

TaxFlash



Import Duty Borne by Government for certain industries in 2015

To streamline the Government's annual procedure of providing Import Duty Borne by the Government (*Bea Masuk Ditanggung Pemerintah/BM DTP*) for certain industries, the Minister of Finance (MoF) had issued Regulation No.248/PMK.011/2014 (PMK-248), which compiles the requirements and procedures surrounding BM DTP, mostly adopting the provisions in previous year's regulations. Please refer to our [TaxFlash No.03/2014](#) for general provisions, such as the criteria for eligible industries, restrictions on the import of goods/materials that cannot enjoy BM DTP facility and reporting procedures.

New points or changes stipulated in PMK-248 are as follows:

- When submitting a BM DTP application to the Director General of Customs and Excise (DGCE), eligible companies should also attach a Statement Letter on the use of an Electronic Inventory System from the relevant Head of the Regional Customs Office, in addition to the Import Plan approved by the relevant Facilitator of the Industrial Sector (the Facilitator).
- The timeline for the DGCE to process either the initial BM DTP application or an amended application is now 10 working days (it was previously 14 days).
- The month during which the Facilitator and the DGCE must submit the latest quarterly reports on the realisation of BM DTP to the MoF has now been changed to January of the following year (it was previously December of the year in which the BM DTP was granted).
- Sanctions on facility misuse will be determined in regulations issued by the relevant Facilitator (previously the sanctions had been the same for all industries, i.e. the import duty value plus an interest penalty of 2% per month).

PMK-248 is now the basis for the MoF issuing an annual regulation that stipulates the list of industries that are eligible for BM DTP facility, along with the subsidy threshold and goods specifications for each industry (this was previously regulated in separate MoF regulations, based on industry).

For budget year 2015, the MoF has issued Regulation No.249/PMK.011/2014 (PMK-249) dated 24 December 2014, that allows import duty on goods and materials in the following industries to be borne by the Government from 1 January up to 31 December 2015.

No.	Proxy of Budget User/ KPA	Industry	Subsidy threshold (in million Rp)	Number of types of goods
1	Director General of Manufacturing Industry – Ministry of Industry (MoI)	plastic packaging, plastic sheets, biaxially oriented polypropylene film, cast polypropylene film, plastic sacks, plastic palette, plastic bottles and cans, plastic tarp, geotextiles, household appliances and/or furniture made from plastic	209,000	6
		carpets, tapestry, prayer rugs, seat covers, and/or artificial PV/PVC	75,000	14
		alkyd resin, unsaturated polyester resin, amino resin, resin emulsion, pigment, phthalate, solution acrylic/synthetic latex, latex synthetic resin dispersion, plasticizer, formaldehyde and formaldehyde resin	6,600	7
		ballpoint and crayon casing	1,000	3
		calcined petroleum coke	20,830	1
2	Director General of High Technology Industry – MoI	motor vehicle components	109,400	41
		certain parts of large equipment items and/or installation	9,981	53
		supplies for hospitals	2,311	4
		steam turbines for power plant	4,122	23
		agricultural equipment and machinery	3,085	12
		electronic products and/or components	16,400	9
		fiber optic cables	5,200	6
		smart cards in the form of plastic cards, security cards, electronic cards and cellular cards	9,800	6
		telecommunications equipment	3,500	7
		ship production and/or repair	39,000	177
3	Director General of Agro Industry – MoI	livestock feed	10,000	9
4	Food and Drug Control Agency /BPOM	infusion packaging	14,173.97	2

On 22 January 2015, the DGCE issued Regulation No.PER-01/BC/2015 (PER-01), which stipulates detailed procedures regarding BM DTP for the 18 industry sectors listed above. The procedures are the same for all of the industries and are similar to the previous year's procedures, although new points or changes stipulated in PMK-248 as discussed above have been added.

Standard forms for the BM DTP application, Import Plan, Statement Letter on the use of Electronic Inventory System, BM DTP stamp and Import Realisation are attached to PER-01.

Safeguard import duty on steel products

With the aim of securing national steel industry, especially the manufacturing of steel beams with an I- or H-shaped cross-section, which are listed under HS Code 7228.70.10.00 and 7228.70.90.00, the MoF had issued Regulation No.12/PMK.010/2015 (PMK-12) to restrict the import of these goods by imposing Safeguard Import Duty (*Bea Masuk Tindakan Pengamanan/BM TP*). This BM TP is applicable for goods originating from all countries (must be supported with a Certificate of Origin), except the countries listed in PMK-12.

PMK-12 is dated 21 January 2015 and will be effective for three years from that date. The BM TP rate will change on an annual basis, starting from 21 January 2015 up to 20 January 2018, with the rates ranging from 26% down to 18% of import value.

