

TaxFlash



Update on Bonded Zone

The Bonded Zone (*Kawasan Berikat*/KB) facility is provided to manufacturing companies with export orientation, import substitution, supporting downstream industry, and certain industries such as aircraft, shipbuilding, railways, and the defense & security industry. Along with other Bonded Stockpiling Areas, it is expected that KB will contribute in developing national industries that produce export-quality products.

On 26 September 2018, the Minister of Finance (MoF) issued Regulation No.131/PMK.04/2018 (PMK-131) that sets new rules on KB that will be effective starting 25 November 2018. PMK-131 revokes the following provisions:

- MoF Regulation No.147/PMK.04/2011 concerning KB as lastly amended by MoF Regulation No.120/PMK.04/2013;
- Article 12 paragraph (2) letter (d) points 1 and 5 of MoF Regulation No.226/PMK.04/2014 concerning Stockpiling, Entry, Release, and Transportation of Excisable Goods.

While the main tax facilities provided in PMK-131 are similar to the previous ones, PMK-131 offers simplification of procedures and streamlining of the structure of the regulation. The previous regulations differentiate the tax facilities mainly based on the type of goods, while PMK-131 mainly categorizes the facilities based on the origin and destination of the goods.

Registration

The authority to determine and grant licenses of a KB, KB Administrator (*Penyelenggara Kawasan Berikat*), KB Entrepreneur (*Pengusaha Kawasan Berikat merangkap Penyelenggara*), and Entrepreneur within KB (*Pengusaha Dalam Kawasan Berikat/PDKB*) is transferred from the Director General of Customs and Excise (DGCE) to the Head of the Regional Customs Office or the Head of the Customs Main Office. PMK-131 also introduces the use of online system to submit KB-related applications. These simplifications are expected to expedite the registration process. Once issued, all licenses are valid unless the main KB Status is

revoked. This also provides simplification in that application to extend relevant licenses is no longer needed.

Tax and customs facilities

Tax and customs facilities in KB differs depend on the flow of goods into or from KB, and based on the nature of the goods itself. The facilities are summarised as follows:

1. On traffic of goods to a KB:

KB Facility	Taxes on Imports			VAT/LST on Local Deliveries
	VAT/ LST/ Article 22 Income Tax	Import Duty	Excise	
Import of goods from overseas	NC	P	E	
Import of goods originating from overseas via: a) Other Bonded Stockpiling Areas; or b) Other special zones	NC	P	E	NC
Entry of VATable goods from other places within the Customs Area (<i>Tempat Lain Dalam Daerah Pabean/TLDDP</i>) directly to KB or via other Bonded Stockpiling Areas or other special zones			E	NC


2. On traffic of goods from a KB:

KB Facility	Taxes on Imports			VAT/LST on Local Deliveries
	VAT/ LST/ Article 22 Income Tax	Import Duty	Excise	
Delivery of goods (including produced goods) to Free Trade Zone	NC	E	E	
Delivery of goods for further use in other special zones				Not Subject (<i>tidak dikenai PPN/ PPnBM</i>)
Delivery of goods originating from overseas for further use in TLDDP	√	√	√	√
Delivery of goods for further use in TLDDP and the buyer is granted with customs and excise facility		P/E	E	
Delivery of VATable goods originated from TLDDP to another TLDDP				√
Delivery of waste and packaging scrap to TLDDP				Excepted (<i>dikecualikan dari kewajiban melunasi PPN/ PPnBM</i>)
Delivery of capital goods to TLDDP that have been located in KB for a certain period for which: • import taxes have not been paid • were granted with customs facilities upon import	E -	E E	E -	

NC = Not Collected

P = Postponed

E = Exempted

 = The tax treatment is not covered by the regulation, either because the tax is not applicable (e.g. no import taxes on domestic delivery) or the treatment depends on other process (e.g. whether the taxpayer has other tax facilities that are governed under different regulation).

Produced goods may be sold domestically up to a maximum of 50% of the previous year's export realization value and/or sales value to other KB/FTZ/other special zones. PDKB may ask for the Head of the Customs Office's approval if it is planning to exceed the threshold. Sanctions may apply if the actual delivery exceeds the threshold.

PMK-131 also stipulates that along with tax and customs facilities, KB Administrator and PDKB may be granted with additional privileges to ease their business processes, such as ease in delivery of goods in bulk and ease in subcontracting.

