Expanded State Powers in Asset Enforcement: An Analysis of Government Regulation No. 4 of 2026

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Introduction

On 26 January 2026, the Government enacted Government Regulation No. 4 of 2026 ("**GR 4/2026**"), amending Government Regulation No. 28 of 2022 on the Management of State Receivables by the State Receivables Affairs Committee ("**GR 28/2022**"). While the number of amended provisions is relatively limited, the changes introduced reflect a significant shift in the approach to asset enforcement.

In particular, the amendments expand the powers of the State Receivables Affairs Committee (*Panitia Urusan Piutang Negara*/"**PUPN**") beyond an auction-centered framework, enabling the state not only to enforce and liquidate assets, but also to control, utilize, and ultimately take over assets in satisfaction of outstanding debts. These developments raise important questions regarding the scope of state authority, valuation mechanisms, and the safeguards available to debtors.

This note highlights six key changes introduced by GR 4/2026 and examines their legal implications.

1. Legal Consequences of Seizure

Under GR 28/2022, seizure essentially serves as the basis for the auction of Collateral (*Barang Jaminan*)/Other Assets (*Harta Kekayaan Lain*) (see Article 32(1) of GR 28/2022). Accordingly, seizure functions as a stage leading to sale through auction.

Under GR 4/2026, auction is no longer the sole consequence of seizure, but rather only one of several options available following seizure. Referring to Article 26(6) of GR 4/2026, Collateral/Other Assets that have been seized may be physically possessed and used by the state prior to sale or, alternatively, may be utilized by PUPN.

This change indicates that seizure under GR 4/2026 no longer functions solely as an execution mechanism through auction, but also as a basis for the state's control and utilization of assets.

2. Auction Mechanism

Under GR 28/2022, the Referring Creditor (*Penyerah Piutang*) may only act as a buyer in an auction if the previous auction has failed. This structure ensures that seized assets are first offered to the market before they may be acquired by the state.

Under GR 4/2026, this restriction is removed. Through Article 32(2), the Referring Creditor may directly act as a buyer in the auction without having to wait for a failed auction. This change significantly shifts the position of the Referring Creditor from a “last resort” buyer to a participant from the outset.

This change must be read together with Article 35 of GR 28/2022, which remains applicable, under which PUPN has the authority to determine the auction reserve price. Accordingly, PUPN sets the minimum price, while the Referring Creditor may directly purchase the asset in the auction.

This condition may reduce the role of market mechanisms in price formation and may affect the Debtor (*Penanggung Utang*)/Guarantor (*Penjamin Utang*), particularly where the realized value of the asset does not reflect optimal market value.

3. Physical Possession (*Penguasaan Fisik*) and Use by the State

Under GR 4/2026, additional authority is granted to PUPN through Article 7(1) letters z and dd, which essentially allow PUPN to carry out physical possession and use of seized Collateral/Other Assets. This is reinforced by Article 26(6) GR 4/2026, which allows seized assets to be physically possessed and used by the state rather than merely awaiting auction.

Systematically, these provisions establish a new sequence: seizure, eviction, possession, use of the Collateral/Other Assets, and ultimately PUPN may choose to sell or to take over ownership of the assets.

However, this framework leaves several normative uncertainties. Although PUPN is authorized to carry out physical possession and use, there is no further explanation regarding the mechanisms, forms, or limitations of such possession and use. It is unclear whether such

possession is exercised directly by PUPN or through other institutions, and how accountability for the use of assets during this period is regulated.

Uncertainty also arises with respect to the term “sale” in this context. It is not explicitly regulated whether “sale” refers to sale through auction as provided in Chapter VIII or refers to sale without auction as permitted under Chapter IX of GR 28/2022.

4. Utilization (*Pendayagunaan*) of Collateral/Other Assets

Under GR 28/2022, the concept of utilization of Collateral/Other Assets already existed, but its regulation was limited and did not elaborate on its forms or mechanisms. Utilization was not positioned as a primary instrument in the settlement of state receivables.

Under GR 4/2026, utilization is strengthened and clarified as one of the options available following seizure. Referring to Article 26(6) GR 4/2026, PUPN may utilize Collateral/Other Assets without the consent of the Debtor/Guarantor, and the proceeds are applied toward reducing the outstanding debt.

The Elucidation of Article 26(6)(b) GR 4/2026 further illustrates forms of utilization, including leasing, contractual arrangements, cooperation schemes, joint operations, or other forms. Accordingly, seized assets are no longer merely awaiting auction, but may be directly used to generate economic value.