BM TP is an addition to the general import duty rates (Most Favoured Nation) or to preferential import duty rates for countries that have trade agreements with Indonesia (subject to fulfilment of the provisions stipulated in the agreement).

Anti-dumping import duty on yarn products originating from Malaysia and Thailand

Also on 21 January 2015, the MoF issued two regulations that stipulate the imposition of Anti-Dumping Import Duty (*Bea Masuk Anti-Dumping/BM AD*) on imported products in the form of non-retail synthetic filament yarn (other than sewing-yarn) with certain specifications and listed under HS Code 5402.46.00.00 and 5402.47.00.00, which originate from Malaysia and Thailand.

The following table lists the country of origin, manufacturer/exporter and BM AD rates imposed accordingly on imported goods:

No.	MoF Regulation No.	Type of goods	Country of Origin	Manufacturer/Exporter	BM AD in percentage (%)
1	13/PMK.010/2015 (PMK-13)	Spin Drawn Yarn (SDY)	Malaysia	Recron (Malaysia) Sdn. Bhd.	7.5
				Other companies	7.5
2	14/PMK.010/2015 (PMK-14)	Partially Oriented Yarn (POY)	Malaysia	Recron (Malaysia) Sdn. Bhd.	9.3
				Other companies	9.3
			Thailand	Thai Polyester Co., Ltd	0
				Other companies	13.3

Similar to BP TP, BM AD is an addition to the general import duty rates (Most Favoured Nation) or to preferential import duty rates for countries that have trade agreements with Indonesia. PMK-13 and PMK-14 will be effective for five years from the date of issuance.

The use of carnet for greater benefits

A Carnet, commonly known as “Merchandise Passport”, is an international customs document accepted as a Customs Declaration for temporary export-import of various types of goods. It is used to clear customs without the payment of import duties or taxes and without the application of import prohibitions or restrictions.

Under the Carnet facility, the goods (including means of transport) must be imported for a specific purpose and must be intended for re-exportation within a specified period and without having undergone any change except normal wear and tear.

This standardized instrument was introduced in the Convention on Temporary Admission (the Convention) developed by the Customs Co-operation Council in 1990. Carnets are accepted in most World Customs Organization (WCO) member nations, including Indonesia. Indonesia started to accept Carnets in 1995, when this facility was used to temporarily import and re-export motor vehicles participating in international racing competitions held in Indonesia.

On 3 September 2014, Indonesia expanded the use of Carnets for a broader purpose by issuing Presidential Regulation No.89/2014 to ratify Indonesia’s commitment to the Convention and to establish certain reservations and declarations regarding several articles in the Convention.

Following this, the MoF issued Regulation No.228/PMK.04/2014 (PMK-228) on the Carnet system on 17 December 2014. PMK-228 will be effective 60 days after the date of issuance (i.e. starting 15 February 2015).

Adopting the objectives of temporary export/import using the Carnet system as set out in the Convention, PMK-228 determines that temporary import should be permitted in respect of the following:

- a. goods for display or use at exhibitions, fairs, meetings or similar events;
- b. professional equipment;
- c. goods for educational, scientific or cultural purposes;
- d. travellers’ personal effects and/or goods imported for sport purposes;
- e. goods for humanitarian purposes; or
- f. means of transport (in practice, specifically on land transportation).

The objectives of temporary export using the Carnet system should follow the regulations applicable in the destination country.

To be able to use a Carnet, the party who carries out the import or export of goods (the Carnet Holder) must obtain the Carnet from the National Issuing and Guaranteeing Association (NIGA/*Lembaga Penerbit dan Penjamin Carnet Nasional*).

A Carnet is valid for 12 months. Carnets specific for means of transport can be extended for a maximum of 12 months. A guarantee is effective from the time the Carnet is issued until all the customs obligations attached to the Carnet Holder are fulfilled.

Any mismatch between the Carnet document and the physical examination of the goods may result in the application of normal customs clearance requirements.

Failure to re-export/re-import the goods prior to the Carnet expiry date will cause the NIGA to be required to pay the import duties and taxes (plus administrative sanctions) payable on this non-compliance. If these are not paid, the customs process for the next Carnet will not be continued.

Detailed procedures surrounding Carnet replacement or amendment of information therein, clearance of temporary exported/imported goods as well as clearance upon re-importation/ re-exportation will be regulated further in a DGCE regulation.

Update on Authorized Economic Operator guidelines

On 17 December 2014, the MoF issued Regulation No.227/PMK.04/2014 (PMK-227), which provides more detailed provisions on Authorized Economic Operators (AEOs) compared to the previous MoF Regulation No.219/PMK.04/2010 (PMK-219) regarding the same matter. This update is expected to increase customs monitoring, to ensure effective implementation and to attract the Economic Operators (Operators) to participate as AEOs.