Tax imposition base

Type of tax	Calculated based on
Import Duty	<ul style="list-style-type: none"> • customs value based on selling price upon release of goods from KB to TLDDP; • goods classification upon release of goods from KB to TLDDP; and • charges upon notification of import for use are registered
Excise	according to Excise regulations
PDR	selling price and tax rate applicable at the time of releasing goods from KB to TLDDP

In determining the tax base when a tax is due, PMK-131 now sets a common ground to calculate the tax base, whereas previously specific calculations applied for particular goods/materials. Other changes include the use of custom value and classification upon release of goods from KB rather than upon entry to KB. Exceptions apply if KB satisfies certain criteria (i.e. having reliable conversion method and the trade has occurred upon entry to KB), in which case the old method (using custom value and classification upon entry to KB) can still be used.

Scope of goods

Unless the type of goods is stated specifically, the tax facilities for goods coming to KB generally applies on:

- the goods used as:
 - ✓ raw materials;
 - ✓ auxiliary materials;
 - ✓ packaging and packaging aids;
 - ✓ sample goods;
 - ✓ capital goods;
 - ✓ fuel;
 - ✓ office equipment; and/or
 - ✓ for R&D purposes
- finished & semi-finished goods to be combined with produced goods;
- re-entry of goods from temporary release;
- re-entry of produced goods; and/or
- produced goods of other KBs.

As for the goods coming from KB, the scope in the previous regulations only stated produced goods and combination of produced goods, while PMK-131 gives a more detailed description that the goods can be in the form of:

- raw materials and/or raw materials scrap;
- auxiliary materials and/or auxiliary materials scrap;
- packaging and packaging aids;
- finished and semi-finished goods;
- sample goods;
- capital goods;
- office equipment;
- goods for R&D purposes;
- scrap from production process; and/or
- packaging scrap and waste.

Temporary release

Taxes will not be due when PDKB temporarily release goods and/or materials to overseas, TLDDP, and/or other special zones for certain purposes. The scope of this facility has been expanded to also cover temporary release for testing or quality development and other purposes with the approval of the Head of the Customs Office. PDKB should ask for an approval if the goods will be temporarily released to TLDDP and must comply with the specified time limit given during the approval. For subcontracting, the time limit is now more flexible and will follow the agreement, whereas previously it was set at 60 days. Collateral and/or domestic VAT/LST may apply if the goods fail to re-enter KB origin within the time limit.

Self-service

Based on a taxpayer's request or on an ex-officio basis, the Head of the Customs Office may appoint a PDKB to conduct self-service for operational activities in KB that includes goods unloading, stockpiling, release, and other customs-related services. PDKB should report these self-service activities using the customs electronic system.

New rules on Custom Valuation Advice

On 3 October 2018, the MoF issued Regulation No.134/PMK.04/2018 on Valuation Advice that will be effective from 2 November 2018. PMK-134 is an implementing regulation of Article 17A of Customs Law.

Valuation Advice is issued to facilitate the customs assessment scheme to accelerate the release of imported goods from the Customs Area in the case where the customs value cannot be determined based on the transaction value, whereby the DGCE will provide guidance on the costs and/or value to be added, reduced, or excluded from transaction value.

Importers may request Valuation Advice (along with supporting documents) to the DGCE before submitting the customs declaration, the approval of which can be attached when submitting the import customs declaration. DGCE may request additional data (within ten working days) or oral explanation which must be responded by the importer within five and three working days respectively.

In the case of rejection, DGCE informs the importers by stating the reason for rejection at the maximum 30 working days from the date of the request. In the case of approval, DGCE issues Valuation Advice at the maximum 30 working days for Authorised Economic Operator or 40 working days for other importers since the complete application is received.

Amendment of the Valuation Advice may be requested (one time only) within seven working days from the Valuation Advice date if there is new data on the same substance material. DGCE will issue a new Valuation Advice (and cancel the previous one) if the valuation result is different. They will issue a notification if the result is the same. Both types of decisions must be issued within 30 working days from the date that the amendment request is received.

Valuation Advice is valid for three years from the issuance date as long as the import transaction condition is still relevant with the one listed in Valuation Advice. It may become invalid or revoked under certain circumstances, such as different actual import conditions or a change in provision on the customs value to calculate import duty which may affect the Valuation Advice result.

Update on the scope of geothermal industry receiving VAT/LST facilities

On 1 October 2018, the MoF issued Regulation No.137/PMK.010/2018 (PMK-137) that updates the list of goods on which import VAT and/or LST are not collected as they have been granted with Import Duty exemption. On top of exploration and exploitation activities, import of goods for the utilisation of geothermal energy is now included in the list. This is expected to boost production of renewable energy in Indonesia.

PMK-137 will be effective from 31 October 2018 and serves as the sixth amendment of MoF Decree No.231/KMK.03/2001.

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