

Customs NewsFlash*

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Alert for companies using import duty drawback under “KITE” facility

A new regulation has been issued by the Indonesian Directorate General of Customs, which changes the rules that apply to companies who currently use a KITE drawback facility to enjoy the customs duty drawback concession. A KITE facility is effectively an import concession for export purposes.

Under a KITE drawback facility, companies need to pay import duty on raw materials used in a manufacturing process as a result of which goods are produced within the Indonesian customs area for export to foreign customers. Companies must register with Customs to enjoy the benefit of the KITE facility, and the main registration requirement is that the company produces manufactured goods, including assembly of goods, for export purposes.

One of the KITE concessions allows for duty free import of goods. The duty-free concession is not affected by the recent changes. Rather, the changes affect companies which use the other KITE concession, ie, the “KITE” import duty drawback concession.

Under the drawback concession, companies are required to pay duty at the time goods and materials are imported, but are subsequently able to claim a refund of the duty paid, to the extent that the dutiable goods have been used in manufacturing or assembling other finished goods which are exported.

The new change is procedural, and does not affect the availability of the concession. However, the change is also very significant, because a failure to follow the new procedure correctly may mean that a company cannot claim the drawback concession to which it would otherwise be entitled. Therefore, companies enjoying the drawback concession need to change their own procedures to be able to comply with the new regulation and continue to obtain the full benefit of the KITE drawback concession.

The regulation now requires the use of a special account code on the duty payment form relating to import duty payments which are potentially eligible for the KITE drawback concession. The special account code is number 412114, and this must be used in the "SSPCP"/"Surat Setoran Pabean, Cukai dan Pajak Dalam Rangka Impor" (tax payment form). The requirement is imposed by customs regulation No. P-50/BC/2009 dated 6 December 2009.

The requirements for the drawback process under the KITE facility are regulated by customs decree No. Kep-205/BC/2003 as amended by customs regulation No. P-11/BC/2006. Under these regulations import duty drawback of the raw materials is granted provided that the finished products have been exported and/or delivered to a Bonded Zone. The new requirement to enjoy import duty drawback is that the payment of import duty on the KITE facility must be paid to the state account for import duty income, account No. 412114. If not, the import duty cannot be drawback.

Regulation No. P-50/BC/2009 is still unclear about how the concession may apply if all duty payments are recorded in account No. 412114, but the company using the KITE drawback facility does not drawback the full amount import duty paid into that account. For example, this could be the case where the imported goods are used in the manufacture of end products which are partly sold to domestic customers, and partly sold to export customers. Although at this stage, we do not have any formal indication from Customs about how this particular issue should be managed, we think the safest option will be to use account no. 412114 for all duty payments in respect of which a KITE drawback claim might be made in the future, and we would expect Customs to follow their past practice and allow proportional refunds to be made based on the extent to which the dutiable imports are used in manufacturing exported goods.

The new Customs regulation No. P-50/BC/2009 will take effect from 1 March 2010. All companies using the KITE drawback facility must urgently review their procedures to ensure all the requirements of this regulation are met in the future.

Please contact any member of our Customs team if you like further information about this change or assistance with any other Customs matter.



Our services:

Our Customs and International Trade Consultants can assist your company in the following areas:

- Customs valuation (planning and risk management)
- Customs HS tariff classification (planning and rulings)
- Strategic trade planning (e.g. ASEAN-AFTA)
- Dispute resolution
- License applications
- Customs audits
- Customs Bonded Zone and Bonded Warehouse applications and implementation
- Import facilities (from “BKPM”, “KITE/BINTEK”)
- Refund and duty drawback applications
- Customs due diligence review
- Self-assessments
- General customs advice
- Anti-dumping and countervailing measures
- General customs management (e.g. Customs Broker selection, engagement and performance review).

About us:

The Customs Group at PricewaterhouseCoopers has considerable practical experience in customs and international trade matters, including customs strategic planning and tariff classification.

Our group is closely affiliated with a regional team covering all ASEAN countries as well as China, Hong Kong, Korea, Taiwan, and Japan. Please do not hesitate to contact us if you are interested in further discussing how we can help you with any customs and international trade issues.

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