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New Customs Concession: Import Duty Borne by Government for 2011

The Minister of Finance ("MoF") has issued 16 new regulations, effective from 18 July 2011, to enable 16 industry sectors to obtain a customs concession in the form of "import duty borne by government". These regulations are in line with MoF regulation no. 261/PMK.011/2010, which permits this concession for import duty on the import of goods and materials for the production of goods and/or services which are in the public interest, in order to increase the competitiveness of certain sectors of industry. The regulation was issued on 31 December 2010 and will be effective until 31 December 2011.

The 16 MoF regulations below allow Import duty on the import of goods and materials by the following industries to be borne by the government for 2011:

	Industry	Regulation no.
1	Heavy equipment component manufacturing and/or heavy equipment assembling	103/PMK.011/2011
2	Boiler and/or transformer manufacturing for power plants	104/PMK.011/2011
3	Ballpoint pen manufacturing	105/PMK.011/2011
4	Carpet and/or rug manufacturing	106/PMK.011/2011
5	Automotive component manufacturing	107/PMK.011/2011

	Industry	Regulation no.
6	Train and train component manufacturing and repairing	108/PMK.011/2011
7	Vessel manufacturing and/or repairing	109/PMK.011/2011
8	Electronic component and/or products manufacturing	110/PMK.011/2011
9	Fibre-optic cable manufacturing	111/PMK.011/2011
10	Telecommunication equipment manufacturing	112/PMK.011/2011
11	Toner (special ink)	113/PMK.011/2011
12	Plastic manufacturing (packaging, sheets, etc.)	114/PMK.011/2011
13	Resin production (i.e. Alkyd, Unsaturated polyester, Amino, etc.)	115/PMK.011/2011
14	Sorbitol production	116/PMK.011/2011
15	Aircraft repair and/or maintenance	117/PMK.011/2011
16	Infusion packaging manufacturing	118/PMK.011/2011

In order to obtain approval for this concession from the Indonesian Directorate General of Customs and Excise, companies with a business covered by any of the areas mentioned above should submit the application, complete with a “Draft Master List”, along with a recommendation letter from a related government agency (i.e. Ministry of Industry, Ministry of Transportation, Food & Drugs Control Agency/ “BPOM”). This concession is not applicable if the following conditions apply:

- The imported goods and materials are not subject to normal import duty (ie, a rate of 0% applies), according to the Indonesian Customs Tariff Book;
- The imported goods and materials are included in the category of anti dumping, safeguard, compensation, and requital import duty as defined in the current regulations; and
- Where companies already use other customs concessions (FTA preferential tariff, bonded zone, and KITE)

It is necessary for companies to study these new regulations carefully, since they will provide a cash flow benefit for your business. Companies that will use this concession also have to be aware that the imported goods must be for the company’s own use. Anyone misusing this concession (i.e. transferring goods imported to another party), will be liable to import duty, plus 2% interest per month up to a maximum of 24 months from the import date.

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