What are the customs facilities?

PMK-227 expands and modifies the list of customs facilities available for AEOs as follows:

- a. minimum documents examination and/or physical checking (previously this process was not applicable for AEOs);
- b. priority to obtain simplification of customs procedure;
- c. special services in the event of disturbance of trade and elevated threat level;
- d. **ease of pre-notification;**
- e. **able to use corporate guarantee to ensure all customs-related activities;**
- f. **ease to settle customs obligations in instalments;**
- g. ease to directly unload/load goods without transit, from/to transporter facility that will enter/leave the Customs Area (previously the transit time was only shortened);
- h. **priority to be invited in DGCE's new programs;**
- i. **special services provided by Client Manager;** and/or
- j. **able to process customs clearance outside the office hour of Customs Service Office.**

AEOs no longer have access to information of other AEOs' activities as PMK-227 revokes this privilege.

AEOs can also enjoy customs facilities provided by other countries as agreed under a Mutual Recognition Arrangement or other international customs agreements that Indonesia has entered into.

Who is eligible?

PMK-227 adds three new types of Operators that are able to apply as AEOs; the complete list is therefore now as follows:

- a. Importer;
- b. Exporter;
- c. Customs Service Entrepreneur (*Pengusaha Pengurusan Jasa Kepabeanan/PPJK*);
- d. **Transporter;**
- e. **Entrepreneur of Temporary Stockpiling Site;**
- f. Entrepreneur of Bonded Stockpiling Site, and/or
- g. **other parties related to delivery of goods in global supply chain, among others Consolidator and postal service provider.**

What are the requirements?

The Operators must fulfil the requirements below in order to apply to be an AEO (adopted from PMK-219):

- a. comply with customs regulations;
- b. have financial capacity;
- c. have the following systems:
 - ✓ trade data management;
 - ✓ consultancy, cooperation, and communication;
 - ✓ education, training, and care;
 - ✓ information exchange, access, and confidentiality;
 - ✓ cargo safety;
 - ✓ goods delivery safety;
 - ✓ location safety;
 - ✓ employee safety;
 - ✓ safety of business partners;

- ✓ crisis management and recovery from incidents; and
- ✓ planning, monitoring, analysis, and improvement of the above systems.

A Decision and certificate will be issued by the DGCE to acknowledge the Operator as an AEO. AEO status is valid for five years and can be renewed every five years.

Detailed procedures regarding the certification process, the application of customs facilities, and monitoring up to the revocation process will be regulated further in a DGCE regulation.

PMK-227 revokes PMK-219 and will be effective 60 days after the date of issuance (i.e. starting 15 February 2015). Applications that are already submitted prior to this effective date will be processed based on PMK-227.

Updated provisions on stockpiling and movement of excisable goods

On 17 December 2014, the MoF issued Regulation No.226/PMK.04/2014 (PMK-226) regarding the stockpiling, entry, release, and transport of excisable goods. PMK-226 will be effective 60 days after the date of issuance (i.e. starting 15 February 2015) and revokes the previous MoF Regulation No.235/PMK.04/2009 (PMK-235) regarding the same matter.

The transport of excisable goods the excise of which is not yet settled, which have been packed in packages for retail or are in bulk or are packed in packages not for retail, should be supported with an Excise Document and includes transportation from and/or to Factories, Storage Places, Temporary Stockpiling Sites, Bonded Stockpiling Sites, and Other Places within the Customs Area. PMK-226 adds different types of excisable goods that must also be supported with an Excise Document during transportation:

- excise-exempted goods transported from Factories or Storage Places that are needed by foreigners in international organizations located in Indonesia;
- excise-exempted goods transported from the Customs Area or Temporary Stockpiling Sites that are needed for scientific research and development, as well as for social purposes; and
- excise-exempted goods from duty free shops needed by representatives of foreign countries along with officials thereof assigned in Indonesia on the basis of the reciprocal principle, as well as those needed by foreigners similar to point (a) above.

PMK-226 also provides more strict provisions to reduce the consumption of alcohol and tobacco products, such as:

- Customs officers can directly supervise the entry or release of alcoholic drinks (with any level of alcohol content) to or from Factory, with no annual production threshold.
- The transport of alcoholic drinks and tobacco products from the Customs Area or Temporary Stockpiling Sites, must be supported with an Excise Document if the products are imported using excise exemption based on an order from a carrier or catering companies for beverages during international trips.
- The transport of more than six litres of alcoholic drinks, with any level of alcohol content (the excise of which is already settled), from a distributor to the open market must be supported with an Excise Document that will be reported to the Head of Customs Office supervising the distributor.

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