohibiting businesses from exploiting superior bargaining power in “partnership agreements” between large corporations and micro, small and medium enterprises (**MSME**).

Partnerships between large corporations and MSMEs often involve significant power imbalances, which may result in unfair contractual terms. To address this concern, the Bill prohibits businesses with dominant bargaining power from imposing unreasonable terms or otherwise placing their business partners at a disadvantage, with the aim of ensuring greater fairness in commercial relationships.

Further details on the abuse of dominant bargaining position are anticipated to be regulated under a new KPPU regulation.

5. KPPU's authority

One of the key objectives of the Bill is to strengthen KPPU's role, particularly by enhancing its enforcement powers and institutional capacity. The Bill aims to provide KPPU with clearer investigative authority, more effective tools for evidence gathering, and a stronger legal basis to carry out its supervisory and adjudicative functions.

During earlier discussions, there was a proposal to grant KPPU authority to conduct search and seizure.¹ However, this power is not expressly provided for in the Bill.² Although the provisions under the Bill could be interpreted broadly, the Bill does set clear boundaries for KPPU's authority. The absence of clear boundaries creates some degree of uncertainty as to the extent of KPPU's powers during the examination process.

6. Institutional reform

Another notable development under the Bill is the designation of KPPU employees as civil servants once the Bill takes effect. The stated reason for such designation is to enhance legal certainty for KPPU employees and institutional governance. However, in practice the new designation has the potential to impact KPPU's independence in carrying out its enforcement functions.

Potential impact of the Bill on businesses

Following extensive discussions over the past few months, the Bill is expected to be enacted later this year. As a result, businesses should begin assessing the implications of the proposed changes, particularly those relating to corporate actions such as mergers and acquisitions, which will be subject to a mandatory pre-merger approval regime.

Companies operating in Indonesia are advised to review and strengthen their legal compliance to accommodate the proposed changes and closely monitor further developments. Early preparation will be essential to mitigate potential risks and facilitate a smoother transition once the Bill takes effect, although changes could still be made to the final version of the Bill.

We will continue to monitor the Bill's development and will issue further updates as any new information becomes available.



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If you would like to discuss any aspect of this update, or your industry activities or plans, please feel free to contact us.



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¹ <https://www.hukumonline.com/berita/a/begini-penguatan-kppu-versi-komisi-vi-dpr-lt58be92241d3d0/>

² <https://www.hukumonline.com/berita/a/kewenangan-geledah-dan-sita-tak-masuk-revisi-uu-persaingan-usaha-lt592e8f618f511/>

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