Nevertheless, this framework still raises certain uncertainties. Although Article 66(3)(c) GR 4/2026 provides a benchmark for when assets may be taken over, it does not explicitly regulate how utilization is positioned in relation to the option of sale, or under what circumstances utilization is chosen as a primary measure or merely as an interim step prior to further action. Furthermore, there is no regulation regarding asset management, the appointment of parties to carry out utilization, or oversight of the proceeds derived from such utilization.

Accordingly, while utilization under GR 4/2026 offers flexibility and the potential for optimizing asset value, it also leaves considerable discretion with PUPN without detailed parameters.

5. Debt Settlement

Under GR 4/2026, Article 66 expands the methods of debt settlement, which now include not only cash payment and transfer of assets, but also the addition of asset takeover (*pengambilalihan aset*) as a form of settlement.

However, the amendment to Article 66 is not limited to introducing this new mechanism. Article 66(2) GR 4/2026 also clarifies the mechanism of settlement through asset transfer, which remains subject to the consent of the Debtor/Guarantor. Nevertheless, this provision raises questions, particularly regarding the mechanism for determining the value or price of the transferred assets and whether such agreement reflects fair market value.

Further, Article 66(3) and (4) introduce the mechanism of asset takeover without the consent of the Debtor/Guarantor. This takeover may be carried out after the issuance of a Enforcement Letter (*Surat Paksa*) and seizure, and is limited to assets in the form of land and/or buildings.

Article 66(3)(c), (d), and (e) of GR 4/2026 provide additional parameters for such takeover. First, takeover may only be carried out where the asset will be used for the administration of government and/or public interest development. Although the term “public interest” may be understood by reference to concepts recognized in other regulatory frameworks, including land acquisition law, GR 4/2026 does not explicitly adopt the definitions or procedures of such frameworks, leaving room for interpretation as to its scope in this context.

Second, the value of the asset must be based on an appraisal conducted by a government appraiser or a public appraiser appointed by the government. However, there is no clear criterion governing the selection between these two types of appraisers. This is significant because the requirement for review by the Financial and Development Supervisory Agency (*Badan Pengawasan Keuangan dan Pembangunan*) applies only where the appraisal is conducted by a government appraiser, with no equivalent requirement where a public appraiser is used. This difference may result in variations in the level of oversight and accountability, and raises questions regarding consistency in valuation standards.

The takeover is carried out based on a decision of the Chair of PUPN, which simultaneously serves as the legal basis for transfer of ownership and release of rights over the land and/or buildings to be registered under the name of the state. Accordingly, this mechanism allows for the transfer of ownership without a sale process or consent of the debtor.

However, this framework also raises further questions. Although the purpose of takeover is defined under Article 66(3)(c) GR 4/2026, there is no explicit mechanism available to the Debtor/Guarantor to challenge or object to the valuation of the asset. In this context, the valuation directly determines the extent of debt settlement, yet there appears to be no avenue for the Debtor/Guarantor to contest, reject, or request a reassessment.

Accordingly, the asset takeover mechanism under GR 4/2026 represents a significant expansion of state authority, with certain parameters in place, but still leaving considerable discretion and open questions regarding safeguards and protection for debtors.

6. Support from Law Enforcement Authorities

GR 4/2026 introduces Article 78A, which authorizes PUPN to request assistance from the police and/or the prosecution service in the management of state receivables. Such assistance may include security enforcement, eviction, legal actions in civil and administrative matters, criminal actions, and/or other measures within the authority of the respective institutions.

This addition strengthens the enforcement aspect of PUPN's authority, particularly in the context of eviction, physical possession, utilization, and asset takeover. With the involvement of law enforcement authorities, these measures are no longer merely administrative, but also carry stronger coercive power in practice.

However, this provision also reflects an expansion of PUPN's role beyond administrative and civil functions into areas intersecting with law enforcement authority. In this context, the boundaries and coordination between PUPN and law enforcement agencies must be carefully considered to ensure alignment with applicable legal principles.

Conclusion

Overall, GR 4/2026 reflects a significant shift in the framework for managing state receivables. The amendments move beyond an auction-centered enforcement model toward a broader regime that enables the state to control, utilize, and ultimately take over assets in satisfaction of outstanding debts. While the regulation introduces greater flexibility and expands the range of enforcement tools available to PUPN, it also concentrates substantial discretion within the state

and raises questions regarding valuation, procedural safeguards, and the protection of debtor interests. These developments underscore the need for careful implementation and, potentially, further regulatory clarification to ensure consistency and legal certainty.

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